PASAI

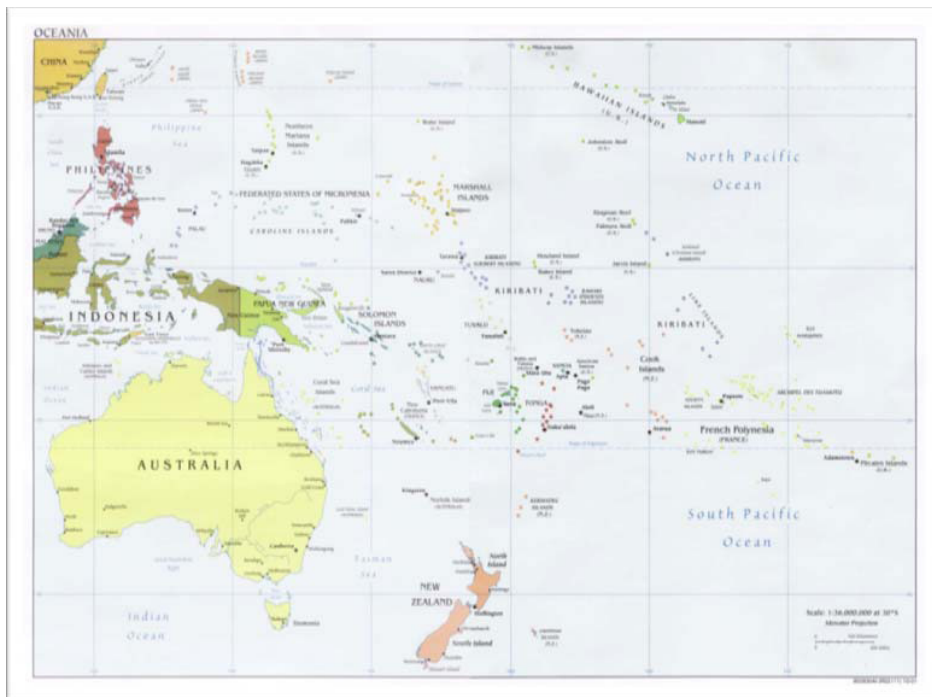"*Pacific Auditors Working Together*"

Pacific Association of Supreme Audit Institutions

Quality Assurance Guidelines

PACIFIC ASSOCIATION OF SUPREME AUDIT INSTITUTIONS

Quality Assurance Guidelines

This Manual has been developed by the Pacific Association of Supreme Audit Institutions (PASAI) as a resource for Supreme Audit Institutions (SAIs) to use when developing quality assurance systems in their respective jurisdictions. The Manual is designed as a reference tool based on international best practices as they existed at the time the Manual was produced. Use of the Manual is the responsibility of an individual SAI, having regard to its mandate, capacity, and country circumstances. PASAI disclaims any responsibility or liability, whether direct or indirect, as a consequence of the use or application of the Manual.

FOREWORD

Supreme Audit Institutions (SAIs) or audit offices have a specific mandate in providing audit services to their auditees. To be able to perform that function effectively and meet standards of quality, it is imperative that their work reflect elements of both competence and professionalism. PASAI recognises the importance of quality assurance (QA) and the benefits it can provide to its members by enhancing their development and professionalism. This is one of PASAI's initiatives aimed at developing SAIs within the region.

This manual has been produced to assist PASAI members in the effective delivery of an SAI's mandate. It provides guidance to SAIs in establishing or enhancing their QA function.
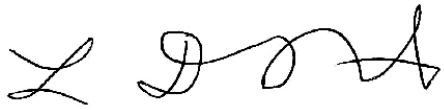
The manual outlines:

- the fundamentals of QA and how it differs from quality controls;

- the regulatory framework including the relevant auditing standards;

- the implementation of a QA function;

- the QA review process; and

- special considerations.

As part of a project undertaken by PASAI, this manual has been collectively developed by a working group team in the region:

- Mr Thomas Gaesara Holland (Leader) – Papua New Guinea;

- Mr Maamaloa Fotofili – Tonga;

- Ms Finau Nagera – Fiji;

- Ms Evelyn Paul – Federated States of Micronesia; and

- Raimon Taake – Kiribati Auditor General (Champion).

PASAI expresses sincere gratitude to the working group for their tireless effort and also the SAIs for facilitating the production of the manual. Additionally, PASAI acknowledges the contributions of the various regional groupings of the International Organisation of Supreme Audit Institutions (INTOSAI), in particular the African Organisation of Supreme Audit Institutions (AFROSAI – English speaking group) and the Asian Organisation of Supreme Audit Institutions (ASOSAI) for sharing their materials.

PASAI hopes that its members will use this manual to enhance their quality assurance processes.

Mrs Lyn Provost
Secretary-General of PASAI and Controller and Auditor-General of New Zealand

CONTENTS

ACRONYMS

AFROSAI-E	African Organisation of English Speaking Supreme Audit Institutions
AQCR	Audit quality control reviewer
ASOSAI	Asian Organisation of Supreme Audit Institutions
CAAT	Computer assisted audit techniques
CIS	Computer Information Systems
COSO	Committee of Sponsoring Organisations of the Treadway Commission
IDI	INTOSAI Development Initiative
IFAC	International Federation of Accountants
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standard on Auditing
ISSAI	International Standards of Supreme Audit Institutions
ISQC	International Standards for Quality Control
IT	Information technology
MOA	Memorandum of Agreement
PA	Performance audit
PASAI	Pacific Association of Supreme Audit Institutions
PRAI	Pacific Regional Audit Initiative
QA	Quality assurance
QAR	Quality assurance review
QARRF	Quality assurance review recording form
QC	Quality control
QCQ	Quality control questionnaire
QMS	Quality management system
SAI	Supreme Audit Institution
WP	Working Paper

1. INTRODUCTION TO QUALITY ASSURANCE

Purpose of Manual

1.1   All Supreme Audit Institutions (SAIs) should work towards providing consistently high quality audit products and services that meet stakeholder expectations in the most efficient and cost effective way. This must be achieved while maintaining a high degree of integrity, accountability, and competence. Quality must be embedded in all areas of an SAI's activities. All these factors lead to the need for SAIs to implement robust quality assurance (QA) systems.

1.2   The main purpose of this manual is to emphasise the importance of QA in the effective delivery of an SAI's mandate. In addition, it has been produced to help SAIs conduct quality assurance reviews (QAR) in their respective jurisdictions. It is envisaged that this manual will be used in different ways:

- SAIs without a QAR manual should use this as a basis for developing their own.

- SAIs that have a QAR manual should use this to consider where their existing manual may be improved.

1.3   The manual was developed in keeping with the requirements of the following standards:

- *Quality Controls for SAIs*, International Standards of Supreme Audit Institutions (ISSAI) 40;

- *General Standards*, ISSAI 200;

- *Quality Control for an Audit of Financial Statements*, ISSAI 1220; and

- International Standards for Quality Controls (ISQC) 1, issued by the International Federation of Accountants Committee (IFAC).

1.4   The extent to which SAIs comply with the requirements in the standards will differ depending on the resources available to them. Without adequate resources, it may not be practicable for some SAIs in the PASAI region to fully comply. The design and implementation of an SAI's quality control policies and procedures, and/or who may be involved in the QARs, may be carried out through alternative arrangements. Such arrangements are detailed throughout this manual.

1.5   The framework for QA adopted in this manual has been taken from the AFROSAI-E Quality Assurance Handbook. The QAR process is depicted in Diagram 1[1] and proposes the relevant processes that SAIs should follow when carrying out a QAR.

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[1] Diagram is adopted from the AFORSAI-E QA Handbook.

1.6 This manual includes five chapters:

- Chapter 1 covers the fundamentals of QA and provides discussion on the differences between QA and quality controls (QCs). SAIs should be aware that these two terms should not be confused and that QCs are a component of the entire QAR process.

- Chapter 2 focuses on the regulatory framework detailing the enabling legislation and relevant auditing standards.

- Chapter 3 covers phases 1 to 3 of Diagram 1. These relate to the implementation of a QA function that represents the basis for conducting a QAR.

- Chapter 4 focuses on phases 4 to 8 of Diagram 1, which relate to planning, conducting, reporting, and follow-up actions of a QAR process.

- Chapter 5 highlights other special considerations that QARs should be aware of. This includes QARs in an information technology (IT) environment as well as QARs of outsourced audits.

1.7 To be useful and relevant, we have attempted to strike a balance between concepts and practices by including templates, checklists, and samples in the appendices that can serve as useful aids. The purpose of these aids is to provide practical "how to" guidance on the QAR process.

Diagram 1 – Quality assurance review process at an SAI

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	Phase 7	Phase 8
Adopt a QA Policy	Adopt a QA Handbook	Establish a QA Structure	Plan the QA Reviews	Conduct QA Reviews	Report on QA Reviews	Action Plan	Follow – Up Actions
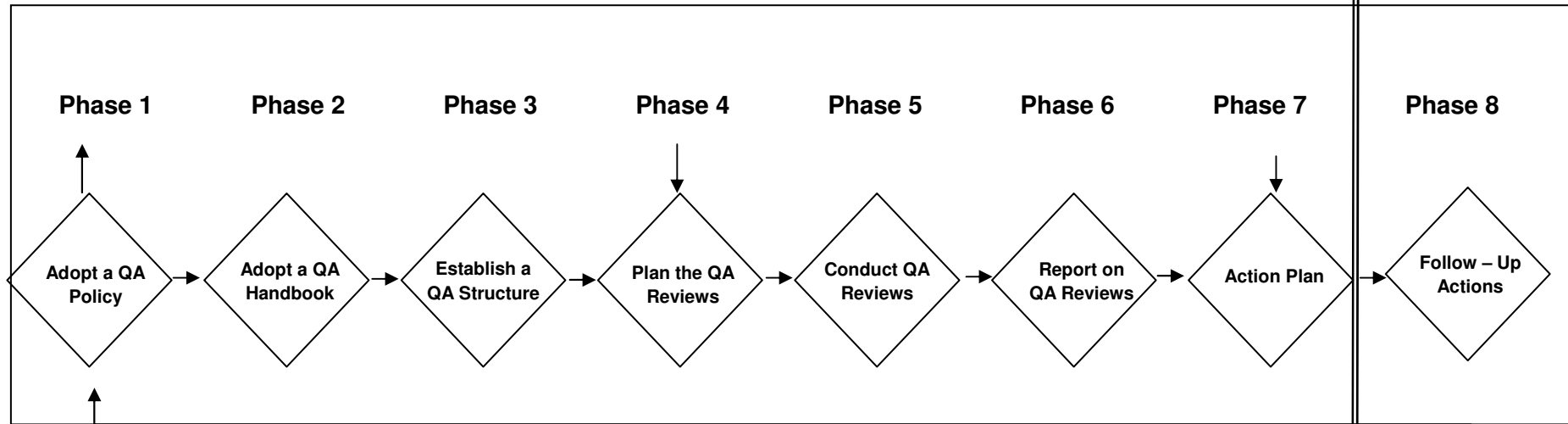
Phase 1: Steps	Phase 2: Steps	Phase 3: Steps	Phase 4: Steps	Phase 5: Steps	Phase 6: Steps	Phase 7: Steps	Phase 8: Steps
1.1 Draft QA Policy.	2.1 Document process to be followed in QA reviews	3.1 Establish reporting structure for QA	4.1 Collect SAI background information relevant to QA	5.1 Conduct entrance meeting with division/unit/section leaders	6.1 Discuss review findings with managers and staff	7.1 Prepare SAI Action Plan to address areas of improvement.	8.1 Get feedback on implementation of Action Plans
1.2 Approve QA Policy		3.2 Document job descriptions for QA Team	4.3 Prepare annual QA plan	5.2 Carry out institutional level review	6.2 Prepare draft report	Consider:	8.2 Follow up actions as per Action Plan
		3.2 Identify staff members for QA function.	Consider:	5.3 Carry out individual level review	6.3 Conduct exit meeting with managers and staff	• revising audit guidance	
		Consider:	• QA Policy	5.4 Document findings	6.4 Prepare individual review reports	• new structure	
		• experience	• background information		6.5 Prepare biannual/annual review reports	• cost of improvement	
		• knowledge	• pre-issuance reviews		6.6 Provide feedback to Head of SAI.		
		• skills					
Product = Documented QA Policy	Product = QA Handbook	Product = QA Structure	Product = Annual Review Plan	Product = List of Good Practices and areas of improvement	Product = QA Review Reports	Product = Action Plans	Product = Implementation Reports

Definition of quality assurance

1.8   QA is a process-driven method with specific steps to help an SAI in attaining its set of goals. This involves adopting and applying policies and procedures to determine whether the SAI's work meets the required standards. QA is not a means to the end, but rather, a process that yields the best possible outcome for an SAI as far as quality is concerned.

1.9   This is done by ensuring that the SAI establishes a process through which:

- required QCs are in place;

- QCs are properly implemented; and

- other means of enhancing QCs are established.

Benefits of quality assurance

Benefits to Supreme Audit Institution

1.10   There are significant benefits to be gained from a robust QA regime, which include the following:

- ensure a high standard of audit work by improving audit performance and results;

- ensure that the audit is carried out in the most efficient and cost-effective way that can lead to a saving in audit time and cost;

- improve the capability of the SAI;

- maintain a high degree of integrity, accountability, and competence;

- enhance the credibility and reputation of the SAI;

- improve method of training and identify additional training needs;

- motivate the personnel of the SAI;

- carry out self-assessment of audit work performed; and

- provide management tool for measuring performance of the SAI.

1.11   The SAI will avoid possible litigation if its work is of high standard and quality.

Benefits to the auditees and stakeholders

1.12   The benefits to be gained by auditees and stakeholders are:

- higher quality services through the provision of audit; and

- increased reliability and credibility of the audit reports.

Quality assurance related concepts

Quality

1.13 Quality is an essential or distinctive characteristic, property, or attribute. It is the degree to which a set of inherent characteristics of a product or service fulfils its requirements.

1.14 In the case of the quality of different audits carried out by the SAI, the general characteristics of the quality may include:

Scope
Did the audit plan properly address all issues for it to be successful and effective? Did the execution of the audit satisfactorily complete all the needed elements of the task plan? Was the report in line with stakeholder expectation?

Reliability
Did the audit findings and conclusions truly reflect conditions on the matters being examined, and, are the conclusions on the assertions in the audit report fully supported with data and evidence collected during the audit?

Timeliness
Were the audit results delivered at an appropriate time? This may involve meeting a statutory deadline, or delivering audit results when they are needed for a policy decision, or when they will be most useful in correcting management weaknesses.

Clarity
Was the audit report clear and concise in presenting the results of the audit? This typically involves ensuring that the scope, findings, and recommendations can be easily understood by users of the report who do not necessarily possess the level of skills, but are interested in the findings of the report.

Significance
How important is the matter that was examined in the audit? This can be assessed in several dimensions, such as the financial outlay of the auditees and the effects of the performance of the auditees on the public at large or on major national policy issues.

Objectivity
Did the SAI duly consider the auditee's responses to preliminary audit observations? Did the working papers demonstrate an impartial consideration and analysis of all evidence gathered?

Efficiency
Were the resources assigned to the audit reasonable in light of the significance and complexity of the audit?

Effectiveness

Did the findings, conclusions, and recommendations get an appropriate response from the auditees, the government, and/or Parliament? Was the desired effect achieved? Did the audit products and services contribute to the promotion of accountability, transparency, and better management practices in the public sector?

Quality control

1.15 The QC process consists of the systems and practices designed to ensure that SAIs issue reports that are appropriate in the circumstances, and in keeping with applicable standards, rules, practices, and procedures.

1.16 QC should be implemented for all phases of the audit process, including:

- selecting matters for audit;

- deciding the timing of the audit;

- planning the audit;

- executing the audit;

- evaluating audit findings;

- reporting audit results, including conclusions and recommendations; and

- following up audit reports to ensure that appropriate action is taken.

Differences between quality control and quality assurance

1.17 QC is the process through which an SAI ensures that all phases of an audit process are carried out in keeping with applicable standards, rules, practices, and procedures. As such, it must be recognised that QC is a line function directly associated with the responsibility of management. The applicable standard for quality control is ISSAI 40.

1.18 By contrast, QA is an assessment process that focuses on the operational aspect of the QC system by persons independent of the audit under review. A QAR can either be done on audits that have been completed, or while in progress at various phases of the audit.

Mechanism for quality assurance

1.19 Two commonly used mechanisms of QA are internal review and external review.

Internal review

1.20 An internal review is a periodic review carried out by persons from within the SAI who are fully familiar with audit procedures, practices, and standards. The review could either be performed by a dedicated QA function within the SAI, or a peer review mechanism involving other divisions/sections.

External review

1.21 An external review is done by parties external to the SAI and may include another SAI from within the PASAI region, a private auditing firm, management consulting firm, academic expert, or regulatory body. The task involves performing a QAR for the SAI by appraising the quality of its audit activity. This is done by providing independent assurance of audit quality to management, the board, audit committee, external auditors, as well as those who rely on the work of the audit activity. Persons who are involved in performing the review must be qualified, independent from the organisation, and do not have any real or apparent conflict of interest. The timing of the reviews depends on relevant auditing standards as well as the terms agreed on between partner SAIs. For PASAI, this would include reviews facilitated by the PASAI Secretariat or peer reviews arising out of reciprocal agreements between SAIs.[2]

Scope of the quality assurance review

1.22 The scope of QARs can extend to all the activities carried out by the SAI. This is referred to in this manual as an institutional level QAR. On the other hand, QARs can also be taken up at the level of individual audits.

1.23 *Institutional level QAR:* A comprehensive review that deals with various aspects of the SAI (as discussed in paragraphs 4.7 to 4.30).

1.24 *Individual audit level QAR:* The review is carried out on a selection of individual audits to determine whether the SAI's policies and procedures as codified in the standards and guidance manuals were applied in the audit.

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[2]   This manual has been prepared specifically for the internal QARs of SAIs. For external QARs, a separate manual will also be developed by PASAI.

2. REGULATORY FRAMEWORK AND PROFESSIONAL STANDARDS

Introduction

2.1 Any QAR carried out must be within the relevant applicable framework. The regulatory framework for SAIs mostly comprises of enabling legislations, which includes the Constitution, Audit Act, relevant standards, and the SAI's policies. This is depicted in Diagram 2[3] in order of hierarchy:

Diagram 2:   Regulatory framework

Constitution

Audit Act

Standards

Policies
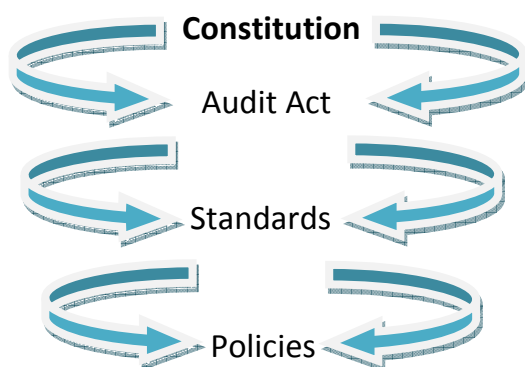
Enabling legislation

2.2   It is vital for QA reviewers to ensure that when undertaking QARs for an SAI, they are fully familiar with the legal and regulatory framework that underpins the mandate of the SAI. The SAI must operate within the statutory regulations. As seen in Diagram 2, the Constitution is paramount in that it is the basis upon which the SAI is created and derives all its powers, functions, and independence. On the other hand, the Audit Act amplifies the mandate of the SAI by giving cause to the establishment of the Audit Office, setting out its terms and conditions, functions, and the general operations of the office, including the statutory reporting requirements.

2.3   As part of the review, it is also necessary for the reviewer to look at other regulations, such as the Public Finance and Audit Act (or similar legislations) and other legislations that give cause to the audit of entities such as government business enterprises, municipalities, councils, and other government agencies of respective countries.

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[3] This regulatory framework has been adopted from the ASOSAI QA Handbook.

Auditing standards

2.4   The International Organisation of Supreme Audit Institutions (INTOSAI) recognises the importance of the need to harmonise auditing standards among the various professional bodies, both regionally and internationally. Working in partnership with the International Federation of Accountants (IFAC) and other professional bodies, that spirit is further enhanced with the adoption of various IFAC standards by INTOSAI. It is through this arrangement that INTOSAI has adopted the quality standards as issued by IFAC that cover the aspects of quality in audit.

2.5   International Standard on Quality Control (ISQC) 1 establishes the standard and provides guidance about the responsibilities of a system of QC for audit (at the institutional level). ISSAI 1220[4] establishes standards and provides guidance about the specific responsibilities for management and staff regarding QC procedures for individual audits.

2.6   These two standards, (ISQC 1 and ISSAI 1220) include the public sector perspective and are suitable for use in the SAI environment. The main difference between the two is that ISQC 1 is focused on policies, procedures, and systems of control for the SAI as a whole whereas ISSAI 1220 aims at the implementation of QC procedures by staff assigned to the individual audit level, and focuses on the audit team and its leadership.

2.7   Many of the key instruments that would be employed to comply with the two standards are also similar. For example, the Head of SAI would ensure that the SAI has auditing standards and manuals (ISQC 1), while the audit team that should have access to these standards and manuals receive the necessary training and actually use these tools during their audit (ISSAI 1220). Individual audit files should demonstrate that audit teams have implemented all relevant requirements.

IFAC standards

2.8   As the IFAC standards on QC relate to the SAI at the institutional level, the elements of a system of QC as outlined in ISQC 1 and ISA 220 (revised) are:

- leadership responsibilities for quality within the SAI;

- ethical requirements;

- acceptance and continuance of client relationships and specific audits;

- human resources;

- audit performance;

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[4] ISSAI 1220 draws on International Standard on Auditing (ISA) 220 – *Quality Control for an Audit of Financial Statements* issued by IFAC. The ISA 220 is to be read in conjunction with ISSAI 1220.

- monitoring; and

- documentation.

INTOSAI auditing standards

2.9   INTOSAI's auditing standard on quality control, ISSAI 200 – *General Standards,* is aimed at the efficiency and effectiveness of the SAI's internal standards and procedures. SAIs within the PASAI region that have adopted the INTOSAI standards are also required to apply IFAC standards, since, INTOSAI has adopted IFAC standards as the basis for Financial Audit Guidelines.

2.10 Paragraph 1.25 of ISSAI 200 states that, "The SAI should adopt policies and procedures to review the efficiency and effectiveness of the SAI's internal standards and procedures."

2.11 This Standard is further amplified by paragraph 1.27, which specifies that:

They should establish systems and procedures to:

(a) Confirm that integral quality assurance processes have operated satisfactorily;

(b) Ensure the quality of the audit report; and

(c) Secure improvements and avoid repetition of weaknesses.

2.12 As such, the SAI must, as a matter of policy, define and decide upon the appropriate standards and level of quality for its outputs, and then establish comprehensive procedures designed to ensure that this level of quality is attained. These policies and procedures should take into account international standards, best practices, and the objectives of the SAI, which will normally reflect the legal requirements and socio-political expectations that the SAI faces.

2.13 Paragraph 1.29 of ISSAI 200 states that, "It is appropriate for SAIs to institute their own internal audit function with a wide charter to assist the SAI in achieving effective management of its own operations, and sustain the quality of its performance."

2.14 Paragraph 1.30 states that, "The quality of the work of the SAI can be enhanced by strengthening the internal review, and probably by independent appraisal of its work."

2.15 The establishment of a separate QA function within the SAI, independent of the audit units, and the engagement of quality reviewers or other external experts such as other SAIs or audit firms are considered to be ways of enhancing the quality of SAI's work.

… It is desirable for SAIs to establish their quality assurance arrangements. That is, planning, conducting and reporting in relation to a sample of audits may be reviewed in depth by suitably qualified SAI personnel not involved in those audits, with consultation with the relevant audit line management regarding the outcome of the

internal quality assurance arrangements and periodic reporting to the SAI's top management." (ISSAI 200, paragraph 1.28)

2.16 The emphasis here is that QARs should be conducted by SAI staff who are not members of the audit team, and also that there is periodic reporting on the outcome of QARs. The applications of these standard requirements are further described in chapters 3 and 4 of this manual.

3. QUALITY ASSURANCE FUNCTION WITHIN THE SAI

Introduction

3.1   Quality is the responsibility of all the staff at the SAI from the Head of SAI down to the most junior staff member. ISQC 1 requires that an SAI establishes a system of QC to provide reasonable assurance that the SAI and its staff comply with professional standards and regulatory and legal requirements, and that reports issued by the SAI are appropriate in the circumstances. It also requires that the SAI's leadership and the examples it sets should significantly influence the internal culture of the SAI. QA is a continuing process to ensure compliance with the applicable legal requirements and audit standards, which will increase the SAI's credibility. Although it may be possible to produce a one-off audit of high quality without a proper system of QA, it is not possible to do it continually for all the audit products issued by the SAI.

3.2   The roles and responsibilities of all staff with regard to QA must be well documented in the SAI's policies and manuals. Supervision and review are two very important requirements of the audit standards. Reviews serve two purposes – to ensure the quality of the audit and to identify and address the training needs of staff. Staff at each level of the process must take full responsibility for the quality of their work. The audit manager cannot, for example, abdicate responsibility to review the audit work because it has been reviewed by the assistant manager and the senior manager is also going to review it.

Establishing a quality assurance function

3.3   Because of public demand, the audit profession is currently under pressure to strengthen the quality of audits and the SAI's QC practices for providing audit, assurance, and related services. In this regard, each SAI should adopt or develop its own QA policy to comply with the relevant and applicable QC standards, thereby improving its quality of engagements performed.

Phase 1 – Adopt a quality assurance policy

3.4   To give prominence to QA in the SAI, it is vital for it to either develop or adopt a policy on QA. Paragraph 1.25 of ISSAI 200 states that, "The SAI should adopt policies and procedures to review the efficiency and effectiveness of the SAI's internal standards and procedures." Because of the importance of ensuring a high standard of work by the SAI, it should pay particular attention to the QA programme to improve audit performance and results. The benefits to be derived from such programmes make it essential for appropriate assurance to be available for this purpose.

3.5   Management should be responsible for creating a culture of quality, which everyone should embrace, by:

- establishing policies and procedures based on the recognition that quality is essential in carrying out audits;

- providing a clear and reasonable vision and goals and demonstrating their commitment through actions;

- appointing a champion to oversee the project and provide the team with a reasonable period of time to complete the project; and

- adopting a comprehensive QA policy that gives high level guidance. If the SAI does not have such a policy, it can be compiled by a team of staff members experienced in QA. This team should have access to relevant resource material such as legislation, standards, and the QA policies of other SAIs. The team should benchmark the draft policy to ISQC 1 and ISA 220 (revised) to ensure that the policy is complete and relevant.

3.6 The QA policy should cover, inter alia, the following:

- *Introduction* – The purpose*,* importance, and advantages of QA should be described here. Continuous improvement should also be included and the fact that all audits conducted by staff as well as those contracted out is subjected to this policy.

- *Process* – Describe the planning, conducting, and reporting lines within the function on the findings and recommendations of the QAR.

- *QA function* – Describe the structure of the QA function, for example, who will it consist of, to whom will it report.

- *Nature and frequency of QARs* – Describe the nature and how often the QARs are carried out by the quality review team. Indicate the required knowledge, skills, and independence of team members.

Phase 2 – Adopt a quality assurance handbook

3.7 After adopting a QA policy, there will be a need for the SAI to compile a more detailed guideline, or handbook, that specifies how to conduct QA in practice. Most SAIs can customise the relevant chapters of this manual to their own situation. Alternatively, such a handbook can be compiled by a team of staff members experienced in QA. If a decision is taken by the SAI to compile their own handbook, a champion to oversee the project and a team should be appointed for the project. The SAI must train all its audit staff in QA as soon as the policy and handbook have been finalised so that the concept is well understood and it is not seen as a threat by the organisation.

Phase 3 – Establish a quality assurance structure

3.8 The Head of SAI is required by auditing standards to set up a QA monitoring function within the SAI. ISSAI 200 states that:

The SAI should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice.

3.9   The SAI has a number of options for setting up a QA function, and establishing a QA unit is one of the primary approaches.

3.10 In the case of small SAIs, it may not always be feasible to set up a separate QA unit. On the basis of requirement, size of the SAI, the competence level of staff, and the expected cost and benefits, the SAI can select any of the following options:

- assign special QA duties to staff in rotation;

- form QA committees (for limited time period);

- arrange QA reviews by other SAIs or other professional bodies; and

- hire external experts[5] to periodically assess the SAI's QC systems. The SAI should ensure that the specialists and experts are qualified and have competence in their areas of specialisation, and should document such assurance.

3.11 Should SAIs decide to form a separate QA unit, they must consider the following requirements:

Quality assurance unit size

3.12 ISSAI 200 requires the establishment of a separate QA unit. If the SAI adopts this approach, the size of the unit will vary depending on the size of the SAI and also the stage of its technical development.

3.13 A good practice that SAI's could consider is to use only auditors who have demonstrated a good understanding of the SAI's audit procedures. However, the SAI should not put too many resources to QA, which would compromise the timely completion of the actual audits. There could be exceptional cases that might demand that the SAI increases its number of reviewers, for example, if:

- the SAI is in the process of rolling out new audit procedures and systems;

- there are new standards to comply with; and/or

- there are new audit areas to review.

Competencies of quality assurance staff

3.14 The QA team should collectively possess the following competencies:

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[5] External experts include qualified specialists, consultants, and technical experts, professional associations and other organisations.

- analytical skills;

- ability to synthesise;

- interpersonal skills;

- communication skills;

- facilitation skills;

- audit experience in all areas; and

- managerial abilities.

3.15 If the SAI has a performance audit function, it might be necessary to have some QA reviewers who are dedicated to the performance audit function. The reviewers should be auditors who have demonstrated a good understanding of the SAI's audit procedures. Possession of the above mentioned skills will enable the team members to use all the review practices effectively. It will also add value if the team is multi-disciplinary, consisting of practitioners who have audit (regularity, performance, IT, and other types of engagements) and management experience.

3.16 Understandably, it can be a significant challenge to identify and establish such a team, and in many cases all the requisite skills and experience may not be available in the QA team. In such cases, the possibility of using external experts for limited purposes should be considered.

The functions of the quality assurance team

3.17 The team will review the adequacy of, and compliance to, QCs at SAI level as well as at individual audit level. The QA reports should identify weaknesses and propose recommendations for consideration and follow-up action by SAI management. The team will also conduct follow-ups to assess the status of implementation of their recommendations. They will assess the outcome of those recommendations that were implemented, and identify reasons for non-implementation of any particular recommendation.

Roles of quality assurance staff

3.18 The roles of the different levels of QA staff are briefly explained below:

Team manager	The team manager, as the head of the QA unit will:
	- report to the Head of SAI;
	- be responsible for overall aspects of the QA function; and
	- formulate strategies to carry out the QA function and measure outcomes of the QA function.

Team leader	The team leader will assume the overall responsibilities in the following stages:
	Planning stage:
	• establish review objectives, scope, time, and targets;
	• formulate the review methodology;
	• delegate the responsibilities to team members; and
	• design the review programme.
	Implementation stage:
	• provide advice and necessary guidance to the team members about the plan, objectives, and on conducting the review;
	• monitor and assure the QAR process is in keeping with QA standards, policies, and procedures; and
	• analyse the findings and articulate the conclusions and recommendations.
	Reporting and follow-up stage:
	• write or review the audit reports and discuss and present the findings to the Head of SAI; and
	• follow up on any outstanding issues.
Team members	The team members will be responsible to the team leader for the following:
	• conducting the review, based on the plan agreed on in the planning stage and according to standards and procedures;
	• gathering evidence to support findings through interviews, documentation reviews, and observations;
	• preparing and documenting necessary working papers to support findings; and
	• preparing a draft report on the findings.

3.19 The detailed job descriptions for QA staff can be found in Appendix 1.

3.20 The responsibilities of a team manager can be carried out by a QA committee. The responsibilities of team leaders and team members may be carried out by a single person (if there are capacity issues within the SAI) who will report directly to the Head of SAI or

through the QA committee to the Head of SAI. However, it should be noted that whether QARs are conducted by a team or a single person, the procedures recommended in this manual should always be followed.

Continuous professional development

3.21 The knowledge and skills of QA staff are significant elements of an efficient and effective QA function. Therefore, it is essential to ensure the continuous professional development of QA staff.

3.22 QA staff should have collective knowledge and experience of their subject matter to fulfil their roles and responsibilities effectively.

3.23 The SAI must ensure that all its audit staff are aware of the function and importance of QA as soon as the QA policy and QA handbook has been finalised, so that the concepts and new practices are well understood. SAIs should invest considerable resources in providing effective training for staff. Workshops, seminars, focus group discussions, and panel discussions should be organised regularly to upgrade the competence of QA staff in the following aspects:

- SAI's QA policy;

- QC system in audit;

- QA standards, procedures, and best practices;

- roles and responsibilities of QA staff;

- ethical requirements;

- soft skills relating to presentation, negotiation, and group leading.

3.24 SAIs may also consider secondment of QA staff to and from SAIs with proven strong QA practices.

Ethical values

3.25 The SAI also needs to consider how to instil the appropriate ethical values in the QA team. These values are outlined in this section.

Independence, objectivity, and impartiality

3.26 The reviewer should be independent from the auditees and the audit team. This implies that reviewers should behave in a way that increases, or in no way diminishes, their independence. The following criteria should be considered in this regard:

- the reviewer should not be a member of the audit team, and should not be selected by the audit team;

- a senior official should be responsible for selecting and appointing the reviewers;

- it may be considered to appoint reviewers at the SAI's management level;

- the reviewer should not otherwise participate in the audit during the review; and

- the reviewer should not make decisions for the audit team.

Integrity

3.27 Integrity is the core value of a Code of Ethics. Reviewers have a duty to adhere to high standards of behaviour (for example, honesty and openness) in their work and in their relationships with the staff of audited entities. To sustain confidence, the conduct of reviewers should be above suspicion and reproach. Reviewers should not indulge in any corrupt practices.

3.28 Reviewers should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence and integrity.

Conflict of interest

3.29 Care should be taken that advice and consultation of the reviewer do not lead to a conflict of interest.

Professional secrecy

3.30 Reviewers should not disclose information obtained in the reviewing process to third parties, neither verbally nor in writing, except for the purposes of meeting the QAR objectives.

Professional competence and due care

3.31 Reviewers have a duty to conduct themselves in a professional manner at all times, and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. Reviewers must not carry out work that they are not competent to perform. Reviewers should know and follow applicable auditing, accounting, and financial management standards, policies, procedures, and practices. Likewise, they must possess a good understanding of the constitutional, legal, and institutional principles and standards governing the operations of the SAI.

4. CONDUCTING QUALITY ASSURANCE REVIEWS

Introduction

4.1 The QA process to ensure a comprehensive review is carried out to conform to applicable international standards is illustrated in the Diagram 3:[6]

Diagram 3: Quality assurance review process

1. PLANNING
- •QAR plan

4. FOLLOW-UP ACTIONS
- Implementation report
- Follow-up report

QUALITY ASSURANCE REVIEW PROCESS

2. CONDUCTING QAR
- Recording of findings
- Monitoring observations

3. REPORTING
- •QAR report
- •Action plan
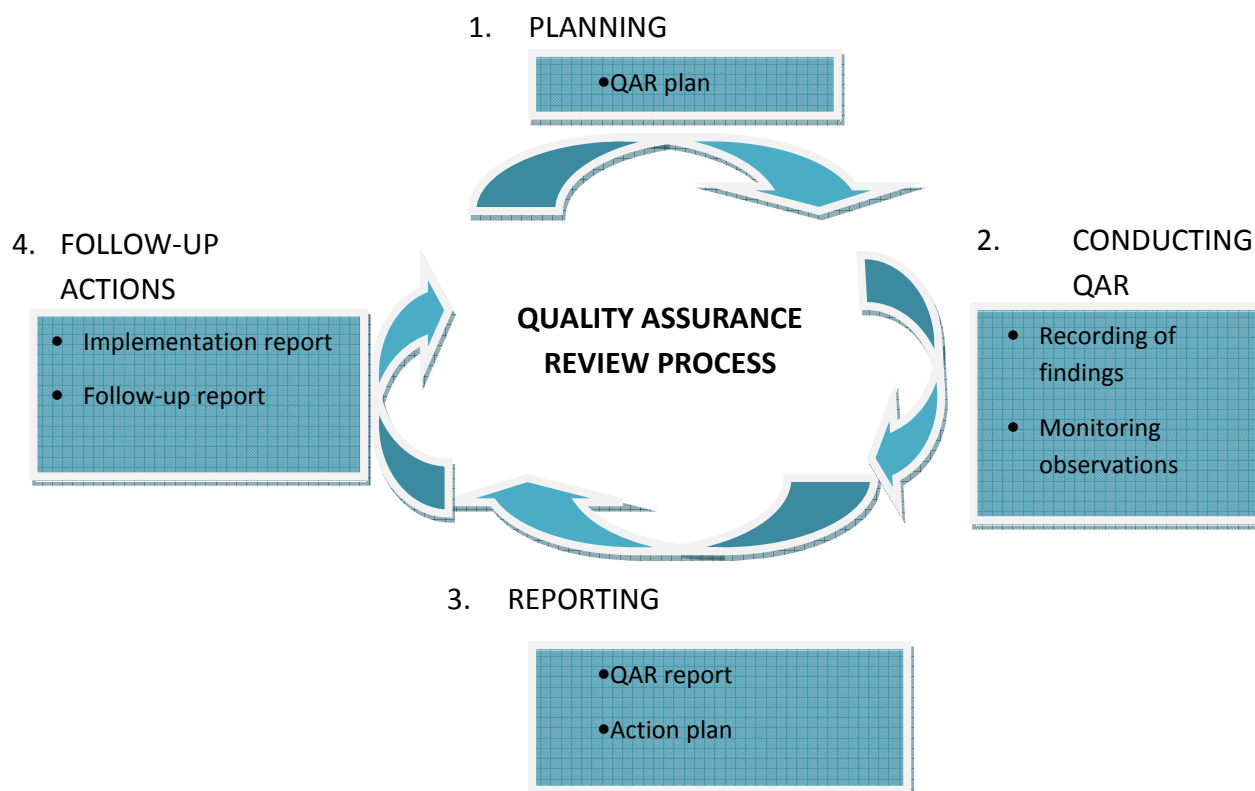
4.2 The **planning** phase (1.) is where the review team will plan the review before it takes place. The inputs will include the terms of reference, budgets, and the background information. The output of this phase is a plan. Once the plan has been approved, it becomes the input of the second phase.

4.3 In **conducting** the QAR (2.), the review team will use a quality assurance checklist/questionnaire. The output of this phase is the findings and observations arising from the application of the QA checklist. This should be discussed with the manager and team members to obtain feedback.

4.4 The **reporting** phase (3.) is where the review team will use the output from the second phase as inputs to prepare a report and action plan. The report should include a summary of

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[6] Diagram adopted from the ASOSAI QA for Financial Audit Handbook.

instances of non-compliance, proposed training, and recommendations on how to improve the SAI's audit practices and procedures.

4.5   The final phase (4.), which is the **follow-up actions**, is where the review team will use the report and action plan as inputs. Appropriate follow-up actions are necessary to ensure that the agreed action plan has been implemented or adequate steps are being taken to implement it.

4.6   It is acknowledged that, currently, most SAIs may not follow the entire QAR process as depicted in Diagram 3. However, for a QAR to be carried out and completed effectively, the requirements as stipulated in the standards must be followed. Phases 4 to 8 discussed below and listed in Diagram 1 (Chapter 1) should be considered and appropriately adapted by smaller SAIs to cater for their respective jurisdictions, size, and the technical competency of staff.

Quality assurance review process

Phase 4 – Planning the quality assurance review

4.7   The planning process involves the preparation of an operational plan and selection of the type of review to be conducted according to the QA guideline of the SAI.

Operational plan

4.8   The annual operational plan should be prepared by the SAI's QA function and approved by the Head of SAI. The operational plan may cater for QARs at both institutional and individual audit levels. However, the review at institutional level is comprehensive in scope, addressing all areas within the SAI that affect its audit performance,7 while the individual audit level reviews will be for selected audits only.

4.9   An operational plan for QARs should contain but not be limited to the following:

- *Scope and approach of the review* – Include a summary of the terms of reference agreed to between the QA function and the Head of SAI. The terms of reference for conducting the review will depend on the type of review to be conducted (pre-issuance or post-audit, internal or external). The nature of the review, whether at institutional or individual level, should also be specified. It is also good practice to use the following criteria when deciding on the audits to be included in the review:

  o audits classified as high risk;

  o parliamentary or media interest in auditee or audit;

  o the auditee faces problems that may lead to contentions and difficult circumstances;

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[7] Areas that affect audit performance are discussed in detail under section 4.1.2.

- the audits of audit teams where significant shortcomings were identified during their previous review;

- a new area of auditing, for example, first performance audit reported to Parliament; and

- audits contracted to private audit firms.

It should be ensured that files are selected from all audit units, covering different types of audits over a specified period.

- *Objectives of the Review* – Should state the aim of the reviews, for example, "To determine if the systems of quality control functioned effectively throughout the SAI and to ensure all audits complied with the audit standards and policy requirements."

- *Timing of the review* – Individual audit level reviews can be conducted annually depending on the availability of resources. However, an institutional level review needs a longer timeframe, preferably as part of the next strategic planning cycle of the SAI or in keeping with the requirements of auditing standards.

- *Budget for the review* – The QA function needs to have enough resources to carry out the reviews. Where applicable, a separate budget for the reviews should be considered and approved by the Head of SAI annually.

- *Methods of gathering information* – Indicate the methodology to be used, for example, interviews with team members and team leaders or comparison of reports to evidence.[8] Identify the checklists to be used. If an SAI uses its own checklists, it would be good practice to make comparisons with the checklists provided in this manual to ensure completeness.

- *Selection of review team* – A team leader should be nominated for each review and the review team should consist of staff with suitable skills and experience to carry out the review, specifically in specialised audits such as performance audits and IT audits. The independence of the review team should also be considered. Where the reviewer's ability to carry out an objective review may be impaired, it should be reported to management, which should take appropriate steps to replace the reviewer.

Planning a quality assurance review at institutional level

4.10 The QAR at institutional level is a comprehensive review that deals with the key result areas within the SAI that affect audit performance. A useful tool to evaluate whether the SAI has delivered its mandate to the satisfaction of its stakeholder is through the SAI

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[8] Refer to Appendix 4 for other methods.

establishing a quality management system (QMS) designed to provide it with reasonable assurance that:

- the SAI and its staff comply with the professional standards and regulatory legal requirements; and

- the reports issued by the SAI are appropriate in the circumstance.

4.11 A QMS is a broad concept that comprises of the SAI's organisational structures, resources, processes, and products needed to implement a quality management framework. The *elements in the SAI-QMS framework*[9] include key management functions that relate to the following:

- independence and legal framework;

- human resources;

- audit methodology and standards;

- internal governance;

- corporate support;

- continuous improvement;

- external stakeholder relations; and

- results.

4.12 The elements of the QMS framework have pre-defined desired conditions, which the SAI should aim to achieve. The desired conditions are summarised in the Table 1.

Table 1: Desired conditions for the elements of the quality management system

Element of framework	Desired condition
Independence and legal framework	The independence and mandate of the SAI should be as comprehensive as laid down in the ISSAI 1 – *INTOSAI's Lima Declaration on Auditing Precepts*, ISSAI 10 – *Mexico Declaration on SAI Independence*, and ISSAI 11 – *INTOSAI Guidance and Good Practices Related to SAI Independence*.
Human resources	The SAI should have an adequate number of competent and motivated staff to discharge its functions effectively (ISSAI 200, paragraphs 1.3 and 1.5).

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[9] Elements of the SAI-QMS Framework have been adopted from the ASOSAI QA for Financial Audit Handbook.

Audit methodology and standards	The SAI's audit processes should be based on the ISSAIs and other international best practices to the extent applicable to the national rules and regulations (ISSAI 100, paragraph 6(a) and ISSAI 200, paragraph 1.13).
Internal governance	The Head of SAI should ensure that the SAI's decision-making and control mechanisms function economically, efficiently, and effectively, and thereby serve as a model organisation in promoting good governance (ISSAI 100, paragraph 6(c)).
Corporate support	The SAI should optimally manage to ensure timely delivery of support services and infrastructure to its departments/divisions/sections.
Continuous improvement	The SAI should be in a constant state of readiness to address current issues more effectively, deal satisfactorily with emerging issues, and take advantage of new opportunities.
External stakeholder relations	The SAI should establish and sustain effective working relationships and communication with external stakeholders to ensure higher impact of the SAI's audit reports and services.
Results	The SAI should deliver quality audit reports and services that promote accountability and transparency in the public sector, more efficient management and utilisation of public resources, and contribute towards good governance.

4.13 Each of the QMS elements consists of various components, which are described in detail in Appendix 2.

4.14 A questionnaire has been formulated from the QMS framework and designed with reference to the relevant INTOSAI and IFAC standards. The questionnaire is included as Appendix 3. However, for the questionnaire to be operationally relevant, SAIs should modify it to suit their present needs and development.

4.15 Apart from the questionnaire, other data gathering techniques include: interviews, focus groups, examination of documented policies, procedures, and physical observations. The team should note that data and information should be gathered from different levels of staff across functional units, and not just the Head of SAI or a few functional units. This is important to ensure data quality and to understand different perspectives on the same issues. Appendix 4 provides a summary of the types of information, their sources, and the methods of gathering evidence for each sub-element of the QMS framework.

Factors to consider before implementing the QMS framework

4.16 Before introducing the QMS framework, there are certain issues to be considered. Some of them are shown below and are relevant not only before or during the introduction phase, but as long as a QA model is used:

- Who should make the decisions on quality? Should there be a separate unit at the SAI for quality issues, or should line managers make the decisions on quality issues and be responsible? What are the pros and cons with different solutions for the SAI?

- How should the SAI secure the needed knowledge and experiences in quality issues – theories and procedures? SAIs need to have staff with experience in quality issues and provide continuous professional development for those staff.

- How should the QA model be related to the existing "quality documents", such as internal manuals and guidelines? How should the QC model support, and be supported by, those manuals and guidelines?

- To develop a QMS takes a lot of effort, but it is potentially even more difficult to maintain. How is the SAI going to ensure that the QMS is kept relevant and not "shelved", but updated as "a living thing" of interest to all?

Planning a quality assurance review at individual level

4.17 Individual level QARs are carried out on individual audits to assess the adequacy of the audit in keeping with ISSAI and the SAI's audit manual, policies, and procedures. QARs at individual level can be carried out pre-issuance or post-audit. For financial audits, pre-issuance QARs are carried out before the signing of audit opinions. Post-audit QARs are carried out after the audit opinion has been issued.

Selections of audits for quality assurance reviews

4.18 Apart from the issues covered in the operational plan, the QA function also has to consider the selection of appropriate audits for QARs. It is advisable to have a representative mix covering different types of audits and from different audit teams or units to assess consistency between the audit processes and approach adopted by each team or unit as far as practicable. The QAR team may obtain a list of completed audits during, for example, the last 12-month period before the review, showing the team responsible for the audit, from which the files can be selected on a random basis. The number of reviews to be carried out should depend on the resources available, such as the number of QA reviewers available, to ensure that reviews are completed within the allocated timeframe. Other useful information the QA function may require include:

- total number of audit assignments under the responsibility of the SAI, which should be categorised – for example, ministries/departments, statutory authorities, local/municipal authorities, government companies, and donor-funded projects; and

- total number of completed audits under each category and their availability.

4.19 In selecting the audits for QAR, the following criteria, amongst others, should be considered:

- audits rated as high risk;

- public interest;

- large or complex audits;

- complex accounting policies or systems;

- material time and/or resources were allocated to the audit;

- a significant change of audit opinion from one year to the other;

- audits contracted out to private auditors; and

- adequate coverage of different sections and senior personnel responsible for audit within the SAI.

Sources and methods of gathering information

4.20 There are various methods of gathering information, that is, interviews, document reviews, focus group discussions, surveys, and physical observations.

4.21 As part of the planning process, and before carrying out the QAR on the working paper files, the review team should have a good understanding of the entity, its budgetary allocations, and its financial position. Sources and methods of gathering such information are detailed in Table 2.

Table 2: Sources and methods of gathering information

Information required	Source	Method
Knowledge of the entity	Legislation governing the entity	Document review
	Strategic/corporate/business plans	Going through website
	Website	
	Registry files	
	Past experience of reviewers	
Budgetary allocation	Annual budget estimates	Perusing the budget estimates
Financial position	Audit report	Examination of the accounts
	Audited financial statements	

Establishing contact with the audit team/unit

4.22 Before starting the QAR, the review team should establish contact with the audit team to obtain some background about the audit. This can be in the form of a formal or informal meeting with the team leader of the audit and the head of unit. The timely availability of working paper files and all relevant documents should also be discussed with the audit team.

4.23 The review team should also obtain assurances from the audit team that the audit working paper file is complete. Working paper files should not be accepted if the audit team cannot provide this assurance. The working paper files should be presented in a properly referenced and logically laid out and easy to understand format.

Special considerations for pre-issuance quality assurance reviews

4.24 Depending on the availability of resources, SAIs may decide to perform pre-issuance reviews (which is a requirement of ISQC 1) to obtain an independent view from a suitably qualified pre-issuance reviewer before the audit report is issued. Pre-issuance reviews are meant to provide the Head of SAI with the assurance that the audit complies with audit standards and other requirements before issuing the audit report and not to correct shortcomings in the work of the audit team. The pre-issuance review is conducted to:

- provide an independent and objective review and evaluation of significant judgments made on accounting, auditing, and reporting matters; and

- conclude, based on all the relevant facts and circumstances known by the QA pre-issuance reviewers, that no matters have come to their attention that would cause the reviewers to believe that the conclusions reached are not appropriate.

4.25 A pre-issuance review should not reduce the review responsibilities of the audit team or relieve the manager from the final responsibility when issuing the audit report.

4.26 Continuous communication should exist between the QA reviewer and the audit teams to co-ordinate the submission of the audit files with the capacity available so that QA reviews do not unnecessarily delay audits.

4.27 The audit team may consult the pre-issuance reviewer during the audit. Where the nature and extent of the consultations becomes significant, care should be taken by the QA reviewer to maintain objectivity. Where this is not possible, another individual should be appointed to take on the role of the pre-issuance reviewer or another person should be consulted.

4.28 The following are examples of indicators that may trigger a pre-issuance review:

- because of unforeseen circumstances, the risk of the audit has increased;

- significant risks of misstatement were identified in complex accounting areas requiring significant judgment (for example, valuations and provisions);

- a significant change of audit opinion is expected;

- significant disagreements with management;

- significant limitations on the scope of the audit; and

- the auditor is uncertain about what type of audit opinion to express and would benefit from an independent review.

Timing of the pre-issuance quality assurance review

4.29 A pre-issuance review needs to be carried out *before* the audit report is issued. Various factors may influence the timing of the pre-issuance review, including:

- when the audit report is due for issue (legal requirements) and a pre-issuance review must be completed;

- the complexity of the audit;

- whether the review needs to occur at appropriate stages during the audit so that significant matters may be resolved to the reviewer's satisfaction promptly; and

- the availability of suitable pre-issuance reviewers.

4.30 The pre-issuance reviewer should be given enough time to perform the review.

Phase 5 – Conducting quality assurance reviews

Conducting quality assurance reviews at institutional level

4.31 Institutional level QARs may cover organisational functions of the SAI in general or may be restricted to individual functions such as human resource management, audit methodology and standards, internal governance, and training and professional development.

4.32 Conducting QARs at institutional level can be a challenging task for reasons including:

- dealing with senior staff and identifying deficiencies in their practices;

- obtaining enough evidence on areas that can have some degree of subjectivity; and

- enquiring about systems and processes that are not within the expertise of the reviewer.

4.33 Sufficiency of evidence is important when information is provided to the QA reviewers through methods of gathering information, such as interviews, that may not be supported with written documentation. QA reviewers have to exercise professional scepticism when faced with information. Where there may be uncertainty or inconsistency, the QA reviewer should carry out further work or only report on what they have reliable evidence on and state the uncertainties when reporting.

4.34 In conducting QARs, it is essential that the review team is aware of the different methods of gathering information. A brief discussion on methods that can be considered for obtaining evidence is provided in Table 3.

Table 3: Methods of obtaining evidence

Evidence gathering method	Explanation
Document review	Information is gathered from reviewing various types of relevant documents. Documents likely to be required for document review include: Constitution, Audit Act and other legislations, policies and procedures, standards, manuals, guidelines, annual report, strategic plan, corporate plan, and business plan.
Interview	Questions are carefully planned and can be drafted in advance. The QAR team will ask the questions of relevant employees in the SAI to obtain their in-depth ideas and perception on the topic of interest. Interviews should be complemented with other data and information gathering tools.
Physical observation	Physical observation is a visual process in which what is observed is recorded in a checklist sheet. Observations may be on physical surroundings, ongoing activities, processes, or discussions. It is used to verify the existence and appraise sufficiency, adequacy, and convenience of the SAI's infrastructure, technology, and support services. It may also give an insight into the behaviours of the SAI's staff for a particular process or activity.
Focus group	A process of focused discussion on a given issue with a group of people. Involves the use of a sequence of key questions. Useful for gathering information on the SAI's functioning, challenges, and strategies.
Survey	Questionnaires are prepared and distributed to individuals to be filled and returned within a certain period after which an analysis is prepared.

4.35 After gathering evidence, the QAR team is required to analyse information. Information gathered through document reviews, interviews, and focus groups are likely to contain qualitative data that will require analysis and classification.

Conducting quality assurance reviews at individual audit level

4.36 Depending on the size and technical competence of the SAI, individual audit level QARs may be carried out on all audits. The reviewer will determine whether the SAI's guidance, manuals, policies, and procedures were applied by the audit team/unit while carrying out the audit. The QAR has a primary, but not exclusive, focus on scrutinising the files containing the working papers prepared by the auditors. Before reviewing the files, the QA reviewer should have a good understanding of the SAI's practices and procedures for carrying out audits. QARs on individual audits should determine, but not be limited, to whether:

- the audit has been conducted in keeping with applicable auditing standards and applicable legislative requirements;

- a comprehensive assessment of risk, including IT risk, has been properly documented and linked to the audit plan;

- an appropriate strategy and set of audit test programs have been developed and used in the audit;

- adequate audit evidence supports the recommended audit opinion, including conclusions for each audit area;

- the nature and extent of the auditor's review of the audit work papers and the issues arising from the audit are documented on the audit file;

- the audit was completed within agreed timeframes;

- the audit was completed in keeping with the specification and terms of the contract and applicable guidelines (for outsourced audits);

- appropriate levels of staff have been utilised on the audit (for outsourced audits, levels of staff should be consistent with those outlined in the tender submission);

- all issues resulting from the audit have been appropriately addressed by the auditor;

- the reports and management letters on the results of the audit are clearly and concisely presented, adequately supported, incorporate the key issues that were noted during the audit, and were agreed with those charged with governance of the entity; and

- proper audit completion processes have been implemented, including the coverage of subsequent events and ensuring that published financial statements and audit reports are correct.

4.37 A QAR on regularity audits generally involves the following:

- gaining an understanding of the audit and the SAI's specific requirements and guidelines applicable to the audit;

- discussions with the audit team;

- a review of selected audit documentation relating to the significant judgments the audit team made and the conclusions they reached; and

- a review of the financial information, conclusion documentation, and the auditor's report, and, in particular, consideration of whether the auditor's report is appropriate.

4.38 The extent of QARs may depend on the complexity of the audit. For large and complex audits, the QAR is recommended to be performed in the field (mostly suitable for pre-issuance reviews). This will enable prompt resolution of the reviewer's questions because the auditee and the audit team involved will be readily available.

4.39 In performing the QAR, the SAI's QA checklist should be used. In the absence of such a checklist, SAIs may choose to use the questionnaire in Appendix 5. The questionnaire takes into account the requirements of IFAC Standards on Auditing and ISSAI. The questionnaire should be customised for individual SAIs' requirements.

4.40 To assist the QA reviewer in understanding the nature of items covered in Appendix 6, a summary of the issues addressed in the questionnaire, with guidance as to where to look for information and what are the potential findings, are provided as Appendix 6.

4.41 **A QAR review on performance audits generally involves the following:**

4.42 The following items are normally evaluated when reviewing the working papers:

4.43 *Performance audit mandate* – The review should confirm that the performance audit was carried out in keeping with the applicable auditing standards and legal mandate.

4.44 *Ethical behaviour as an auditor* – The working papers on file are evaluated to determine that independence, integrity, objectivity, and confidentiality were addressed at the start of the audit and that evidence in this regard was filed. Evidence of this can be signed declarations by the auditors and memos of interviews with auditee staff where ethical issues were discussed.

4.45 *Academic background and theoretical knowledge of performance audit* – The review team should evaluate the working papers on the team selection to determine if the skills mix was addressed during the planning of the audit. Where a lack of knowledge was identified by the audit team, the steps taken to address this should be documented. A lack of specific knowledge will usually be addressed by making use of experts within or from outside the SAI. The review team should evaluate the working papers on the team selection to determine if members of the audit team were trained in performance auditing. It is good practice to compare the information in the working papers to the SAI's training records.

4.46 *Approval of performance audits* – The audit should be approved in keeping with the SAI's applicable policies during the planning phase of the audit. The working papers should also reflect the input and sign-off managers on all levels of the audit. The review team

should confirm that the performance audit report to Parliament (or the appropriate authority) was approved and signed in keeping with the SAI's applicable policies.

4.47 *Audit planning* – The review team should evaluate the working papers for:

- engagement letter;

- collection of knowledge about the auditee;

- identification of focus area/audit object, audit questions, objectives, criteria, and audit approach;

- identification of the needs for quantitative and/or qualitative data, and the sources for the data and how to analyse such data; and

- audit plan.

4.48 The audit plan should be approved at the appropriate level. To assess this, it may be necessary for the review team to consult the audit team. One of the biggest risks in performance auditing is that SAIs will use their limited resources to audit less important issues.

4.49 *Audit findings, conclusions, and recommendations* – The review team must ensure that all findings and conclusions are supported by audit evidence. The best working method for the reviews is to do a walk back from the report to Parliament to the management letter to the working papers and supporting evidence to the audit plan. The review team must confirm that the audit team is complying with the standards concerning the audit fieldwork.

4.50 To test this, the reviewers will have to re-perform some of the audit procedures. In performance audits, judgement will be more subjective as the audits do not relate directly to financial or other statements. Consequently, the auditor may find that materiality by nature or by context is a more important consideration than materiality by amount. The review team should also confirm that the computer assisted auditing tools' (CAATs) work was properly documented, supervised, and signed off as this work is often done by auditors that are not part of the performance unit.

4.51 *Performance audit reporting* – The SAI must adhere to the principles of independence, integrity, objectivity, and confidentiality in reporting to external role players. The review team must confirm that the reports comply with the reporting standards. For example, the report should not contain value judgments.

4.52 A questionnaire for QARs of performance audits is included as Appendix 7. The minimum procedures, as indicated on the questionnaire, should be performed on all reviews. It is recommended that SAIs customise the questionnaire for their requirements, where necessary.

Phase 6 – Reporting on quality assurance reviews

4.53 The reporting stage on QARs occurs when all the phases of the review are complete. The review team, by this time, should have already concluded and documented the issues or exceptions noted within the legal framework of the institution, applicable professional standards, and the SAI's policies and procedures. Additionally, the review team should already have compiled a list of the issues and cleared any misunderstandings during the review with the Head of SAI or the audit team members, if available. At the end of the review, it is expected that the QA unit issues a QA report.

Recording observations

4.54 Observations made by the review team should be documented. The working papers and any other applicable documentation on testimonies, or those sought as means of clarifying any differences in opinions, should be filed with the rest of the working papers.

4.55 Exceptions noted should be clear and the evidence gathered to support them should be factual and concise against the required standard.

4.56 For example, exceptions noted should be categorised as one of the following to ensure logical flow and to make the reporting easier:

- high risk matters – matters that if not resolved might result in an inappropriate audit report;

- other important matters – matters that need to be resolved for the audit to adhere to audit standards and regulatory and legal requirements; and

- administrative matters – housekeeping matters or areas for improvement for future audits.

4.57 The review team should also review the QAR questionnaires in Appendices 3 and 6. The review team must go through the questionnaire and try to analyse the responses and make sure that the information is flowing logically and that there is no contradiction. The reviewer must have already exercised professional judgment when completing the checklist. If information gathered is not consistent, the reviewer must have already sought further clarification from the appropriate SAI staff.

4.58 All the information obtained from the QAR questionnaires should be recorded using a standard format, the Quality Assurance Review Recording Form (QARRF). Refer to Appendix 9 for the format of the form and for the detailed explanation of the sections in the QARRF. If required, the reviewer may supplement the QARRF with additional material.

Clearing findings and feedback from SAI management

4.59 The review team should meet with the SAI management to discuss the findings and ensure they are clearly understood. If required, the shortcomings identified by the QAR team should be corrected in the working papers. Before the meeting, the team should:

- go through the recorded observation forms, summarise and agree on the observations;

- agree on the mode of presentation of the observations, whether in writing or verbally, or both;

- make an appointment with management for the meeting;

- consider the documents to have in the meeting;

- agree among the team who should lead the discussions, and who should record the conclusions arrived at; and

- agree on the sequence of presenting the issues. It is advisable to start with the good practices of the SAI before highlighting the weaknesses.

4.60 During the meeting, the team should:

- give an opportunity for management to discuss issues;

- take note of all points that are clarified by management;

- note all disagreements between the team and management, and consider whether there is a need to verify such issues;

- if necessary, agree with management on a second round of feedback; and

- suggest recommendations for weaknesses.

4.61 However, there are certain things the team should try to avoid when giving feedback to management. These include:

- an aggressive way of talking, especially when commenting on the weaknesses;

- destructive criticism of the work of the SAI;

- giving unmerited praise; and

- generalising comments that are in fact for a specific issue or audit work.

4.62 After the meeting, the team should:

- verify the issues that management claimed are in place; and

- finalise the observations at this point.

Preparing to discuss summary of the review results

4.63 The next stage is to present the summary of the findings to SAI management. The following aspects should be considered by the review team before the presentation:

- formulate the findings to be presented based on the working papers and evidence;

- prepare on the points to be discussed;

- appoint a person to take minutes of the discussions, observations, and explanations provided to the review team; and

- insist that all the staff members involved in the audit are present at the meeting.

Discussing the findings/review results with SAI management

4.64 Before finalising the QA report, it is essential to discuss the outcome of the review, including recommendations, with the appropriate audit manager(s). The following guidelines will make the discussion effective and acceptable:

- be punctual;

- start by presenting the good practices;

- continue to present the weaknesses;

- be brief and to the point;

- record the responses given by management;

- ask if there are any questions needing clarification

- ask for comments and recommendations; and

- acknowledge management and staff involved in the audit for their co-operation and assistance.

Preparing the draft report

4.65 After discussion with management, the QAR team should do the following:

- summarise the observations obtained during the discussion;

- analyse the observations with the explanations received;

- investigate further evidence to matters on which there have been diverse opinions;

- discuss and reach a consensus about the findings;

- agree on the amendments to be made to the draft report; and

- discuss the recommendations and decide on the findings to be included in the report to be submitted to the Head of SAI.

Format and content of the report

4.66 Having recorded all the observations of the individual assignment being reviewed, the QAR team will be able to prepare the QAR report. The report should include the following:

- *Table of contents*

- *Executive summary* – A list of the contents of the report. This section must be very brief and cover only the highlights of the report. Mostly, people with limited time, such as the senior managers and the Head of SAI, read only the executive summary. Therefore, it should briefly explain all the main ideas and findings. The executive summary may contain the following:

  - brief background;

  - significant observations; and

  - key recommendations.

  The executive summary should not be a simple repetition of the sections from the main body of the report. A consistency check between the executive summary and main report should be done. Teams have varying approaches to drafting executive summaries. Some draft it early in the process, and update it as the structure and detailed content of the main report evolve, while others draft their executive summary after completing the main body of the report.

- *Introduction* – May explain the background for the report and contain objectives of the QAR work. The introduction gives detailed information about the purpose of the review work.

- *Approach and methodology used* – This includes the actual work done and the procedures followed by the QAR team. It should cover items such as:

  - the QMS framework used;

  - main data gathering techniques used; and

  - limitations, if any, of the approach.

- *Findings and recommendations (main body of report)* – In this section, the QAR team should include the following items under each element of the QMS framework:

  - *Desired condition* – The team may consider the desired condition for each QMS element discussed earlier in this chapter.

  - *Current situation* – This should be a brief description of the existing policies and processes relating to the QMS element.

  - *Weaknesses* – These are the gaps between desired condition and current situation.

  - *Factors contributing to the weaknesses* – It is critical to identify these factors since they form the basis for recommendations.

  - *Recommendations* – Suggestions for improvements in future QA policy. The recommendations should be clear, meaningful, and practical.

o *Annexes* – These generally contain supporting information that interested readers may like to study.

Finalising the report

4.67 To finalise the report, members of the team are required to have a meeting and discuss the observations obtained during the discussion with the Head of SAI.

4.68 The team is required to consider all the points indicated above, and to then prepare the final report. The final report should be signed by the QAR team manager.

Exit meeting with the Head of SAI

4.69 During the exit meeting, the QAR team manager confirms that all the shortcomings that were identified during the review were resolved and provides assurance to this effect to the Head of SAI.

Annual report on quality assurance

4.70 It is good practice for the QA unit to produce an annual report on quality issues of the SAI. This report should be submitted to the Head of SAI. The report should contain, but not be limited to, the following:

- introduction;

- objectives of the reviews and the report;

- scope and approach of the reviews;

- periods covered;

- methodologies used;

- sample size;

- reviewers;

- an indication if the timetable for the reviews was met;

- an indication if all legislative deadlines for reporting were met;

- a summary of the findings (observations) with an emphasis on transversal issues;

- an indication if the shortcomings identified during the previous years were eliminated or repeated;

- recommendations and action plans to address the shortcomings, including training needs;

- statistical information on, for example, the number of reviews conducted and passed compared to previous years to show trends; and

- conclusion.

4.71 Quarterly progress reports must be submitted to the Head of the SAI as good management practice so that critical matters relating to the breakdown of QCs is brought to their attention for prompt remedial action.

Phase 7 – Action plan

4.72 All deficiencies and recommendations pointed out in the QAR report should be communicated to the respective officials or units so that they can take appropriate measures and remedial actions. Thereafter, the SAI should organise a brainstorming session involving people from all levels of management, on the deficiencies and recommendations provided by the QAR team. The session could focus on, at least, the following areas:

- those needing improvement/recommendations;

- priorities;

- proposed action;

- responsible official/unit/division/department to implement the action; and/or

- deadline.

4.73 Since there could be shortcomings and recommendations related to the policy decisions or requiring amendment to the existing policies or introduction of new policies, it would be appropriate for the Head of SAI to chair the session. The final action plan should be signed by the Head of SAI. Although action plans are usually prepared after receiving the QAR report, they can also be prepared during the exit meeting of the QAR, and incorporated into the final QAR report.

4.74 Depending on the level of the QAR, the recommendations or the areas needing improvements must be prioritised for effective implementation. Although the QAR team may rate the risk of each of their findings and observations as high, medium, and low, the SAI management should again go through the same process of prioritising the same findings and observations. However, besides prioritising as high, medium, and low, it must also see whether they are applicable given the circumstances under which the SAI is operating. In addition, the criterion for prioritising/rating is also different and is normally decided during the brainstorming session. The following are some of the commonly used criteria:

- the expected effect on the SAI and the individual audit that will include the positive effect of implementing the recommendation and negative effect of not implementing the recommendation or not taking actions;

- seriousness of the deficiency;

- the applicability in relation to the SAI mandate, overall government policy, and the country's development stage – for example, one cannot expect the SAI to use the latest auditing software when there is hardly any IT development in the country itself; and

- availability of resources, such as time and money.

4.75 Based on the above criteria, including other criteria identified during the brainstorming session, the recommendations or areas needing further improvements can be rated as high, medium, or low.

Phase 8 – Follow-up actions

4.76 Based on the action plan, a follow-up review can be carried out to see whether the actions have been implemented by the concerned person, units, divisions, or departments within the given timeframe. Wherever possible, the follow-up team should also comment on the effect of the actions on the SAI or an individual audit. The team should also look for reasons for not taking the actions, and suggest alternatives wherever possible. It is possible that although the SAI has the will and desire to implement the actions, the actions remain unimplemented because of certain constraining factors like time and resources.

4.77 The follow-up action report should be submitted to the Head of SAI for taking further actions. Further actions may include, but not be restricted to, the following:

- seeking explanation against those who have not taken any action to implement the proposed actions;

- cautioning those who are lagging behind the scheduled deadlines;

- looking into the alternatives and making relevant persons/s or units to study the options for their applicability and practicality; and

- re-prioritising and eliminating certain proposed plans of action that cannot be implemented at all.

4.78 The follow-up on QARs can also be conducted by the internal QA unit on a continuous basis by monitoring their implementation against the scheduled deadlines. Therefore, it is important to involve people from the internal QA unit during any QAR. The results of the follow-up can be utilised as input for the next planning process.

5.   SPECIAL CONSIDERATIONS

Quality assurance of audits in an IT environment

5.1   The rapid advances in IT have generated tremendous benefits to SAIs. One such benefit is the automation of auditing tools. Increasing numbers of SAIs in the PASAI region already have implemented, or will implement, audit automation software. The audit profession will continue to adapt and evolve in response to the needs for assurance of information security both in existing traditional information systems and in emerging internet-enabled services.

5.2   Technically, there is no difference between the review of paper-based working paper files and those in electronic format. However, there are a number of important factors that QA reviewers should consider when carrying out QARs of working papers in electronic format. The QA reviewers should be familiar with the specific electronic working paper system; otherwise, they should be trained before they start the review.

5.3   Very often there are no audit trails of the changes made to the electronic working papers if they have been overwritten. Therefore, it is important for the reviewer to review the controls in this regard. SAIs must recognise the need for increased assurances regarding critical data and information systems security in an IT dominated environment. The sufficiency of evidence in a regularity or performance audit now frequently requires consideration of IT controls over data reliability and integrity.

5.4   QA reviewers should ensure that there is proper version control over the electronic working paper files and that the latest copy has been submitted for review. The QAR team should not accept the electronic working paper files if no back-up is maintained.

Quality assurance of outsourced audits

5.5   In some SAIs, outsourcing10 is considered to complement their capacity. Although the contracted firms may have their own QA systems, the final responsibility for the quality of the audit remains with the SAI. The SAI will still need to review the audit to ensure that the audits meet its quality standard.

5.6   The SAI may not have the capacity for pre-issuance reviews on audits that are contracted out. However, the audits must be considered for QARs by the SAI.

5.7   A major risk factor that should be considered in outsourcing audits is the independence of the audit firm. Possible conflicts of interest may arise if the firm also renders other services such as accounting, internal auditing, and consulting to the auditee. In tendering for audit services, the SAI should request audit firms in the invitation to tender

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[10] The use of private sector accounting firms to carry out audits on behalf of the SAI.

to declare any interest in the entity to be audited. It is good practice to compile a list of audit firms that can conduct work on behalf of the SAI and document the capacity of the firms, including any services that the firms offer to auditees.

5.8 The SAI may nominate an internal audit co-ordinator with suitable skills and experience. Additional training on how to manage outsourced audits in terms of evaluation of work done, liaising, and overseeing the audit should be provided to the audit co-ordinator.

5.9 The SAI should communicate in writing its requirements to the audit firm before the start of the assignment. All relevant documents relating to audit approach, guidelines, QA policy, and QC guidelines should be made available to the firm. If the firm is not willing to accept the requirements, the SAI should consider awarding the contract to another firm.

5.10 It is also good practice to bring the contracted firms together from time to time to inform them on new developments in the SAI and address issues for improvements noted from previous work done. Organising orientation programmes, giving an overview of the SAI's vision, mission, core values, audit methodologies and techniques, policies, and procedures, should be facilitated through contractual agreements between the SAI and the audit firm. The contract should be carefully examined for legal implications to protect the interest of the SAI.

6. APPENDICES

Appendix 1: Detailed job description for QA unit staff

1. Team manager

Outline of responsibilities

The team manager will be responsible for the overall performance of the unit. This will involve setting out the strategic direction and ensuring that it has appropriate capacity to fulfil the demands set. The performance will also be assessed on a pre-determined basis, and information systems will be put in place to provide efficient reporting on performance. Key discussions and negotiations with, in particular, senior personnel to resolve disputes and disagreements will be required, and ongoing monitoring of staff performance will be expected.

Key responsibilities
- Approving and implementing any strategic planning and operational planning documentation in line with current SAI management practices.
- Delivering the following reports:
  - SAI level report on an agreed periodic basis;
  - report on progress with institution level recommendations on an annual basis; and
  - annual report summarising the key findings on the individual level reviews.
- Updating policies and procedures relating to QA as they are required.
- Preparing and presenting a budget in line with SAI practices.
- Ensuring adequate management of human resources, including identifying recruitment needs, training requirements, and other areas of development of staff.
- Liaising with senior management as and when required for, among others, dispute resolution.
- Commenting on advice, guidance, and documents issued within the SAI from a QA perspective.
- Tracking the progress of the review.
- Considering the capabilities and competence of individual members of the team, whether they have enough time to carry out their work, whether they understand their instructions, and whether the work is being carried out in keeping with the planned approach to the review.
- Addressing significant matters arising during the review, considering their significance, and modifying the planned approach appropriately.
- Identifying matters for consultation or consideration by more experienced staff during the review.

Soft skill competencies

- Strong facilitation skills to guide the team on issues arising that require changes to the QA methodology.
- Communication, negotiation, and interpersonal skills to motivate staff and resolve disputes.
- High level of integrity to not be affected by influences such as seniority and personnel relationships.

Experience and qualifications

- Understanding the SAI environment at an operational and management level, with at least five years working knowledge.
- Management experience in line with any SAI policies for a similar level of seniority.
- A formal accounting/auditing qualification.
- At least three years auditing and/or review experience.

2. Team leader

Outline of responsibilities

The team leader is responsible for the day-to-day activities of the QA function. This involves preparing any planning, progress, or final reports for the team manager. Also, in the absence of the team manager, the team leader should be able to undertake their functions. Managing and developing the reviewers is a fundamental part of the team leader's role, and they need to ensure that they support reviewers when dealing with the audit teams during various interactions.

Key responsibilities

- Preparing strategic planning and operational planning documentation in line with current SAI management practices.
- Preparing the following reports:
  - SAI level reports on an agreed periodic basis;
  - report on progress with institution level recommendations on an annual basis; and
  - annual report summarising the key findings on the individual level reviews.
- Commenting on policies and procedures relating to QA as they are required.
- Providing input into the budget submission.
- Identifying resource requirements and training needs for the review team.
- Maintaining relevant management information to be used for reporting purposes.
- Co-ordinating arrangement for the reviewer's visits and liaising with the audit teams accordingly.
- Commenting on advice, guidance, and documents issued within the SAI from a QA perspective.
- Managing the reviewers in terms of planning and controlling.
- Undertaking reviews of the work completed by the reviewers to ensure that:

- enough evidence has been gathered to support the findings;
- work is carried out in line with prescribed methodology of the QA function;
- findings and recommendations are appropriately based on sound analysis and evidence;
- assessment of the significance of the findings is appropriate;
- judgements made are reasonable and appropriately documented;
- time management of reviewers is in line with budget, or other measures; and
- reviewer conduct is professional and all feedback from the audit team is noted and/or followed up.

- Leading discussions with audit teams' management to discuss review findings and recommendations.
- Monitoring progress from management information on a regular basis and identifying any corrective steps required to be taken.
- Performing in keeping with professional standards and regulatory and legal requirements.
- Raising significant matters for further consideration.
- Carrying out appropriate consultations and documenting and implementing the resulting conclusions.
- Revising the nature, timing, and extent of review work performed.
- Ensuring that the work performed supports the conclusions reached and is appropriately documented.
- Ensuring that the evidence obtained is sufficient and appropriate to support the reviews report.
- Ensuring that the objectives of the review procedures have been achieved.

Soft skill competencies

- Strong facilitation skills to guide the team on reporting on common issues consistently, leading brainstorming and other sessions to assist in enhancing the QA methodology.
- Communication, negotiation, and interpersonal skills to motivate staff and resolve disputes.
- High level of integrity to not be affected by various influences such as seniority and personnel relationships.

Experience and qualifications

- Understanding the SAI environment at an operational and management level.
- At least three years working knowledge.
- Management experience in line with any SAI policies for a similar level of seniority.
- A formal accounting/auditing qualification.
- At least three years auditing and/or review experience.
- Project management experience and training is desirable.

3 Review team member

Outline of responsibilities

The reviewer will be responsible for assessing whether the overall quality of the audits is in line with the audit methodology and standards. This will be carried out through selected reviews of a number of audits and audit teams. The reviewer will be responsible for assessing audit files and other documentation for institutional reviews, which may already have been scrutinised by senior staff. Based on the above, the reviewer will often be expected to justify findings in discussion with more senior personnel. The reviewer will also be required to assist management as and when required. This can include:
- assisting with information gathering;
- maintaining information systems; and
- providing assistance with logistical arrangements such as meetings.

Key responsibilities

- Obtaining information to support management in arranging institutional level and individual level reviews.
- Making arrangements for ensuring the availability of information and personnel to ensure that the operational planning requirements are met.
- Maintaining any information systems/records required for reporting on the QA function.
- Preparing for reviews, including keeping up to date with accounting and auditing developments within the profession, as well as practice developments within the SAI. Ensuring that other changes within the SAI policies and procedures are identified and considered for the institutional level review/monitoring reports.
- Carrying out reviews in line with prescribed QA methodology in a professional manner.
- Documenting findings and providing enough and appropriate review evidence for discussion with the audit team and for the review of the team leader.
- Contributing to discussions with the audit team on the findings identified.
- Evaluating the findings from the review, including consideration of causes of findings and relevant recommendations.
- Attempting to resolve any dispute with the audit team wherever possible, before involving the team leader.

Soft skill competencies

- Strong facilitation skills to guide the team on reporting on common issues consistently.
- Leading brainstorming and other sessions to assist in enhancing the QA methodology.
- Communication, negotiation, and interpersonal skills to motivate staff and resolve disputes.

- Ability to analyse information and present the findings in a user-friendly manner.
- Strong application of professional scepticism to assess responses provided by the audit or management to initial findings.
- High level of integrity to not be affected by influences such as seniority and personnel relationships.

Experience and qualifications

- Understanding the SAI environment at an operational level.
- At least three years working knowledge.
- A formal accounting/auditing qualification.
- Project management experience and training is desirable.

Appendix 2: QMS Framework and sub-elements for institutional QAR

1	2	3	4	5	6	7	8
Independence and legal framework	**Human resource**	**Audit methodology and standards**	**Internal governance**	**Corporate support**	**Continuous improvement**	**External stakeholder relations**	**Results**
Independence Mandate	Recruitment Retention Career development Training Well-being Performance management	Standards Manuals and guidance	Leadership and direction Strategic and operational planning Oversight and accountability Code of Conduct Internal controls Quality assurance	Financial resources Infrastructure Technology Support services	Professional staff development Research and Development Organisational development Change management	Audited entities/ Parliament/Head of State/Executive Public Peers Donors International organisation Media Professional and academic institutions	Output (quality/quantity) Impact

1. INDEPENDENCE AND LEGAL FRAMEWORK

> **Desired condition**: The independence and mandate of the SAI should be as comprehensive as described in ISSAI 1 – *Lima Declaration on Auditing Precepts*.

A fundamental principle of auditing is to provide an independent opinion on the performance of the audited entities and their compliance with laws, rules, and regulations. Consequently, INTOSAI's *Lima Declaration on Auditing Precepts* (the Lima Declaration) underscores that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influences. The Lima Declaration highlights the following dimensions of independence of SAIs that need to be in place:

Independence of Supreme Audit Institutions
Although State institutions cannot be absolutely independent because they are part of the State as a whole, SAIs should have both the functional and organisational independence required to accomplish their tasks. The SAI should be free to determine the nature of its organisational structure and functional processes without outside interference. Ideally, the establishment of SAIs and the necessary degree of their independence should be laid down in the relevant Constitution. However, the details may be set out in legislation such as in a separate audit law. The Lima Declaration recommends that adequate legal protection by a supreme court against any interference with an SAI's independence and audit mandate should be guaranteed.

Independence of the Head of SAI and officials of Supreme Audit Institutions
The independence of an SAI is inseparably linked to the independence of its head and its staff working. The Lima Declaration recommends that the independence of the Head of SAI should be guaranteed by the Constitution. In particular, the procedures for removal of a Head of SAI from office should be embodied in the Constitution in a manner that may not impair the independence of the Head of SAI. In their professional careers, audit staff of SAIs must not be influenced by the audited organisations, and must not depend on such organisations.

Financial independence of Supreme Audit Institutions
SAIs should be provided with the financial means to enable them to accomplish their tasks effectively. If required, SAIs should be entitled to apply directly for the necessary financial means to the public body deciding on the national budget, for example, the Parliament, instead of depending on the Ministry of Finance, which is one of the auditees of an SAI. In addition, SAIs should be entitled to use and re-allocate the funds allotted to them under a separate budget heading in ways that they consider to be appropriate.

Mandate

The mandate of the SAI should be clearly defined in the Constitution and/or in separate audit legislation. It should clearly spell out the powers and responsibilities of the SAI regarding access to information, the nature of entities over which it has audit jurisdiction, and the nature, scope, and timing of audits.

2. HUMAN RESOURCES

> **Desired Condition:** The SAI should have an adequate number of competent and motivated staff to discharge its functions effectively.

People are the most valuable assets of an SAI. Sound human resources management should provide employees with a rewarding and professional environment, as well as maintain and enhance the capabilities of the people. As a result, a motivated and professionally competent workforce plays a significant role in achieving the required high quality of audit processes and outputs. It is a common practice to set up a human resources management function within an SAI as a part of the SAIs' management system. The following aspects need to be emphasised in regard to human resources management:

- Establish a policy and procedures regarding recruiting, training, motivation, and professional development.
- Implement each set of procedures, such as organise and adapt training activities.
- Periodically review results of training and professional development programmes to evaluate whether they are being presented effectively and are accomplishing objectives.
- Establish performance-based promotion and advancement system, link performance management with personnel welfare and benefits.
- Assign the responsibility for the professional development function to a person or group with appropriate authority.

The human resources sub-elements include: ***recruitment, retention, career development and training, well-being, and performance management.***

Recruitment
The INTOSAI auditing standards relating to recruitment state that:

> *The SAIs should adopt policies and procedures to recruit personnel with suitable qualifications. SAI personnel should possess relevant academic qualifications and be equipped with appropriate training and experience. The SAI should establish, and regularly review, minimum educational requirements for the appointment of auditors. (ISSAI 200, paragraphs 1.3 and 1.4)*

> *The SAI should adopt policies and procedures to develop and train SAI employees to enable them to perform their task effectively and to define the basis for the advancement of auditors and other staff. The SAI should take adequate steps to provide for continuing professional development of its personnel, including, as appropriate, provision of in-house training and encouragement of attendance at external courses. The SAI should maintain an inventory of skills of personnel to assist*

in the planning of audits as well as to identify professional development needs. The SAI should establish and regularly review criteria, including educational requirements, for the advancement of auditors and other staff of the SAI. The SAI should also establish and maintain policies and procedures for the professional development of audit staff regarding the audit techniques and methodologies applicable to the range of audits it undertakes. (ISSAI 200, paragraphs 1.5 to 1.9)

The following factors should be considered by the SAI to determine standards of qualification and competence of staff members:

- Recruit multidisciplinary personnel with suitable qualifications and experience.
- Supplement internal human resource and skills by seeking outside expertise from qualified specialists, consultants, technical experts, professional associations, and other organisations as needed.
- Ensure that the specialists and experts are qualified and are competent in their areas of specialisation and document such assurance.
- Outsourcing: Audits may also be contracted out to private firms, to carry out audits on behalf of the SAI or to participate in joint audits with the SAI's staff. However, the SAI remains responsible for the quality of the products and should, therefore, ensure strict quality control over the outputs delivered by such external parties.

Retention

Salaries and allowances, personnel welfare, and benefits for SAI employees are usually covered under the public service regulations in most countries. Therefore, it may not always be possible for SAIs to provide attractive salaries to retain qualified staff. This makes it even more important that SAI management ensures that the working conditions are attractive enough to retain the services of experienced personnel. At the same time, to the extent possible, SAIs may work towards a separate salary structure for its personnel. In cases where the SAI requires expert staff who cannot be recruited on the basis of conditions of the civil service, special arrangements should be agreed with them, placing them outside the regular wage scales.

Career development

Career development is a concept that goes beyond training of individuals. It is the process of managing the professional life, learning, and work over the lifespan of an individual. Career development is to identify development priorities of the employees and further to identify priority changes in approach and training needs. The aim is professional development with increased knowledge, skills, and abilities of individuals. To ensure proper career development, the SAIs should specifically:

- manage the careers of their staff within and between SAIs;
- structure the career progress of their staff; and
- manage succession planning, particularly with higher decision-making positions.

Training

Training is the process by which employees acquire knowledge and skills needed to accomplish their assigned tasks. Training has assumed critical importance, as SAIs need to be knowledge-centric organisations, with people being their key assets. Government auditors need to be armed with knowledge and a good understanding of the government environment – including the role of legislature, legal and institutional arrangements governing the operations of the executive, and the charter of the public enterprises and of SAI's auditing standards, audit methodologies, policies, procedures, and practices.

INTOSAI auditing standards state that, **"**SAIs should adopt policies and procedures to develop and train SAI employees to enable them to perform their task effectively, and to define the basis for the advancement of auditors and other staff" (ISSAI 200, paragraph 1.5).

Training has gained further importance as government practices are changing at a faster pace by adopting newer techniques and more systems are becoming IT based. As a result, audit methodologies must keep pace with the change in government practices. It is desired that the SAIs initiate use of new techniques such as risk-based auditing, application of quantitative techniques, and increasing the use of IT as an audit tool to improve audit quality.

SAIs should have a training function with responsibility for developing, establishing, and monitoring a training plan and conducting training needs' assessments, as well as planning and scheduling training activities. The SAI should maintain an inventory of skills of personnel to assist in planning of audits as well as to identify professional development needs.

Training should be a continuing process, and should be adapted to the needs of the SAI so that employees can continuously upgrade themselves and be in tune with the latest technological developments and changes in audit methodologies, techniques, and tools. The training activities may be multi-faceted and should include in-house training courses, seminars, workshops, and on-the-job training.

Well-being

The SAI should take effective steps to create a motivating working environment that takes care of the psychological and physical well-being of its staff. Measures should include health care programmes, social, recreational and sporting facilities, fitness programmes, housing, and counselling services. Some well-being measures could be gender-specific, such as flexible work hours for female staff who are nursing mothers, or who have children to look after.

Performance management

A performance management system should be developed to provide timely and constructive feedback to employees on their performance. The objective of performance management is to maximise the individual potential of staff for further improvement. Two key aspects of the competency-based performance system are performance feedback and appraisal. Although appraisals also include performance feedback, it is generally a more

formal process conducted once or twice a year. Performance feedback on the other hand is a more informal, day-to-day process of the supervisor or manager offering relevant feedback to staff members on their day-to-day performance.

The appraisal is an assessment of individual staff performance. The SAI should establish and publish performance standards for each core competency.

Periodically, supervisors and managers should prepare and deliver performance appraisals by honestly, accurately, and consistently applying the competency-based standards.

Senior management of SAIs should set the overall policy on performance management and monitor its implementation against the appraisal standards and policies.

The system should provide SAI management with the information to recognise and reward high performers, as well as information needed to deal with inadequate performance. SAIs should have a suitable reward system for employees who meet or exceed clearly defined and transparent standards of high performance. SAIs may consider the following kinds of incentives:

- naming and honouring the Auditor(s) of the Year;
- Certificate of Excellence for outstanding performance;
- additional financial remuneration/benefits to staff performing high-quality work; and
- performance-based promotions.

The performance management system should also enable SAI employees to discuss performance requirements with their supervisors, to become familiar with the critical elements and performance standards that apply to them, prepare self-assessments, and seek feedback from the supervisors, when appropriate.

3. AUDIT METHODOLOGY AND STANDARDS

Desired condition: The SAI's audit processes should be based on the INTOSAI auditing standards and other international best practices (for example, International Standards on Auditing) to the extent applicable to the national rules and regulations.

Top management needs to steer the process of re-examining and refining the SAI's audit methodologies, processes, and procedures and all other institutional factors affecting the SAI's fulfilment of its mission and goals and adherence to its professional standards and core values. The SAI's quality management system should provide reasonable assurance that appropriate standards, manuals, methodology, tools, and techniques are in place, useful, and applied consistently.

Standards

Auditing standards constitute the criteria or yardstick against which the quality of audit results are to be evaluated. The auditing standards governing the conduct of an audit

determine what the auditor should do. The fact that an audit has been carried out in keeping with certain standards gives necessary reassurance to people making use of the accounts. The objectives of the particular type of work or the particular assignment should dictate the specific standards that are followed. Each SAI should develop or adopt appropriate standards, which preferably are in compliance with national and INTOSAI standards. The SAI's policy should require all staff to comply with those standards relevant to the specific nature of their responsibilities.

INTOSAI auditing standards state that, "The SAI should ensure that applicable standards are followed on both pre-audits and post-audits and that deviation from the standards which are determined to be appropriate are documented" (ISSAI 200, paragraph 1.35).

In addition to auditing standards, SAIs are also expected to comply with standards of ethics that determine the conduct of its staff. This is discussed later in this chapter under the section "Internal governance".

Manuals, guidance, and tools

The audit methodology should be supported by manuals, guidance, and other tools. In addition to assisting staff to effectively perform their duties, they are a basis for planning and conducting QARs. These manuals and guidance should be aligned to the auditing standards adopted by the SAI. SAIs should have detailed manuals and guidelines for two streams of audit – performance audit and regularity audit (financial and compliance) – to help guide the audit teams in carrying out audits.

To the extent possible, SAIs may consider using IT-based tools for different states of the audit process as well as for support activities. In situations where auditees' records are computerised, audit staff may have to use CAATs, or the embedded audit modules in the auditee's IT systems, for gathering and analysing evidence.

It is not enough that the above guidance and tools exists in the SAI. It is critical that staff are aware of, and have access to them, and have the capacity to use them as intended. Therefore, SAI management should implement knowledge sharing practices to facilitate not only greater awareness of the available guidance but also how to make the best use of them.

4. INTERNAL GOVERNANCE

Desired condition: The top management of the SAI should ensure that the institution's decision-making and control mechanism functions economically, efficiently, and effectively and thereby serve as a model organisation in promoting good governance.

Improving quality continuously through various policy measures remains the most important role for top management.

SAIs should ensure that their human and financial resources are used in the most efficient way to secure the effective exercise of their mandate. To this end, SAI management will need to develop and institute appropriate policies and measures to help guarantee that the SAI is competently organised to deliver high quality and effective audit work and reports. (Prague recommendations on Quality Management – Functioning of SAIs in the context of European integration)

The internal governance sub-elements include: ***leadership and direction, strategic and operational planning, oversight and accountability, code of conduct, internal controls, and quality assurance.***

Leadership and direction

The Head of SAI and top management need to set the appropriate tone and direction for the organisation. This is to ensure that the performance of the SAI is consistent with the highest professional standards or, at least, moving towards that goal in the longer term. SAI top management, through its actions, will have to make clear that mechanisms are in place to ensure quality and high performance and to promote continuous improvement. They must continuously send those signals that inspire staff to comply with the approved standards and procedures, and make their best efforts to deliver quality services and products.

Strategic and operational planning

Organisations that consistently perform at high levels are generally those that are result-oriented and demonstrate a clear idea of their long-term intent. This is where strategic planning can play a pivotal role in ensuring consistent high quality performance by SAIs.

Strategic planning

Strategic planning in the context of SAIs is the process of identifying the long-term goals of the organisation and the best possible approach to be adopted for attaining these goals. The plan should outline the goals and objectives that need to be pursued to realise the SAI's vision and mission, identify strategies to attain them, and develop performance measures to assess achievement of the intended goals and objectives. The plan should also identify the supervisors and managers for each goal to ensure accountability. Three key components of strategic plans – *vision, mission, and core values* – are discussed in the following paragraphs.

Vision statement: Very early in the strategic planning process, top management needs to pose a set of questions:

- What is our vision for the SAI?
- Where should the SAI be heading and what should its future technology-resource product-client focus be?
- What kind of an organisation do we want to become?

Drawing a carefully reasoned conclusion about its long-term direction should push top management to take a long hard look at the SAI's external and internal environment, and

form a clearer sense of whether and how its present operational needs will change in the coming years. The strategic vision can be an immensely valuable direction-setting and strategy-making tool. The vision statement should clearly state where the SAI wants to be positioned in the longer term. At the same time, it should be inspiring and galvanise organisation-wide commitment and action. Ownership of the strategic vision by all levels of SAI staff is almost as important as setting the organisation's long-term direction. People need to believe in the destiny of their organisation and that their efforts can make a difference in shaping that destiny.

Mission statement: A strategically revealing mission statement should incorporate stakeholder groups, their needs that the SAI needs to satisfy, and the SAI's plans to meet those needs. A mission statement highlighting the boundaries of the SAI's current scope of activities is a logical starting point. The mission statement should set out what the organisation's makeup and stakeholders' focus needs to be, and chart a strategic path for the SAI to take. It conveys the essence of "who we are, what we do, who we serve, and how we serve".

Core values: The SAI needs to identify the core values that constitute the defining principles of the organisation and individuals that work within it. These values should reflect the fundamental characteristics and criteria on which delivery of the vision and mission is based. In discharging their responsibilities, the government auditors need to observe the principles of serving the public interest and maintaining the highest degree of integrity, objectivity, professionalism, and independence. These principles should be the cornerstone of the responsibilities and conduct of the auditors.

The mission, vision, and core values need to be developed to ensure that they truly reflect the goals and aspirations of the SAI in relation to its mandate and those who work in it.

Operational planning
A strategic plan is only as good as its implementation. To facilitate implementation, the functional wings/units in the SAIs should draw up annual operational plans to reflect the requirements of the strategic plan. Resource commitments and specific activities will have to be incorporated in these plans.

Organisational commitment and staff involvement: Once the overall direction and targets have been set, the SAI's commitment to them should be complete. Every target should be assigned to an organisational unit with specific individual responsibility for achieving the target in question. The responsible officials should have enough authority to be able to overcome any difficulties that may arise. The SAI should have proper dissemination of the organisational strategy and the progress reports so that staff are genuinely involved in its delivery and contribute to the planning efforts. To facilitate this, there should be a wide dissemination of ideas, information, and good practices within the organisation.

Performance measurement: SAIs should develop a rigorous performance monitoring and review system to measure progress in delivering targets in line with expectations. Senior

management should receive regular, timely, and useful information so that it is able to take effective remedial action. The strategic plan should be reviewed annually for it to remain valid, relevant, and useful. To facilitate performance monitoring, measurement, and reporting, the SAI may consider setting up a unit or committee assigned with this responsibility.

Oversight and accountability

While promoting accountability in the public sector, the SAI must remain accountable for its performance. In some countries, the legal framework requires the SAI's performance to be independently evaluated by an external agency. Even where this is not a legal requirement, SAIs may consider periodic evaluation of its performance by external agencies, including peer SAIs. In addition, the QA function of the SAI should periodically conduct institutional level QARs and report to top management on the SAI's performance and make recommendations for improvements. Accountability will also be promoted if the SAI implements a system of performance measurement and reporting discussed above under strategic planning.

Code of Conduct

The SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI and its staff comply with relevant ethical requirements.

Integrity is the core value of a "Code of Ethics". Auditors have a duty to adhere to high standards of behaviour in their work and their relationships with staff of audited entities. An SAI should develop and disseminate to its staff a code of professional ethics and conduct that is applicable to the institution and to its staff. At the same time, the SAI should have procedures in place that ensure compliance with the codes of ethics and conduct. The INTOSAI Code of Ethics highlights some of the major aspects of ethical conduct – namely, trust, confidentiality, credibility, integrity, independence, objectivity, impartiality, political neutrality, conflicts of interest, professional secrecy, competence, and professional development.

Internal control

Top management should ensure that appropriate structures, rules, regulations, and procedures that ensure achievement of desired objectives exist and are implemented. These structures, rules, regulations, and procedures, in their entirety, are what constitute the internal control system of an SAI. The quality of the SAI's products and services are ensured by the adequacy and correct implementation of the internal controls.

The Committee of Sponsoring Organisations of the Treadway Commission (COSO), a US private-sector initiative, has established a common definition of internal controls, standards, and criteria against which companies and organisations can assess their internal control systems. The "COSO framework" defines internal control as a process designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to

reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. It follows that internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives.

The COSO framework provides for the following five interrelated components of an internal control system. These components provide an effective framework for describing and analysing the internal control system implemented in an organisation. The five components are:

1. *Control environment* – The control environment includes the governance and management functions and attitudes, awareness, and actions of those charged with governance and management for the SAI's internal control and its importance in the entity. The control environment sets the tone of the SAI, influencing the control consciousness of its people. It is the foundation for effective internal control, providing discipline and structure.

2. *Risk assessment* – SAI management should obtain an understanding of the SAI's processes for identifying business risks and take actions to address those risks, and the results thereof. The process is described as the "entity's risk management process" and forms the basis for how management determines the risks to be managed.

3. *Control activities* – Control activities are the policies and procedures that help ensure that management directives are carried out; for example, that necessary actions are taken to address risks that threaten the achievement of the entity's objectives. Examples of specific control activities include those relating to authorisation, performance reviews, information processing, physical controls, and segregation of duties.

4. *Information and communication* – The information system consists of the procedures and records established to record, process, and report on the SAI's performance against planned objectives.

5. *Monitoring* – Monitoring of controls assesses the effectiveness of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions modified for changes in conditions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two.

It is the responsibility of each line functionary to ensure compliance with the internal controls relevant to the work of that functionary.

Quality assurance
Although SAI management should put in place systems of quality control, it is important to arrange independent assurance that the quality controls are in fact being complied with. This is where QA comes in. It is the responsibility of the QA function to provide an

independent, objective report to SAI top management on the adequacy of quality controls in different functions of the organisation, the extent of compliance to the controls, and recommendations for improvements. This should be done at regular intervals to be decided by the SAI top management. It can also be useful to conduct an institutional level QAR at the beginning of each strategic planning cycle of the SAI. That could provide useful input into the SAI's strategic plan. This manual provides guidance on organising and managing the QA function as well as approaches to carrying out QARs at both the institutional and individual audit levels (with specific reference to financial audits).

5. CORPORATE SUPPORT

Desired condition: The SAI should be optimally managed to ensure timely delivery of support services and infrastructure to its departments/divisions/sections.

Effective performance of audit work depends on the timely and adequate provision of corporate support. In some SAIs, corporate support is known by different names such as administrative support, office support, or back office support. The following are some of the key areas of such support.

Financial resources

There are two dimensions to this sub-element that need consideration. One is the availability of adequate budget for the SAI as a whole. This was discussed earlier under the section "Independence and legal framework". The other dimension is the optimal utilisation of the budget to procure and provide the required infrastructure and material support to the various functions. It is the responsibility of the corporate support division.

Infrastructure

The SAI should have adequate infrastructure to enable its staff to perform their duties satisfactorily. Infrastructure includes office buildings, working space for each employee, furniture and fittings, electric and water supply, training facilities, library, document storage facilities, and transportation. There could also be need for gender-specific infrastructure such as separate rest rooms for female and male staff, depending on the cultural environment of the SAI.

Technology

SAIs need to leverage on technology to function efficiently and effectively. Technology includes telecommunications, IT systems, internet and intranet, general office support software, information and decision-making systems, and software for audit planning, documentation, and reporting.

Support services

Support services include secretarial assistance, security, transportation, and event management. Depending on circumstances, it might be cost-effective to outsource some of the support services.

6. CONTINUOUS IMPROVEMENTS

Desired condition: The SAI should be in a state of readiness to address current issues more effectively, deal satisfactorily with emerging issues, and take advantage of new opportunities.

The SAI should continuously upgrade its organisational capacity and competence of its staff to keep up with developments in the field of auditing and to be able to address emerging issues in the rapidly changing audit environment. SAIs should update their strategic plans at periodic intervals to make sure that their efforts are aligned to the major auditable issues facing their country.

To ensure a system of continuous improvement, SAIs need to develop and implement strategies for professional staff development, Research and Development, and organisational development.

At the same time, improvement implies change. Often good intentions fail to become reality because SAIs do not have a well-developed change management strategy. Change management actions should be integrated with any action plan for initiating new approaches. For example, an SAI that does not have a QA function should include change management measures in its action plan for setting up the QA function. If necessary, SAIs should consider training some members of management and staff to become champions of change management, whose services could then be used to co-ordinate change management processes whenever the SAI carries out any major change initiative.

7. EXTERNAL STAKEHOLDER RELATIONS

Desired condition: The SAI should establish and sustain effective working relationships and communication with external stakeholders to ensure a higher impact of the SAI's audit reports and services.

The SAI should sustain effective working relationships and communication with external stakeholders to ensure a high impact of its audit reports and other products and services. The overall effectiveness of the SAI in promoting greater accountability, economy, efficiency, and effectiveness in the functioning of public sector entities depends critically on the relationships it establishes and maintains with external stakeholders. SAIs' stakeholders include the audited entities, Parliament (or equivalent bodies), political executives, the public, peers (other SAIs), donors, international organisations, media, professional and academic institutions, private sector auditing firms, and others who have an interest or are affected by the SAI's products and services. The inter-relationship between the SAI and its

external stakeholders is stated in the table below by giving the requirement of each external stakeholders and key mechanisms to maintain the relationship:

Stakeholder	Requirement of the stakeholders	Key mechanism
Audited entities	To provide value-added information to enhance the performance of the entity	• Audit Reports • Audit committees • Management letters • Certificates
Parliament/legislature	For effective oversight on the executive	• Audit reports • Briefing sessions
Public	To provide assurance for the performance of the executive	• Websites • Media reports • Direct correspondence
Peers (other SAIs)	For knowledge sharing and organisational development	• Training assistance • Peer review
Donors	Internal governance Assurance on the utilisation of specific donor funding	• Access to SAI practices • Audit reports and certificates
International organisations	To fulfil the commitments with regard to organisational development	• International and regional workshops, seminars, and board meetings
Media	Reliable knowledge source	• Press notes, releases, and interviews
Professional and academic institutions	To maintain certain standards for training and continuous development of staff	• Contracts and other agreements
Private sector auditing firms	Effective planning for allocated audit and to provide guidance	• Training interventions

Stakeholder	Requirement of the stakeholders	Key mechanism
	for all public sector/ government audits	• Contracts

Although it may not be feasible to deal with all stakeholders, SAIs should conduct stakeholder analysis to identify its significant stakeholders and their interests and influence on the SAI's functioning. Based on the stakeholder analysis, SAIs should implement measures to establish and maintain such relations with them that will help to leverage its efforts without compromising its independence and objectivity.

Developing and maintaining relationships appropriate to each category of stakeholder is likely to entail considerable effort by the SAI. Therefore, the SAI may consider developing and disseminating a standard document on external stakeholder protocols to sustain effective working relationships. The purpose of this document would be to provide clearly defined, consistently applied, and transparent policy and practices on how the SAI will work with the stakeholders. It may identify what the external stakeholders can expect from the SAI and what the SAI expects of them. Such action may be particularly required because those relations may be at risk in a changing socio-political environment

8. RESULTS

Desired condition: The SAI should deliver quality audit reports and services that promote accountability and transparency in the public sector, more efficient management and utilisation of public resources, and contribute towards good governance.

The SAI is required to deliver quality audit reports and other services that promote accountability, transparency, value for money in the use of public resources, and contribute towards good governance. Therefore, SAIs should implement mechanisms for measuring the:
  • quality of its outputs (that is, the SAI's audit reports and services); and
  • longer term impact of it products and services.

This issue of performance measurement was also highlighted earlier in the section "Internal governance". To implement a performance measurement system, SAIs must develop performance measures for their various functions.

With regard to their audit reports and management letters, performance measures could include:

- *Significance* – How important is the matter that was examined in the audit? This, in turn, can be assessed in several dimensions, such as the financial outlay of the auditees and the effects of the auditees' performance on the public at large or on major national policy issues.

- *Reliability* – Are all opinions and observations in the audit reports and management letters fully supported by valid and sufficient evidence?

- *Objectivity* – Did the SAI duly consider the auditees' responses to preliminary audit observations? Did the working papers demonstrate an impartial consideration and analysis of all evidence gathered?

- *Clarity* – Are the audit reports and other products clear and concise in presenting the results of the audit? This typically involves being sure that the scope, findings, and any recommendations can be easily understood by users of the audit report who may not be experts in the matters that are addressed, but who may need to act in response to the report.

- *Timeliness* – Were the audit reports, management letters, and services delivered at an appropriate time? This may involve meeting a statutory deadline or delivering audit results when they are needed for a policy decision or when they will be most useful in correcting management weaknesses. Impact measures could include:

  o progress that management has made in reducing the number of unresolved errors and irregularities identified during audits;

  o percentage of audit recommendations accepted by auditees;

  o percentage of audit recommendations implemented by auditees;

  o percentage of Public Accounts Committee directives to auditees that are based on audit observations; and

  o extent of satisfaction of Public Accounts Committee and auditees with SAI's products and services.

Appendix 3: Sample questionnaire for QAR at institutional level

Q U A L I T Y   A S S U R A N C E   Q U E S T I O N N A I R E

I N S T I T U T I O N A L   L E V E L

SECTION/UNIT/GROUP

MANAGER/DIRECTOR

DATE OF REVIEW

FINDINGS DISCUSSED ON

MANAGER   DATE

REVIEWER   DATE

If the finding to a particular question is positive, a tick should be inserted in the "YES" column. If the finding is negative, a tick should be inserted in the "NO" column, followed by an appropriate reason/explanation in the "Comments" column. In such an instance, reference should be made to either the minutes of the discussion of the findings with management. Instances may be found where the answer to a question is "NO", but that the situation was still within the scope of INTOSAI auditing standards (for example, non-compliance with SAI's methodology, although still within scope of INTOSAI auditing standards). This should clearly be spelt out and reported accordingly.

If a question is not applicable, a tick mark should be inserted in the "Not applicable (N/A)" column, together with an adequate explanation.

I. INDEPENDENCE AND LEGAL FRAMEWORK

(*Ref: LIMA Declaration, sections 5, 6, 7, 8, 9, 10, 16, 18, 19, 23, and 24 and ISQC 1)*

The existence of the SAI and the appointment of the Head of SAI should be provided for in the Constitution, or equivalent legislation. All public bodies and related institutions shall be audited by the SAI. The SAI should have access to all forms, records, and documents (including electronic form) relating to financial management, other aspects of reviews done by the SAI and be able to perform different types of audits.

YES	NO	N/A	COMMENTS

Independence

1. Is the Head of SAI appointed by Parliament? If no, please specify.

2. Is there a fixed term of office for the Head of SAI? If yes, specify term.

3. Do the Head of SAI and "members" for collegial bodies have legal immunity in the normal discharge of their duties? If no, please specify.

4. Is the SAI's budget reviewed and approved by Parliament? If no, please specify.

5. Does the SAI submit its budget directly to Parliament – financial independence?

6. Does the SAI's mandate specify its administrative independence from other branches of Government? If no, give details.

7. Is the Head of SAI protected by law for his/her audit report? Please provide the relevant clause of the law.

8. Is the procedure for removal of the Head of SAI embodied in the Constitution or law?

9. Does the SAI submit its periodic/annual report to Parliament?

10. Which body is responsible for assessing whether the SAI is achieving its mandate? (tick as appropriate)

   - Parliament

   - Head of State/Government

   - Ministry of Finance

   - Others (specify)

Mandate (legal framework)

11. Is there a constitutional provision regarding the appointment of the Head of SAI?

12. What is the legal basis of the SAI's mandate?

   - Constitution

   - Special law other than the Constitution

   - Others (please specify)

13. Does the SAI have the legislative mandate to carry out the following types of audit? (tick as appropriate)

   - Financial audit

   - Compliance audit

   - Performance audit

   - Concurrent audit (e.g. audit during implementation of a project)

   - IT audit

   - Public debt audit

   - Environment audit

   - Others (specify)

14. Are the above audits specifically mentioned in the SAI's mandate? If no, please specify.

15. Does the SAI have jurisdiction to audit the following bodies? (tick as appropriate)

   - Federal or National Government (all legislative, executive, and judicial organs of the State, including intelligence agencies,

armed forces, and the police department)

- Local government units (cities, provinces, municipalities)

- Government-owned or -controlled corporations/companies

- Bodies/autonomous bodies not owned but substantially funded by government

- Foreign agencies and enterprises with whom the State has joint venture agreements

- Agencies to whom performance and delivery of public services is contracted out

- Others (specify)

16. Are there any entity/ies not audited by the SAI? If yes, please specify.

17. Does the SAI have unrestricted access to information? If no, specify.

Ethical requirements

18. Are there established policies and procedures designed to provide the SAI with reasonable assurance that its personnel comply with relevant ethical requirements such as:

- Integrity

- Objectivity

- Professional competence and due care

- Confidentiality

- Professional behaviour

19. Does the SAI establish policies and procedures designed to provide it with reasonable assurance that its personnel and, where applicable, others subject to independence requirements (including experts contracted by the SAI and other personnel), maintain independence where required. Such policies and procedures should enable the SAI to:

(a) communicate its independence requirements to its personnel and, where applicable, others subject to them; and

(b) identify and evaluate circumstances and relationships that create threats to independence, and take appropriate action to eliminate those threats or reduce them to an acceptable level.

20. Does the SAI have policies and procedures to provide it with reasonable assurance that it is notified of breaches of independence requirements and appropriate actions are taken to resolve such situations?

21. Does the SAI have criteria for determining the need for safeguards to reduce the threat of familiarity with auditee to an acceptable level, when using the same senior personnel on an audit engagement over a long period of time?

The SAI should establish policies and procedures

HUMAN RESOURCES

(Ref: ISQC 1, paragraphs 29 – 31, A24 – A31)

designed to provide it with reasonable assurance that it has enough personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its work.

YES   NO   N/A   COMMENT

1. Does SAI have an office, section or person in charge of the human resource management?

2. Does SAI have human resource management policies in the following areas? (tick as appropriate)

   - Recruitment

   - Retention

   - Performance evaluation

   - Capabilities, including time to perform assignments

   - Competence

   - Career development

   - Promotion

   - Compensation

   - The estimation of personnel needs

3. Does the SAI have an approved job description for each position of the organisational structure?

4. Is each job description kept up-to-date?

5. Are position profiles being tailored to take account of the individual requirements of all positions?

6. Has the SAI adopted qualification requirements for different level of staff and management?

7. Are there adequate competencies and skills available to meet the requirement for executing the SAI's mandate?

8. Is recruitment taking place in a manner that allows management to adequately address the audit needs in that environment? Consider matters such as vacancies, overall skills levels, and staff turnover.

9. Is retaining qualified staff a problem?

10. Does the SAI have a reward mechanism in place that provides incentives to staff members? If yes, specify.

11. Are the following methods used by the SAI for the development of capabilities and competence? (tick as appropriate)

- Professional education

- Continuing professional education, including training

- Work experience

- Coaching

12. Does the SAI have mechanisms in place that take care of career planning and career development opportunities for staff members?

13. Which of the following career planning and development opportunities does the SAI provide for staff members? (tick as appropriate)

- Relevant workshops/seminars

- Professional university courses

- Feedback on job performance

- Merit-based promotions

- Time-based promotions

- Specialisation

- Performance feedback and coaching

- Planned job rotation

- Continuing professional education

- Career counselling

- Others (specify)

14. Does the SAI have a mechanism for identifying technical and management skill gaps?

15. If yes to the above question, does the SAI take measures to address the identified gaps?

16. Does the SAI have set criteria for promotion and upgrading employees?

17. What type of program is/are in place for staff well-being/personal needs? Please specify.

18. Are performance appraisals being performed on a regular basis?

19. Is remuneration linked to performance?

20. Does the SAI have a mechanism for communicating job functions or areas of responsibility to staff?

Assignment of audit teams (Ref: ISQC 1, paragraphs 30 – 31, A30 – A 31)

21. Does the SAI assign an audit team leader or audit director to take responsibility of each audit?

22. Does the SAI establish policies and procedures requiring that:

- the identity and role of the audit team leader/director are

communicated to members of the auditee management;

- the audit team leader/director has both the necessary capabilities, competence, authority, and sufficient time to perform the role; and

- the responsibilities of the team leader/director are clearly defined and communicated to him/her?

23. Does the SAI assign appropriate staff with the necessary capabilities, competence, and time to perform the audit in keeping with professional standards and applicable regulatory and legal requirements, and to enable the issuance of reports by the Head of SAI that are appropriate in the circumstance?

24. Do staff have access to up-to-date audit standards/guidelines and other relevant documentations?

III. AUDIT METHODOLOGY AND STANDARDS

(Ref: ISQC 1, paragraphs 32 – 47)

The SAI should establish procedures designed to provide it with reasonable assurance that audits are performed in keeping with professional standards and regulatory and legal requirements and that the SAI issues reports that are appropriate in the circumstances.

YES	NO	N/A	COMMENTS

1. Has the SAI formally adopted International Auditing Standards or equivalent standards?

2. Does the SAI have audit manuals to guide staff in the different audit areas like regularity audit, performance audit, and IT audit?

3. Are the manuals aligned to accepted standards? Please check sample manuals and compare with international standards.

4. Are the manuals actually used in the audit process? Please test a few samples.

5. Do all staff have access to the manuals? Confirm with several staff.

6. Is the manual updated at regular intervals? Note the last date of amendments.

7. Do manuals have policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of audit documents?

8. Does the SAI have policies and procedures on the retention of audit documentation to meet the needs of the SAI and requirements of laws and regulations?

9. Do staff use audit tools (for example, checklists, CAATs, and others)?

10. Does the SAI use audit automation software (for example, ACL, TeamMate, Case ware, and others)? Please specify.

Consultation

11. Has the SAI designed policies and procedures to ensure that appropriate consultations take place on difficult and contentious

matters?

12. Do audit teams and management have access to experts in dealing with difficult and contentious technical issues?

13. Are the nature, scope, and conclusions resulting from the consultations properly documented and implemented?

14. Does the SAI have a technical section/unit responsible for research into complex technical or public sector specific matters?

Quality control review

15. Does the SAI have policies and procedures requiring quality control review that provides an objective evaluation of the significant judgements made by audit teams and the conclusions reached in formulating the report?

16. Do the policies and procedures:

   • set out criteria against which all audits and reviews of historical financial statements and other assurances and related services should be evaluated for the purpose of determining whether an audit quality control review should be performed; and

   • require the performance of an audit quality review for all audits meeting the criteria?

17. Do the SAI's policies and procedures require the completion of audit quality control review before the report is issued?

18. Does the SAI have policies and procedures setting out:

   • nature, timing, and extent of an audit quality control review; and

   • documentation requirements for an audit quality control review?

19. Do the SAI's policies and procedures on the eligibility of audit quality reviewers address:

   • the technical qualifications required to perform the role, including the necessary experience and authority; and

   • the degree to which the audit quality control reviewer to be consulted on the audit without compromising his/her objectivity?

20. Do the SAI's policies and procedures on documentation of the audit quality control review include evidence that:

   • the procedures required by the SAI's policies on engagement quality control review have been performed;

   • the quality control review has been completed on or before the date of the report; and

   • there are no unresolved matters that have come to the attention of the quality control reviewer and cause the reviewer to believe that the audit was not performed in keeping with professional standards and applicable

regulatory and legal requirements?

Differences of opinion

21. Has the SAI designed policies and procedures for dealing with and resolving differences of opinion within audit teams, and where applicable between the audit team leader and/or director and the audit quality control reviewer?

22. Are all conclusion reached documented and decisions implemented?

IV. INTERNAL GOVERNANCE

(Ref: ISQC 1, paragraphs 18 and 19)

The management of the SAI should establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing audits. The leadership of SAI should assume ultimate responsibility for the system of quality control.

| YES | NO | N/A | COMMENT |

Leadership responsibility for quality within the SAI

1. Does the Head of SAI assume the ultimate responsibility for the SAI's systems of quality control?

2. Does the Head of SAI emphasise and promote continuous improvements?

3. Does the SAI have a Standard on Quality and Continuous Improvements?

4. Does the Head of SAI continuously inspire the staff to comply with the approved standards and procedures and make their best efforts to deliver quality services and products?

Strategic and operational planning

5. Does the SAI have a strategic plan?

6. Does the SAI have an operational plan?

7. Are the plans meeting their objectives? Compare a sample of objectives with achievement.

8. Is there a mechanism to measure the achievement?

9. Are staff at the various levels aware of the plans?

10. Does the Head of SAI have a constructive QA dialogue with the heads of audit functions/directors/team leaders about audit work being done in the units/sections?

11. Do the Head of SAI and management decide what audits should be carried out?

12. Does management set important quality requirements for the audit? Consider matters such as the existence of checklists for management.

13. Do the heads of the units/sections maintain and improve the quality for work through a quality improvement plan? Consider quality factors such as:

- Ongoing training program

- Implementation of new knowledge

- Management of post-audit projects for follow-up purposes

- Recruitment of new people

- Use of highly skilled section managers

- Improvement of the quality in audit recommendations

- Individual auditor training plan in place

- Competence plan for the audit function

- System for organisational learning in place

14. Do the Head of SAI and management encourage a culture of quality through such means as:

- Formal or informal dialogue

- Mission statements

- Newsletter

- Briefing memoranda

15. Do heads of units/sections have constructive QA dialogue with managers about audit work being done? Consider matters such as:

- Ongoing discussions during the audit work

- Discussion of audit findings

- Audit team included in the discussions

16. Are the SAI's policies and procedures addressing performance evaluation, compensation, and promotion designed to demonstrate the SAI's overriding commitment to quality?

Oversight and accountability

17. Are mechanisms in place to assess if the SAI has achieved its mandatory obligations? Such mechanism may include:

- Survey

- Study

- Peer reviews

- Feedback from Parliament

- Research

18. Does the SAI report on its performance?

19. Does the SAI publish its annual report?

20. Does the SAI make its annual report public? Specify the means (website, circulation, or others)

21. Is the performance report of the SAI audited?

22. Are the SAI's accounts externally audited?

23. Does the SAI voluntarily participate in peer/external review?

Code of Conduct

24. Is there a documented Code of Ethics, adapted to the SAI's environment, in place covering the issues in INTOSAI Code of Ethics?

25. Is the above code adhered to?

26. Are there procedures to ensure that the Code of Ethics is adhered to?

27. Does the SAI ensure that all auditors comply with the SAI's requirements that relate to integrity, objectivity, professional competence, and due care?

Quality assurance

28. To what extent does the SAI implement effective quality assurance (QA) processes for its work?

29. Is there a QA system in place?

30. Is there a dedicated unit responsible for QA?

31. Is the QA system addressing all dimensions of the SAI?

32. Are QA results used to improve performance of the SAI?

33. Does the SAI have a QA manual?

34. Does a quality control review plan get submitted on time?

35. Does the quality review plan comply with the strategy on the selection of files (with special reference to audit risk profiles)?

36. Does the quality review plan comply with the strategy on identifying and selecting reviewers?

37. Have all QA reviewers been adequately trained?

38. Can all QA reviewers prove that they regularly undergo continued training to ensure that they are technically up-to-date?

39. Does the selection include an adequate mix of files?

40. Was adequate care taken to keep the selection of files confidential to prevent "window-dressing"?

41. Are the reviews carried out in keeping with the quality review plan?

42. Are the reviews carried out using the approved questionnaires? (This step may require the selective re-performance of reviews)

43. Are the results of each of the reviews discussed with audit management and/or audit teams? And were all differences resolved?

44. Are the outcomes of the reviews adequately addressed in action plans, which in turn feed back into the units' strategic plans?

45. Is there proof of follow-up of the action plans of the previous year?

46. Is an annual report prepared detailing the following:

    • A description of the monitoring procedures performed

    • Conclusions drawn

    • Description of repetitive or other significant deficiencies

    • Action taken to resolve or amend those deficiencies

47. Does an independent body carry out an annual evaluation of the SAI's quality review program?

48. Is the scheduling of staff done with due regard for required and available competencies?

49. Are all staff familiar with all new and revised audit standards?

50. Are staff familiar/up-to-date with the latest audit methodology?

51. Are staff familiar with all SAI guidelines?

52. Do all staff have access to up-to-date audit standards documentation, SAI approach documentation and guidelines, and other relevant documentation?

53. Are staff complying with the requirements of continued training?

54. Do all staff possess knowledge of the relevant sectors in which the auditees operate?

55. Do staff display knowledge of the SAI's control policies and procedures?

V. CORPORATE SUPPORT

The SAI should optimally manage its finances to ensure timely delivery of support services and infrastructure to its divisions/sections.

YES	NO	N/A	COMMENT

Financial resources

1. Does the SAI have short-term financial resource planning?

2. Is the budgeting process integrated into the SAI's annual plan?

3. Is the budget regularly reviewed?

4. Does the SAI have enough qualified staff for financial management?

5. Does the SAI keep adequate financial records and accounts?

Infrastructure

6. Does the SAI own office premises?

7. Does the SAI have enough office space?

8. Does the SAI have well-equipped training rooms?

9. Are the SAI's department/division sections located together?

IT infrastructure

10. Which of the following functions are computerised in the SAI?

- Payroll
- Finance
- Audit planning
- Asset management
- Archiving system
- Others (specify)

11. Are desktop computers and laptops used for daily work by all auditors?

12. Does the SAI have internet facilities? If yes, is the internet accessible to all staff?

13. Does the SAI have internal IT support staff?

14. Are IT staff professionally qualified?

15. Does the SAI offer internal IT training and development programs?

16. Does the SAI have local area network?

17. Does the SAI have adequate photocopying facilities?

18. Does the SAI's technology meet auditors' needs?

Support services

19. Which of the following support services does the SAI have?

- Security
- Maintenance
- Transportation
- Secretarial
- Others (specify)

20. Does the SAI have adequate security measures to safeguard its facility?

VI. CONTINUOUS IMPROVEMENT

The SAI should be in a state of readiness to address current issues more effectively, deal satisfactorily with emerging issues, and take advantage of new opportunities.

YES	NO	N/A	COMMENT

Professional staff development

1. Is there proof that detailed training needs are identified on a regular basis?

2. Is there proof of success measurement against the training business

plans?

3. Is there proof of proper manpower planning?

4. Is there proof of proper career planning?

5. Is there proof of development (including the scheduling of staff for audits) taking place in line with this planning?

6. Does the SAI ensure that auditors attending training programmes or courses have applied the knowledge gained?

7. Does the SAI ensure that auditors' knowledge gained through training programmes is being successfully used in the audit?

8. Do auditors receive guidance during the audit (including guidance from the head of a unit, mentor, or team members)?

9. Does the SAI evaluate current levels of knowledge on a regular basis to determine current and future personal and organisational needs?

10. Does the SAI communicate the knowledge needs that are considered in the training plan for the next year?

11. Does the SAI ensure that knowledge needs are considered in the training plan for the next year?

12. Is the effectiveness of the training plans evaluated?

13. Does the SAI have an annual training service agreement for each auditor?

14. Are there procedures for on-the-job training?

15. Is on-the-job training provided for each auditor?

16. Do the audit managers design the composition of teams and needs of the staff?

Research and Development

17. Does SAI have a Research and Development division?

18. Has the SAI formulated a short/long-term Research and Development plan?

19. Have any research studies been done to enhance the effectiveness of the SAI?

20. Does the SAI have enough funding for research?

Organisational development

21. Does the SAI review and redefine its organisational structure in keeping with its strategy and environment?

22. Does the SAI's organisational structure clearly define lines of authority and responsibility?

23. Does the SAI encourage staff to participate in improving the organisation?

Change management

24. Does the SAI have a change management unit or section?

25. Does the SAI have a change management plan?

26. Does senior management provide enough support in implementing change management plans?

27. Does the SAI have enough resources to carry out change management processes?

28. Does the SAI effectively involve its human resources unit in change management?

29. Does the SAI reinforce change with job descriptions?

30. Does the SAI have a plan to address change management resistance?

VII. EXTERNAL STAKEHOLDER RELATIONS

Sustain effective working relationship and communication with external stakeholders to ensure higher impact of SAI's audit reports and services.

YES   NO   N/A   COMMENT

1. Does the SAI have a strategy for establishing and maintaining effective working relations with external stakeholders?

2. Does the SAI have a formalised mechanism to follow up on feedback on its performance received informally or formally from external stakeholder?

Parliament/Head of State/Head of Executive

3. Please circle the entity (Parliament/Head of State/Head of Executive) that the SAI primarily reports to/affiliates with. Is the relation with the entity indicated set down in law or some other regulation?

4. Does the SAI work directly with the entity indicated?

5. Does the SAI hold meetings or hearings with them?

6. Are those meetings or hearings in public?

7. Following those meetings or hearings, is a report with recommendations produced?

8. Does the SAI seek regular feedback from the entity it reports to on its performance?

9. Does the Executive implement Public Accounts Committee's or its equivalent's recommendations? To what extent?

Audited entities

10. Is the role of the SAI appreciated by the audited entities? (This can be established through customer satisfaction survey)

11. Does the SAI have a formal procedure for communicating with audited entities?

12. What is the extent of response from audited entities?

13. What is the extent of acceptance of the audit recommendations?

14. What is the extent of implementation of the audit recommendations?

15. Are audited entities given a reasonable opportunity to respond to draft audit reports?

16. Are the audited entity responses fairly considered before finalising the audit report?

17. Does the SAI make sound recommendations for further improvements in audited entity performance?

18. Does the SAI seek feedback from audited entities on the quality of its work, staff, and systems?

19. Are staff trained in communicating effectively with audited entities?

Internal audit

20. Does the SAI have an internal audit division/unit or equivalent?

21. Does the internal audit division/unit report directly to the Head of SAI?

22. Does the internal audit division/unit have a charter?

23. Does it have qualified personnel?

Media and the public

24. Are the SAI's audit products made public?

25. Does the SAI have the right to go to the media with its audit findings?

26. Does the SAI have a clear policy framework for dealing with the media?

27. Does the SAI deal professionally with the media by providing high quality press releases and press conferences?

28. Does the SAI have a policy to ensure that its publications are widely accessible to audiences?

29. Does it use such correspondence to inform future audit activity?

30. Is there a requirement for all staff to sign an oath of secrecy?

Professional associations and private sector auditors

31. Are professionally qualified members of the SAI encouraged to play active roles in their professional associations?

32. Does the SAI have professional relations with other professional institutions and private sector auditors?

33. Are there formal liaison meetings between senior members of the SAI and the relevant professional associations?

34. Are there arrangements for secondments between staff in the SAI and private sector auditing firms?

35. Does the SAI contract out a proportion of its audits to private sector auditors to enable it to benchmark its costs and processes?

Peers (SAIs and regions)

36. Does the SAI have co-operation arrangements with other SAIs?

Aid donors

37. Does the SAI deal with any donor agencies?

38. Does the SAI meet regularly with donor agencies to identify what external audits need to be done and when?

39. Are there mechanisms that the SAI can undertake so that it can become the auditor of first choice by donor agencies?

VIII. RESULTS

(Ref: ISSAI 400 – *Reporting Standards in Government Auditing*)

SAIs should deliver quality audit reports and services that promote accountability and transparency in the public sector, more efficient management and utilisation of public resources, and contribute towards good governance.

YES   NO   N/A   COMMENT

1. Does the SAI have a system to objectively measure its results?

2. Is there a system to assure that performance measures are of acceptable quality?

3. Is performance measurement conducted by staff independent of those responsible for delivering the audit report (and other products)?

4. Does the SAI follow up on its performance measurements results?

Outputs

5. Are the products delivered by the SAI in keeping with its audit mandate?

6. Does the SAI have targets with regards to the number of products of each type?

7. Does the SAI measure performance against the targets?

8. Does the SAI have performance measures to assess the quality of its products?

9. Does the SAI assess product quality against the performance measures?

10. Does the SAI set deadlines for submission of its products?

11. Does the SAI meet its deadlines for delivering the products?

12. To what extent is the SAI able to meet its targeted outputs?

Impact

13. Does the SAI have performance measures to assess the impact of its products?

14. Does the SAI regularly assess impacts against these measures?

Appendix 4: Methods of gathering information for institutional level QAR

1.   Independence and legal framework

QA element	Sources of information	Methods of gathering data
Independence	• Constitution • Audit Act/legislations	Document review, focus group
Mandate	• The Constitution and other enabling Acts • Specific Act for the SAI • Websites	Document review, interviews, and browsing

2.   Human resources

QA element	Sources of information	Methods of gathering data
Recruitment	• Auditing standards relating to resources and recruitment • Human resources rules, policies, and guidance • Conditions of Service of Salaries Commission	Document review, interviews, and focus group discussions
Retention	• SAI policy on retention of staff • Head of SAI • SAI staff	Interview, survey, and group discussions
Career development	• SAI auditing standards relating to training • Strategic plan and training plan of the SAI • Human resources policies and guidelines • Training policies and guidelines	Document review, interviews, focus group discussions, and browsing
Well-being	• Strategic plan • Activities of the staff welfare unit/branch • SAI staff	Interviews, document reviews, and group discussions
Performance management	• Performance appraisal system • Human resources policies and guidance • Counselling, guidance, and monitoring processes • Professional development through on-the-job training, self-directed studies, and internal and external assignments	Document reviews, interviews, focus group discussions, browsing, physical observation, and survey

3. Audit methodology and standards

QA element	Sources of information	Methods of gathering data
Standards	• Audit manuals and reports • INTOSAI standards • ISA standards	Document reviews, browsing, and interviews
Manuals and guidance	• Audit manuals • Audit policy instructions and guidance • SAI staff	Document reviews, browsing, and focus group discussions
Tools	• SAI staff • Audit working papers	Document reviews, interviews, and focus group discussions

4. Internal governance

QA element	Sources of information	Methods of gathering data
Leadership and direction	• Strategic plan • Acts and Constitution • Annual activity/performance report • Auditing standards of the SAI • Code of Corporate Governance	Document reviews, interviews, and focus group discussions
Strategic and operational planning	• Strategic plan • Annual audit plans	Document reviews, browsing, and focus group discussions
Oversight and accountability	• Office instructions manual • SAI annual audit report • SAI annual activity report	Document reviews, browsing, interviews, and focus group discussions
Code of Conduct	• Code of Ethics for public officers • INTOSAI Code of Ethics	Document reviews, browsing, and focus group discussions
Quality assurance	• Strategic plan • Organisational chart	Document reviews, browsing, and interviews
Internal controls	• Office instructions manual • Organisational chart	Document reviews, browsing, and interviews

5. Corporate services

QA element	Sources of information	Methods of gathering data
Financial resources	• Annual estimates • Procedure manual for preparing budget for the SAI	Document reviews and focus group discussions
Infrastructure	• Annual activity report • SAI staff	Document reviews, interviews, focus group discussions, and observation

QA element	Sources of information	Methods of gathering data
Technology	• Annual activity report • SAI staff	Document Review, Browsing, Focus Group Discussions, and Observation
Support Services	• Annual activity report • SAI staff	Document reviews, interviews, and focus group discussions

6. Continuous improvements

QA element	Sources of information	Methods of gathering data
Professional staff development	• Annual audit/activity report • Strategic plan • Continuous professional development policy document • SAI staff	Document reviews, browsing, interviews, focus group discussions, and observation
Research and Development	• Strategic plan • Organisational chart • Budget	Document reviews, browsing, interviews, focus group discussions, and observation
Organisational development	• Strategic plan	Document reviews, browsing, interviews, focus group discussions, and observation
Change management	• Strategic plan • Activity report • Any policy document	Document reviews, browsing, interviews, focus group discussions, and observation

7. External stakeholder relations

QA element	Sources of information	Methods of gathering data
Audited entities	• Communications strategy • Annual audit report • Business plan • Strategic plan	Document reviews, browsing, interviews, and focus group discussions
Parliament/Head of State/Head of Executive	• Annual audit report • Public Accounts Committee reports	Document reviews, interviews, and focus group discussions
Public	• Annual audit reports • Head of SAI • Media	Document reviews, interviews, and focus group discussions
Peers	• Annual audit reports • Business plan • Media	Document reviews, interviews, and focus group discussions
Donors	• Assessment reports prepared by donors, peers, etc	Document reviews and interviews
International organisations	• Annual audit reports • Business plan • Websites • Media	Document reviews, browsing, and interviews

QA element	Sources of information	Methods of gathering data
Media	Same as above	Same as above
Professional and academic Institutions	Same as above	Same as above

8. Results

QA element	Sources of information	Methods of gathering data
Output (quality, quantity)	• Annual audit report • Performance report • Public Accounts Committee resolutions • Parliament and other stakeholders	Document reviews, browsing, and interviews
Impact	• Audit follow-up report • Annual audit report • Performance audit reports • Auditees • Public Accounts Committee members	Document reviews, browsing, interviews, and focus group discussions

Appendix 5: Sample questionnaire for individual level QAR

QUALITY ASSURANCE QUESTIONNAIRE

INDIVIDUAL AUDITS – REGULARITY AUDIT

Audit Manager	
Audited Entity	
Financial year-end of auditee	
Stage of completion	
Date review commenced	
Date review completed	
Date findings discussed	
Name of Reviewer	

We, the undersigned, confirm that the findings of this review have been:

- discussed with management (executive manager/provincial auditor, centre manager, audit manager);

- communicated to the whole audit team;

- included as part of an action plan that will be included in the strategic plan, where appropriate; and

- included as part of the training plan.

Audit Manager		Reviewer	
Training Officer		Date	

INTRODUCTION:

INTOSAI auditing standards require that an auditor conduct an audit in keeping with the necessary standards. This implies that a certain standard of work should be evident in all audit files. In ensuring a consistent level of quality of audit work throughout an audit entity, it is necessary to ensure that:

- all staff adhere to the principles of independence, integrity, objectivity, confidentiality, and professional behaviour (professional requirements);

- the audit entity is staffed by personnel that have attained (and maintain) the technical standard and professional competence required to enable them to fulfil their responsibilities;

- audit work is assigned to staff that have the degree of technical training and proficiency required in the circumstances;

- there is sufficient direction, supervision, and review of work at all levels to provide reasonable assurance that the work performed meets appropriate standards of quality;

- whenever necessary, consultation within or outside the firm is to occur with those that have appropriate expertise; and

•the continued adequacy and operational effectiveness of quality control policies and procedures is monitored.

In achieving the above, PASAI implemented a QAR programme that focuses on ensuring a high quality audit product at both the level of the audit entity and the individual audits. This review document focuses on the evaluation of quality at the level of the individual audit.

The document takes note of the requirements of IFAC and the INTOSAI auditing standards. Reviewers are not restricted to the items included in the checklist and any other matters that may affect the quality of the audit should be considered. Wherever possible, references have been made to the source of the requirements tested. However, this is not necessarily a complete list.

The review document is to be used for all types of regularity audits.

If the finding to a particular question is positive, a tick should be inserted in the "YES" column.

If the finding is negative, a tick should be inserted in the "NO" column, followed by an appropriate reason/explanation in the "COMMENTS" column. In such an instance, reference should be made to either the minutes of the discussion of the findings with management and/or the final QAR report.

Instances may be found where the answer to a question is "NO", but that the situation was still within the scope of ISA/INTOSAI (for example, non-compliance with office methodology, although still within scope of ISA/INTOSAI). This should be clearly spelt out and reported accordingly.

If a question is not applicable, a tick should be inserted in the "Not applicable (N/A)" column, together with an adequate explanation.

All questions should, as far as possible, be referenced to the relevant working papers in the audit file.

		INTOSAI Reference	ISA Reference	YES	NO	N/A	COMMENTS	WP Ref.
A	**TERMS OF REFERENCE**							
1	Is a copy of the engagement letter on file? (for new and existing appointments)	Par 3.1.4(g) and 1.0.34	ISA 210 par 2, 10					
2	Were the terms of the engagement letter and any changes that were made agreed to by both parties?		ISA 210 par 17					
B	**QUALITY CONTROL PROCEDURES**							
1	Has responsibility for the overall quality of the audit been assigned to an audit team leader or audit director?		ISA 220 par 8 ISSAI 1220					
2	Is there documentation confirming that the audit team leader has considered whether members of the team have complied with ethical requirements (e.g. Parts A & B of IFAC Code or SAI Code of Conduct) including integrity, objectivity, professional competence, due care, confidentiality, and personal behaviour?	Par 2.2.1	ISA 220 par 8 ISSAI 1220					
3	Have any such issues been identified by the team leader or audit director?							

4	If ethical issues are identified, is there documentation that these have been communicated to relevant SAI personnel and resolved as appropriate?						
5	Has the audit team leader or audit director formed a conclusion on compliance with independence requirements applicable to the audit?	Par 2.2.2 and 2.2.27 to 2.2.31	ISA 220 par 12 ISSAI 1220				
6	Is there documentation that the team leader/audit director has obtained information necessary to evaluate potential threats to independence?						
7	Is there documentation that the information obtained has been evaluated to determine if there is a threat to the independence of the SAI or the audit that needs to be addressed?						
8	Have actions been taken to eliminate such threats or reduce them to acceptable levels?						
9	Is there documentation of conclusions on: • Where relevant, is there documentation that the audit team leader/audit director has considered issues relating to the acceptance and continuation of an audit engagement:	Par 2.2.33 to 2.2.38 Par 2.2.21	ISA 220 par 14 and 18 ISSAI 1220				
	- The integrity of key management and those charged with governance of the entity.						

	- Is the audit team competent to perform the audit engagement and does it have the necessary time and resources?							
	- Can the SAI and engagement team comply with the ethical requirements?							
	• If issues arise from any of those considerations, is there documentation of how issues were resolved, in particular: - if the SAI has discretion to accept or continue an ongoing audit engagement, how these relationship issues affected that decision; or		ISA 220 par 14 and 18 ISSAI 1220					
	- if the SAI does not have the discretion to accept or continue an audit engagement or the ongoing relationship, what actions the SAI has taken to address these issues?							
	• Has the audit team leader/audit director ensured that the team collectively has the appropriate capabilities, competence, and time to perform the audit in keeping with professional standards and applicable regulatory and legal requirements and to enable the issuance of an auditor's report that is appropriate in the circumstances?	Par 2.2.33, 2.2.39, and 3.5.3	ISA 220 par 19 ISSAI 1220					

	• Is there documentation that the audit team leader or audit director has taken responsibility for the direction, supervision, and performance of the audit, by informing audit team members of: - their responsibilities; - the nature of the entity's business; - risk related issues; - problems that may arise; and - the detailed approach to the performance of the audit.	Par 3.2.1 to 3.2.5	ISA 220 par 21 ISSAI 1220				
	• Has the audit team leader or audit director reviewed the working papers to ensure that there is enough appropriate audit evidence to support the conclusions reached and the auditor's report to be issued? • Has the audit team leader or audit director or members of the audit identified difficult or contentious matters requiring consultation?	Par 3.2.4, 3.5.1, and 3.5.2	ISA 220 par 26 ISSAI 1220				
	• If so, has the audit team leader or audit director: - ensured appropriate consultations have taken place; - been satisfied that the nature and scope of, and conclusions resulting from such consultation, are documented and agreed with the party consulted; and - determined that conclusions resulting from consultations have been implemented.		ISA 220 par 30 ISSAI 1220				

	• Have differences of opinion arisen within the team with those consulted, or if applicable, with the audit quality control review? If so, have these been resolved following the SAI's policies and procedures?		ISA 220 par 34 ISSAI 1220				
	• Has the audit team leader or audit director determined if the SAI has appointed a quality control reviewer for this audit? - If an audit quality control reviewer (AQCR) has been appointed, has the appropriate SAI official discussed significant matters arising from the audit with the AQCR?		ISA 220 par 36 and 38 ISSAI 1220				
	- If an AQCR has been appointed, was the audit quality control review completed before the auditor's report was issued? - If an AQCR has been appointed, has the ACQR evaluated significant judgments made by the team and the conclusions reached in arriving at the auditor's report?						
	• Has the audit team leader or director considered the results of the SAI's monitoring process?		ISA 220 par 41 ISSAI 1220				
	• Has the audit team leader or director discussed independence requirements and relevant topics with the SAI leadership to support the conclusions?						
C	**PLANNING**						

1	Do the audit working papers reflect adequate planning by means of a planning memorandum or similar documents?	Par 3.1.3 (k)	ISA 300 par 2, 8, and 9				
2	Is there evidence that the planning memorandum was approved in a timely manner by a senior person responsible for the audit?	Par 3.1.1	ISA 220				
3	Were all significant changes to the audit plan documented, substantiated, and approved?	Par. 3.1.4	ISA 300 par 12				
4	Do the audit working papers indicate an appropriate level of knowledge of the auditee's business and industry to identify risks, events, transactions, and practices that may have a significant effect on the financial statements?	Par 3.1.3 (a)	ISA 310 par 8				
5	Were complex audits split into more manageable units to carry out the audit in the most effective and cost-efficient way?	Par 3.1.1	ISA 300 par 2, 8, and 9				
6	Do the components/ accounts identified and audited cover the entire spectrum of the financial statements?	Par 3.1.4 (b)	ISA 200 par 2				
7	Were audit objectives (assertions) correctly identified for each individual account or group of transactions?	Par 3.1.3 (d)	ISA 500 par 13 and 14				

8	Is there evidence that audit staff who were assigned to the audit have the degree of technical training and proficiency required in the circumstances?	Par 3.1.4 (f)	ISA 220 par 9 and 14					
9	Does an appropriate audit timetable exist and are the planned dates reasonable? Consider the following: Attendance of stock and assets counts? Receipt of certificates or audit confirmations? A starting date for the audit? A finalisation date for the detail work for senior review? A planned date for issuing the financial statements and reports? Completion of the planning process before starting the detailed fieldwork phase? Proper supervision of junior staff by senior staff? Enough time for final review?	Par 3.1.4 (e)	ISA 220 par 12 and Appendices C (1) and (2)					
10	Do the working papers reflect time spent on the engagement by audit staff and reasons for significant variances from the budgeted time?	Par 3.1.3 (d)	ISA 220					
11	Were appropriate directions given to assistants to whom work is delegated?	Par 3.2.3 (a)	ISA 220 par 11					

D	OVERALL PLANNING MATERIALITY						
1	Was an acceptable materiality level used to detect quantitative material misstatements?	Par 3.1.3 (f) and 3.1.4 (a)	ISA 320 par 5				
2	Were qualitative factors considered for materiality?	"	ISA 320 par 5				
3	Is the planning materiality figure still appropriate for the evaluation of the results of audit procedures and were the reasons for changes properly documented?	"	ISA 320 par 11				
4	Was materiality considered during the evaluation of the results of procedures performed and were proper conclusions reached in this regard?	"	ISA 320 par 12 to 16				
E	RISK ASSESSMENT AND INTERNAL CONTROL						
1	Were the inherent risks assessed at the financial statement level as well as assertion level for account balances and classes of transactions? Is the inherent risk assessment justifiable in view of risk factors identified?	Par 3.1.4 (a)	ISA 400 par 11				
2	Do the working papers contain evidence that a preliminary review and evaluation of the control environment and control procedures have been carried out?	Par 3.1.3 (e)	ISA 400 par 19 and 20				

3	Was the internal audit department adequately evaluated?	Par 3.1.3 (g)	ISA 610 par 11					
4	If it was intended to rely on the work performed by internal audit, was the work evaluated and tested to confirm its adequacy?	Par 3.1.3 (g)	ISA 610 par 16					
5	Are the auditees' internal controls and accounting systems sufficiently documented?	Par 3.3.1 to 3.3.4	ISA 400 par 12, 14, and 18					
6	Was the system description in an acceptable form (i.e. other system notes, integrated narrative and evaluation or flow charts)?	Par 3.3.1 to 3.3.4	ISA 400 par 26					
7	Was every system verified by way of for example walkthrough tests and was the verification adequately documented?	Par 3.3.1 to 3.3.4	ISA 400 par 15					
8	Were there appropriate conclusions on the adequacy of the systems (design of the accounting and internal control system)?	Par 3.3.1 to 3.3.4	ISA 400 par 21					
9	Is the preliminary assessment of control risk for each financial statement assertion justifiable? Were key controls identified to substantiate the assessment per assertion?	Par 3.3.1 to 3.3.4	ISA 400 par 22 and 24					

10	Was the audit approach appropriate? Was the preliminary assessment of control risk, in conjunction with the assessment of inherent risk, considered in developing the audit approach?	Par 3.1.4 (e)	ISA 400 par 10					
F	**INFORMATION SYSTEM ENVIRONMENT**							
1	Was the extent of use and importance of the computerised environment assessed and expected audit approach documented?	Par 3.3.4	ISA 401 par 8					
2	Were the application systems that had a significant effect on the accounting and financial reporting process identified for each cycle and concluded on?	Par 3.3.4	ISA 401					
3	Were the Computer Information Systems (CIS) general controls adequately evaluated taking the following into account: Organisation and management controls Application systems development and maintenance controls Computer operation controls System software controls Logical access controls Disaster recovery controls	Par 3.3.4	ISA 4011 par 7					3

4	Were the CIS application controls adequately evaluated taking the following into account: Control over input Control over processing and computer data files Controls over output	Par 3.3.4	ISA 410 par 8					
5	Was the overall reliance on CIS general controls taken into consideration to evaluate the effectiveness of CIS application controls?	Par 3.3.4	ISA 4011 par 9					
6	Where no reliance could be placed on general and application controls, were manual controls considered that might provide effective compensating controls at the application level?	Par 3.3.4	ISA 4011 par 11					
7	Did the auditor consider an appropriate combination of manual and CAATs procedures?	Par 3.3.4	ISA 410 par 15 ISA 4011 par 7					

8	In determining the use of CAATs were the following factors considered: Computer knowledge, expertise. and experience of the auditor Availability of CAATs and suitable computer facilities Impracticability of manual tests Economy effectiveness and efficiency Timing	Par 3.3.4	ISA 4011 par 7					
9	Where CAATs were used, do the working papers contain enough documentation to describe the CAATs application, such as the following:	Par 3.2.3 (d)	ISA 4011 par 22					
a	PLANNING: CAAT objectives Specific CAAT to be used and exercised Staffing, timing and cost							
b	EXECUTION: CAAT preparation and testing procedures and controls Details of tests performed by the CAAT Details of input, processing, and output Relevant technical information about the entity's accounting system, such as computer file layouts							

c	AUDIT EVIDENCE: Output provided Description of the audit work performed on the output Audit conclusions							
d	REPORTING: Recommendations to management							
G	**TESTS OF CONTROL**							
1	Was audit evidence obtained through tests of control to support any assessment of control risk that is less than high?	Par 3.3.1 to 3.3.4	ISA 400 par 31					
2	Does it appear that the tests of controls for the internal controls are appropriate in the circumstances?	Par 3.3.1 to 3.3.4	ISA 400 par 30 and 31					
3	Does it appear that the test of control results are properly assessed and evaluated?	Par 3.3.1 to 3.3.4	ISA 400 par 34					
4	In cases where the assessed level of control risk was revised, were the nature, timing, and extent of planned substantive procedures modified?	Par 3.3.1 to 3.3.4	ISA 400 par 34					
H	**LEAD SCHEDULE**							

1	Were all the account area lead schedules (for each account/component) correctly completed and cross-referenced to the financial statements of the auditee? Take into account: Comparative figures Opening balances		ISA 710 par 6 ISA 510 par 5					
I	**DEVELOPMENT OF DETAIL AUDIT PROGRAMMES**							
1	Is there evidence of a senior person having approved audit programmes before beginning fieldwork?	Par 3.2.3 (d)	ISA 220 par 8					
2	Are audit programmes designed to support opinions furnished on financial statements?	Par 3.2.3 (d)	ISA 500 par 2 to 6					
3	Are the audit programmes sufficiently comprehensive to result in satisfactory assurance in all areas of significant audit risk?	Par 3.2.3 (d)	ISA 400 par 42 and 47					
4	Is each step of the audit programme initialled with evidence to indicate that the work was completed?	Par 3.2.3 (d)	ISA 230 par 11					
J	**ANALYTICAL PROCEDURES**							
1	Were analytical procedures performed during the planning phase of the audit to identify risks?	Par 3.6	ISA 520 par 8					

2	Where substantive analytical reviews were performed, do they give assurance regarding the reasonableness of account balances or series of transactions?	Par 3.6	ISA 520 par 7(b) and 12				
3	Where any analytical reviews were performed to restrict the nature, timing, and/or extent of substantive procedures, are results from such analysis appropriately measured against materiality?	Par 3.6	ISA 520 par 15				
4	Were the objectives of the analytical procedures clearly defined?	Par 3.6	ISA 520 par 12				
5	Were the procedures correctly executed?	Par 3.6	ISA 520 par 4 to 6				
6	Were the correct conclusions reached?	Par 3.6	ISA 520 par 13				
7	Do the audit working papers correspond to the income statement/appropriation account?	Par 3.6	ISA 520 par 13				
8	Have accounts been investigated where there are significant changes from: Previous year's results Variations from budget	Par 3.6	ISA 520 par 17 and 18				
K	**SUBSTANTIVE PROCEDURES**						
1	Were substantive procedures designed and performed for each account balance and assertions?	Par 3.5	ISA 500 par 14				

2	Was the extent of each substantive procedure determined and is it reasonable?	Par 3.5	ISA 500 par 12 ISA 530 par 40				
3	Regarding the timing of the substantive procedures; was the most efficient manner of conducting the substantive procedures taken into account?	Par 3.5					
4	Where substantive procedures were performed on balances earlier than the year-end/closing of the books, were roll-forward procedures performed on those amounts processed during the intervening period?	Par 3.5	ISA 530 par 42				
5	If statistical or non-statistical sampling is used for substantive testing: Is the sampling size and sampling approach appropriate? Is the sample representative of the population?	Par 3.5.2	ISA 530				
	Long-term liabilities						
6	Has third party confirmation been obtained for all long-term amounts owing?	Par 3.5	ISA 500 par 15				
7	Are long-term liabilities within the auditee's permitted borrowing powers?	Par 3.5					
8	Are the lender's terms being complied with for the long-term liabilities?	Par 3.5					

	Fixed assets						
9	Is there evidence that a fixed assets register has been properly maintained?	Par 3.5	ISA 500 par 15				
10	Is the nature and extent of tests for fixed assets appropriate in respect of:	Par 3.5	ISA 500 par 15				
a	Additions and disposals of fixed assets						
b	Ownership and physical existence						
c	Transactions before and after the balance sheet date to determine that a proper cut off has taken place						
d	The balances of fixed asset and related accounts						
11	Were leases reviewed and do the working papers establish that leases were properly accounted for (e.g. capitalised if appropriate, income or expense agreed to lease, etc.)?	Par 3.5	ISA 500 par 15				
12	Were title deeds inspected for property ownership?	Par 3.5	ISA 500 par 15				
13	Were original external confirmations obtained for all material assets and liabilities where appropriate? (Refer to 5.1.3 Vol. IV(2), Part 2, Section 3). If not, what alternative procedures were performed to verify material assets and liabilities?	Par 3.5	ISA 500 par 15				
	Investments						

14	Do the working papers show that details were examined for: Purchase price/date Changes during the year Market value at year-end	Par 3.5	ISA 500 par 15					
15	Was information obtained and evaluated with regards to purchases and sales before and after the year-end so that a proper cut off was achieved?	Par 3.5	ISA 500 par 15					
16	Were appropriate calculations of investment income checked and correlated with recorded income?	Par. 3.5	ISA 500 par 15					
17	Was adequate consideration given to current vs. long-term classification of investment?	Par 3.5	ISA 500 par 15					
	Inventories							
18	Did the auditee perform a year-end stock take?	Par 3.5	ISA 500 par 15					
19	Do the audit working papers properly reflect attendance at and evaluation of the auditee's stock take, including:	Par 3.5	ISA 500 par 15					
a	The timing and extent of stock take observation							
b	Test counts and related follow-ups							

c	Conclusions about the adequacy of the stock count procedures						
d	Consideration given to counting or confirming consignment stock or stock held by others						
e	Where the stock take in taken at a date other than the balance sheet date, was adequate consideration given to stock transactions between the stock take date and the balance sheet date						
f	If perpetual stock records are maintained, are differences disclosed by the auditee's physical stock properly reflected in the account						
20	Were cut off tests performed and appropriately documented?	Par 3.5	ISA 500 par 15				
	Debtors/accounts receivable						
21	Were tests performed to confirm the existence of debtors?	Par 3.5	ISA 500 par 15				
22	Were cut off tests performed and appropriately documented for credit notes, cash receipts, and returns?	Par 3.5	ISA 500 par 15				
23	Was the reasonableness of the provision for doubtful accounts and write-offs adequately and appropriately covered in the working papers?	Par 3.5	ISA 500 par 15				

24	Are other accounts receivable adequately verified?	Par 3.5	ISA 500 par 15					
	Bank and cash							
25	Were bank request confirmations obtained for all banking accounts?	Par 3.5	ISA 500 par 15					
26	Were the bank certificates agreed to the bank reconciliation statements?	Par 3.5	ISA 500 par 15					
	Creditors/accounts payable							
27	Do the audit working papers indicate that source documents were examined?	Par 3.5	ISA 500 par 15					
28	Do the audit working papers indicate that adequate confirmation coverage was made and documented, or examination of suppliers' statements when considered appropriate, including zero balances and/or unreasonable or unexpectedly low balances?	Par 3.5	ISA 500 par 15					
29	Were cut off tests performed and appropriately documented about purchases and disbursements, including a search for unrecorded liabilities?	Par 3.5	ISA 500 par 15					
30	Were the tests of balances of the accrued liabilities adequate?	Par 3.5	ISA 500 par 15					
31	Are other current liabilities adequately verified?	Par 3.5	ISA 500 par 15					

		VAT/PAYE							
32		Was VAT adequately audited?	Par 3.5	ISA 500 par 15					
33		Was PAYE adequately audited?	Par 3.5	ISA 500 par 15					
		Cash flow information							
34		Have the appropriate cash inflows and cash outflows been properly recorded in the cash flow statements?	Par 3.5						
35		Is there evidence on file that the cash flow statement was audited?	Par 3.5	ISA 500 par 15					
36		Was other information, included in the financial statements, verified to determine if any inconsistencies exist?	Par 3.5						
L		**EVALUATION OF RESULTS**							
1		Are errors found when sampling appropriately considered?	Par 3.5	ISA 530 par 54 to 56					
2		Are summaries of audit differences prepared and the aggregated effect of the differences evaluated?	Par 3.5						
3		Does the auditor responsible for the audit review the summary of audit differences?	Par 3.5	ISA 220 par 15					
M		**AUDIT WORKING PAPERS**							

1	Are well-supported conclusions stated for each component audited?	Par 3.5.5 to 3.5.6	ISA 230 par 11					
2	Is there evidence that audit objectives have been met in each procedure?	Par 3.5.5 to 3.5.6	ISA 230 par 15					
3	Are financial statement amounts readily traceable to a working trial balance and lead schedules?	Par 3.5.5 to 3.5.6						
4	Are adjusting entries adequately supported by the working papers and cross-referenced to appropriate schedules?	Par 3.5.5 to 3.5.6	ISA 230 par 15					
5	Is there adequate support in the working papers for all the information contained in the notes to the financial statements?	Par 3.5.5 to 3.5.6	ISA 230 par 15					

6	Generally, do the working papers: Include indexing/signatures and dating by preparer and reviewer? Indicate the meanings of audit tick marks? Indicate sources of information? Indicate the purpose of photocopied documents? Contain memoranda or other evidence covering significant and unusual accounting and reporting matters? Indicate that all schedules, prepared by the auditee, have been cast and cross cast?	Par 3.5.5 to 3.5.6	ISA 230 par 15					
7	Are all queries and exceptions arising from audit tests adequately explained and resolved?	Par 3.5.5 to 3.5.6	ISA 230 par 15					
8	Where appropriate, do the audit working papers have evidence of consultation procedures with those who have appropriate expertise?	Par 3.5.5 to 3.5.6	ISA 230 par 15					
N	**REVIEW**							
1	Do the audit working papers demonstrate adequate manager involvement in planning, supervision, and review process of the audit?	Par 3.2.3	ISA 220 par 15					

O	OTHER AUDIT CONSIDERATIONS							
1	Were adequate procedures designed for auditing the budgetary process of the auditee?	Par 3.6.4	ISA 250					
2	Are events subsequent to the balance sheet date adequately documented and are significant events considered for disclosure/adjustment to the financial statements?	Par 3.5	ISA 560					
3	If audit reports are delayed beyond a reasonable period, is the subsequent events review extended?	Par 3.5	ISA 560					
4	Are all commitments and contingent liabilities properly considered?	Par 3.5						
5	Is the ability of the auditee to continue as a going concern for the foreseeable future properly and adequately considered?	Par 3.5	ISA 570					
6	Are management representation letters obtained, signed by the appropriate members of management, or other forms of representation obtained?	Par 3.5	ISA 580					
7	Were attorneys' letters requested and obtained where an indication was found that the auditee is involved in any legal matters of litigation?	Par 3.5	ISA 500 par 15					

8	Was there adequate communication with the auditee throughout the audit (audit steering committee meetings)?	Par 3.5	ISA 230 par 15					
P	**COMPLIANCE WITH LAWS AND REGULATIONS**							
1	Were adequate procedures designed and executed to be able to express an opinion on the compliance with laws and regulations?	Par 3.5	ISA 250					
Q	**REPORTING**							
1	Are the financial statements properly presented and intelligible and do they meet the applicable standards?	Par 4.0.1 to 4.0.29	ISA 200 par 2					
2	Are the notes to the financial statements in keeping with professional standards and sufficient and appropriate in the circumstances?	Par 4.0.1 to 4.0.29	ISA 200 par 2					
3	Are the accounting policies and the nature and effect of any changes therein clearly disclosed in the financial statements?	Par 4.0.1 to 4.0.29	ISA 200 par 2 & ISA 700 par 14					
4	Are the audit reports prepared in keeping with the applicable standards?	Par 4.0.1 to 4.0.29	ISA 700					
5	Were procedures performed to ensure the completeness of financial statements?	Par 4.0.1 to 4.0.29	ISA 700 par 14					

6	Were aspects or deficiencies for follow-up during the next audit identified and documented properly?	Par 4.0.1 to 4.0.29					
7	Was a management letter prepared for discussion with the management of the auditee?	Par 4.0.1 to 4.0.29					
8	Does the management letter set out:						
a	The problem, its nature, and possible consequences?	Par 4.0.1 to 4.0.29					
b	Practical and cost-effective recommendations?						
c	Reference to verbal or informal queries?						
d	Any unfinalised matters from the previous year's letters?						
9	Did a member of management sign the management letter?	Par 4.0.1 to 4.0.29					
10	Were all significant matters identified in the management letter addressed in the audit report?	Par 4.0.1 to 4.0.29					
11	Was the legal basis identified in the report to the auditee?	Par 4.0.1 to 4.0.29					
12	Was the audit report submitted in good time in keeping with the set target dates?	Par 4.0.1 to 4.0.29	ISA 700				

13	Were the reasons for late submission valid?	Par 4.0.1 to 4.0.29						
14	Had the following been confirmed before disclosure:							
a	That information that is made public is properly backed-up by supporting documentation.	Par 4.0.1 to 4.0.29						
b	That the facts that are made public are properly presented for the sake of the necessary transparency, openness, and accessibility.							
c	That the level of disclosure is properly defined, for example, is it an interim, final, or special audit report.							
d	That the accounting officer concerned is informed in writing about the information that will be made public.							
e	That the relevant chairman of a board or public accounts committee has been informed about the planned disclosure.							
15	Generally, do the audit working papers, the audit procedures undertaken, and the results of the audit procedures support and confirm the audit opinion? In my opinion, based on the review performed, the audit was performed with due care.	Par 4.0.1 to 4.0.29						

R	CONTRACTING OUT							
1	Was an engagement letter issued to the audit firm stipulating their responsibilities?							
2	What measures had been taken to establish proper communication channels between the controller and the firm?							
3	Did the controller approve the audit plan after proper review?							
4	Were all changes to the audit plan approved by the controller?							
5	Was there a steering committee in place and does the controller ensure the efficient functioning of the committee?							
6	Did the controller ensure that the auditing standards were complied with? Did the controller perform an overall review of the work performed by the firm?							
7	Did the controller adequately monitor the audit costs?							
8	Was the budgetary process evaluated?							
9	Was adequate work done on the compliance with laws and regulations?							

10	Did the controller ensure that copies of the relevant audit files were retained or available?							
S	**FRAUD AND ERROR**							
1	Where indications of fraud were discovered during the audit, was it adequately followed up?	Par 3.4.1	ISA 240					
T	**ACCOUNTING ESTIMATES**							
1	Were accounting estimates adequately assessed for reasonableness and were differences correctly followed up?		ISA 540					
U	**RELATED PARTIES**							
1	Were audit procedures designed to obtain enough audit evidence regarding the identification and disclosure by management of related parties and the effect of related party transactions that are material to the financial statements?	Par 2.2.31	ISA 550					
V	**USING THE WORK OF ANOTHER AUDITOR**							

| 1 | Was the work performed by other auditor, properly evaluated and taken into consideration during the current audit (computer audit, performance audit, and forensic audit)? | Par 3.1.3 (h) | ISA 600 | | | | | |

Appendix 6: Summary of individual file QAR

Audit requirements	To provide assurance that	Key instruments employed	Potential findings
Audit planning	The work is adequately planned and the audit issues are selected on the basis of risk, their relevance to the SAI's mandate, significance, and auditability.	• Financial audit manual • Audit policy instructions and guidance • Laws and regulations • Audit plan • Software support tools (sampling etc.) • Working papers	Some of the items that normally require improvement are: • Completeness/ existence of engagement letters • Completeness/ existence of permanent files • Inadequate consideration of staff • Completeness/ existence of audit plan • Directives issued by the Head of SAI and Audit Manager not implemented • Whether risk assessment is performed • Evidence of internal audit assessment • Whether files indicate scheduling of staff, time budget and evidence of supervision/direction • Insufficient information on the knowledge of the auditees • Documentation

Audit requirements	To provide assurance that	Key instruments employed	Potential findings
Staffing for the audit	Adequate staffing is provided for the audit to be conducted efficiently and effectively.	• Audit manuals • SAI policies, procedures, and guidelines • Audit plan (staff scheduling and time and budget	• Lack of review because of changes in the audit team • Changes in staffing were not reflected in files during the course of the audit
IT tools	Appropriate IT tools are available in the SAI as a measure of audit quality improvement.	Software support tools	Lack of evidence of reconciliation between account balance and the sample populations as derived by the CAATs
Other tools and guidance	Appropriate guidance, audit tools, and techniques are in place, useful, and applied consistently.	• Office intranet site • Audit policy instructions and guidelines	No evidence on file of standard rates utilised from internal instructions
Conducting the audit	All audits are conducted with due regard for efficiency and economy in terms of time spent and resources utilised and in keeping with the legal mandate, policies, and practices of the SAI.	• Regularity (compliance and financial) audit manual • Approved audit plans • Approved test programmes • Progress reports • Sampling guides • Electronic tools • Working papers	At the fieldwork stage, some of the issues that may be included for improvement are: • Adequacy of lead schedules in the files • Whether the WPs show the audited period/ financial year for financial audits • Whether the scope of the audit was indicated • Whether the information system was assessed • Whether the index related to the WPs • Whether irrelevant materials were filed

Audit requirements	To provide assurance that	Key instruments employed	Potential findings
			• Whether WPs were signed by the reviewers • Whether tick marks or work performed were explained • Whether the reviewer checklist was on file • Whether core issues are considered in the recommendation
Consultation and advice	Consultation is sought from experts and specialists with appropriate competence, skill, knowledge, judgment, and authority to ensure due care and authoritative opinion when dealing with unusual, unfamiliar, and complex issues.	• Audit manuals • Audit policies, procedures, and guidelines • Specialist reports • Working papers	• Opinions provided by third party experts were not included in the files • Credentials of third party experts not validated
Supervision and review	Staff working in the audit team receive an appropriate level of leadership and direction so that they are encouraged to perform to their potential and to ensure that audits are properly completed. Adequate supervision of all audit staff is provided to ensure that audits are properly carried out. All audit work is reviewed by a senior member of the audit staff before the audit opinions or reports are finalised.	• Audit manuals • SAI policies, procedures, and guidelines • Human resources policies and guidance • Working papers	• No evidence of review on all working papers • Review was not completed before the report was issued
Evidence	Sufficient, appropriate, competent, and relevant evidence	• Audit manuals • SAI policies, procedures, and	Issues raised in reporting may include the following:

Audit requirements	To provide assurance that	Key instruments employed	Potential findings
	is obtained to provide a reasonable basis to support the conclusion expressed in the report.	guidelines • Review of working papers by senior management of the SAI	• Existence of the final management letter • Whether matters for the attention of the reviewer were summarised • Suggestions for the audit manager on the individual audit: The review team should make suggestions to the audit manager/division being reviewed for consideration to improve its operations
Documentation	The system of documentation in the SAI is designed to ensure that all audit processes are duly recorded and available, both for subsequent follow-up as well as for future audits.	• Auditing standards • Audit manuals • SAI policies, procedures, and guidelines • Working papers	• Evidence of non-standards review on files • Working papers poorly cross referenced

Appendix 7: Quality Assurance Model – Performance audit questionnaire

A. Quality factor: The performance audit (PA) mandate	Quality goal: The SAI should have the right to carry out PAs in keeping with INTOSAI auditing standards. This could be achieved if the SAI has a clear mandate. The SAI should act to get a clear performance audit mandate, in an Audit Act or similar document, in keeping with INTOSAI auditing standards.

A1	The PA mandate	YES NO N/A	Comments (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Is there an Audit Act (or similar) regulating the PA mandate?			
2.	Is the SAI (or Head of SAI) given mandate to carry out PAs?			
3.	Does the PA mandate exclude any audit areas for PA?			
4.	Does the mandate provide for a PA report to be tabled (submitted) to Parliament?			
5.	Does the SAI use the mandate to its full extent?			

B. Quality factors concerning the individual performance auditor's professional requirements

B. Quality object: The individual performance auditor's professional requirements consisting of :
Ethical behaviour as auditor (B1)
Academic background (B2)
Theoretical knowledge of performance audit (B3)
Practical skills in managing performance audit (B4)
Reference INTOSAI Auditing Standards (2001):
Standards with ethical significance:

Independence (section 2.2.2)

Competence (section 2.2.33)

Due care (section 2.2.39)

General standards in government auditing:

Recruiting (section 2.1.3)

Developing and training (section 2.1.5)

Support the skills and experience (sections 2.1.5, 2.1.15)

B1. Quality factor: Ethical behaviour as an auditor	Quality goal: The performance auditor must adhere to the principles of independence, integrity, and confidentiality.
	This can be achieved if the SAI implements a Code of Ethics in the organisation, and staff are committed to the ethics rules.
	The SAI must ensure that staff are complying with the ethics rules.

B1	Quality assurance activities: Aiming to achieve a good ethical behaviour among auditors	YES NO N/A	Comments (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Is there a documented Code of Ethics, adapted to the SAI's environment, in place covering the issues in INTOSAI Code of Ethics?			
2.	Is the above code adhered to?			
3.	Are there procedures covering the INTOSAI Code of Ethics?			
4.	How does the SAI ensure that all auditors comply with the SAI's requirements regarding independence, integrity, and confidentiality?			

B2. Quality factor: The auditor's academic background	Quality goal: The performance auditor should have a relevant academic background suitable for examinations and analytical work.
	This can be achieved if the SAI has efficient and effective policies, procedures, and skilled staff to recruit persons with the right competence.

	The SAI must ensure that this is done in an effective way. A basis for this is to adopt a recruitment strategy, which will ensure that the right people are employed to carry out PAs.		

B2	Quality assurance activities: Recruiting the right competence profile	YES NO N/A	Comments (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Is there a special policy for recruiting performance auditors with the right general and academic competence profile?			
2.	Is recruitment in practice done with due consideration of qualifications required for the PA unit?			
3.	Can the SAI adequately address the PA unit's needs (number of auditors, competence, skills, etc.) in the recruitment environment? Consider matters such as vacancies, overall skills levels, staff turnover, etc.			

| B3. Quality factor: The auditor's theoretical knowledge and understanding of PA | Quality goal: The performance auditor must have a good theoretical knowledge and understanding of the concept of performance auditing and the differences between PA and other forms of auditing.

This can be achieved if the SAI focuses on competence and implements a knowledge system with policies, handbooks, courses, exchange programmes between SAIs, knowledge sharing and information exchange between auditors, and personal guidance.

The SAI must ensure that this is done in an effective way. |
|---|---|

B3	Quality assurance activities: Achieving the appropriate theoretical education in the concept of PA	YES NO N/A	Comments (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Is there a SAI document describing the concept of PA, adapted to the SAI's specific audit environment? Does such a document have a formal status?			
2.	Are there official handbooks and/or guidelines, standards in PA, supporting the SAI's concept of PA?			
3.	How does the SAI ensure that performance auditors are familiar with, and make proper use of, the SAI's PA policies, handbooks, guidelines, etc?			
4.	Have all performance auditors participated in PA-related education programmes or courses, such as basic, advanced, and follow- up courses presented by SADCOSAI, AFROSAI, or university courses?			
5.	How does the SAI exercise control to ensure that auditors attending PA education programmes or courses have completed such programmes/courses?			
6.	How does the SAI ensure that auditors attending PA education programmes or courses have applied the knowledge gained?			
7.	Have performance auditors participated in exchange PA programmes with other SAIs?			
8.	How does the SAI ensure that the auditors' knowledge gained through training programmes (education programmes, staff exchange programmes) is being successfully used in PA projects?			
9.	Does the performance auditor receive guidance during the PA (including guidance from the head of the PA unit, mentor, or PA project member)?			

10.	Are there systematic activities in operation for knowledge sharing and exchange between performance auditors? (Consider matters such as regular PA discussions, studying PA reports together, reflecting on PA activities, reporting on courses, etc.)			
11.	Does the SAI evaluate the current level of knowledge for PA on a regular basis to determine current and future needs?			
12.	Does the SAI communicate the knowledge/skills needs to the relevant training staff?			
13.	Does the SAI ensure that knowledge needs are considered in the training plan for the next year?			
14.	Is the effectiveness of the training plans evaluated?			

B4. Quality factor: The auditor's practical skills in managing PA	Quality goal: The performance auditor should be skilled in managing all PA activities in a qualitative and efficient manner. The auditor should have a professional skill in using auditing methods and techniques and be able to manage audit projects (pre-studies and main studies) in a professional manner.
	This could be achieved if the SAI implements a system with a training programme (in-depth courses), on-the-job training, and designs audit teams to meet some training needs, nominate champions, and develop skills training plans on individual level.
	The SAI must ensure that this is done in an efficient way.

B4	Quality assurance activities: Achieving the right skills in managing PA activities	YES NO N/A	Comments (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Does the SAI have an annual training service agreement for each auditor?			
2.	Are there procedures for on-the-job-training?			

3.	Are the procedures for on-the-job-training documented?			
4.	Is on-the-job training provided for each auditor?			
5.	Is the provided on-the-job-training documented?			
6.	How do the PA managers design the composition of teams and needs of the staff?			
7.	How do the PA managers develop the PA capability? Do managers consider management activities such as the nomination and use of a mentor/champion?			
8.	Have the auditors been attending courses with special focus on: Management of data Selection of methods Interviewing techniques Collecting quantitative and qualitative data Problem analysis			
9.	Do PA managers allow auditors to take more and more responsibility in the projects? (Consider matters such as assistant, pre-study manager, manager of part of project, team leader.)			

MEMORANDUM 3

C. Quality factors concerning the professional managing of the PA projects

C. Quality object: The professional managing of PA projects consisting of:
The role of the Head of SAI and top managers in the projects (C1)
The role of the head of the PA unit/section in the projects (C2)
The administration of PA projects (C3)
The PA project planning (C4)
The audit object (C5)

The audit assessment (C6)

Managing a PA project (C7)

Audit findings, conclusions, and recommendations (C8)

Reference INTOSAI Auditing Standards

Standards with Ethical Significance:

Due care (ISSAI 200, paragraph 2.39)

General Standards Government Auditing:

Use of skills (ISSAI 200, paragraph 1.15)

Planning and supervision (ISSAI 200, paragraph 1.19)

Strategic planning (ISSAI 200, paragraph 1.22)

General information collection (ISSAI 200, paragraph 1.23)

Proper authorisation for audit project (ISSAI 200, paragraph 1.24)

Field Standards:

Planning (ISSAI 300, section 1)

Supervision and review (ISSAI 300, section 2)

Study and evaluation of internal control (ISSAI 300, section 3)

Compliance with applicable laws and regulations (ISSAI 300, section 4)

Audit evidence (ISSAI 300, section 5)

Analysis of financial statements (ISSAI 300, section 6)

C1. Quality factor: The role of the Head of SAI and top managers in PA projects	Quality goal: The role of the Head of SAI and top managers in the PA projects is to contribute with reasonable assurance that the audit work performed meets appropriate standards of quality.
	This could be achieved if the SAI implements efficient procedures for monitoring: • deciding upon new audit projects; • managing sufficient direction, supervision, and review of audit work at certain levels; and • assessing the draft audit report. The SAI must ensure that the managers are complying with the monitoring rules.

C1	Quality assurance activities: The role of the Head of SAI and top managers in the PA projects	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Is the role of the Head of SAI and top managers in the PA projects clearly described?			
2.	Is the above description well implemented?			
3.	Are there ongoing reviews of the audit projects done by top manager?			
4.	Do the audit working papers demonstrate adequate top management involvement and time in the planning, supervision, and review process of the audit? Consider matters such as: Discussing possible audit problems based on facts from area watching and general surveys with head of PA unit. Showing due care in deciding on new audit projects. Giving feedback to the audit team during the managing of the project.			

C2. Quality factor: The head of the PA unit's/section's role in PA projects	Quality goal: The head of the PA unit/section shall contribute with reasonable assurance that the audit work performed meets appropriate standards of quality. This can be achieved if the SAI implement efficient procedures for monitoring: • to assign to PA project personnel that have the degree of technical training and proficiency required in the circumstances; • manage sufficient direction, supervision, and review of audit work at certain levels; and • assess the draft audit report. The SAI must ensure that the managers are complying with the monitoring rules (a quality goal).

C2	Quality assurance activities: The role of the head of the PA unit/section in the projects.	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Is there a job description for the head of the PA unit/section in the PA projects?			
2.	Is the above well implemented in PA unit?			
3.	Does the head of the PA unit ensure the staff selection for the projects taking into account required and available skills?			
4.	Does the head of the PA unit give a proper authorisation for the project commencement? Consider matters such as: A clear statement of the objectives of the audit, its scope and focus. Suitable mix of resources to be applied to the audit in terms of distributions of skills, sufficient quantum, and use of internal or external expertise. Arrangements for reviews of progress at appropriate points. The dates by which fieldwork is to be done and a draft report on the audit is to be presented. Significant changes to the plan by the head of the PA unit being well documented and motivated.			
5.	Does the head of the PA unit review the audit projects on an ongoing basis?			

6.	Do the audit working papers demonstrate adequate management involvement in guiding, planning, supervising, and reviewing processes of the audit? Consider matters such as:			
	Manager discusses material concerning possible audit problems from area watching and general surveys.			
	Discussions between the head of the PA unit and top managers about how to choose audit problem.			
	Involvements in preparation of documents (e.g. knowledge of business).			
	Reviewing key planning working papers			
	project plan, materiality etc			
	Milestone (objective) for each part of major process, measurable results for each milestone, activities identified for all results.			
	Discusses audit assessment criteria.			
	Constructive feedback on the audit. team			

C3. Quality factor: The administration of the PA project	Quality goal: The PA or team leader and team members must administrate the audit project in a satisfactory manner.
	This can be achieved if the SAI implements sound administrative standards and procedures in the PA unit.
	The SAI must ensure that staff are complying with the administrative rules.

C3	Quality assurance activities: The PA project administrative issues	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Is there a proper filing/archiving standard and process in place at the PA unit?			
2.	Are all important QA activities being registered in the audit file?			
3.	Does the head of the PA unit ensure that the documentation of the project is in keeping with the guidelines and standards?			

C4. Quality factor: The PA project planning	Quality goal: PA staff must be able to plan the PA project in a way that ensures that an audit project of high quality is carried out in an economic, efficient, and effective way and that it is supported by evidence. This can be achieved if the head of the PA unit implements efficient procedures for planning: •documentation; •collection of knowledge about auditee; •identification of audit problems, audit objectives, and audit approach; •identification of the needs for quantitative and or qualitative data, and the sources for these data and how to analyse these data; and •proper operational planning. The head of the PA unit must ensure that the staff are complying with the planning rules.

C4	Quality assurance activities: The PA project planning	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Do the PA working papers reflect adequate planning routines by means of a planning memorandum or similar document? Consider such matter as: Memo from area watching Pre-study memo Main-study project plan			

2.	Do the performance audit working papers indicate an appropriate level of knowledge of the auditees business, field of actions, etc, to identify audit areas, audit problems, and audit hypothesis?			
3.	Are complex audit problems split into more manageable sub-audit problems?			
4.	Are audit objectives correctly identified for each audit problem?			
5.	Does a sufficient and reasonable audit timetable exist? Consider the following: Attendance of quantitative data, document, and auditee's staff to be interviewed A starting date for the audit A finalisation date for the audit Planned dates for issuing the findings, conclusions, and reports Proper supervision of junior staff by senior staff Enough time for interaction with management The confirmation of audit findings Enough time for final review			
6.	Do the working papers reflect time spent on the audit and reasons for significant variances from the budgeted time?			
7.	Was appropriate direction given by managers when work was delegated to team members?			

8.	Was an acceptable level of audit work done to find audit evidence from quantitative data materials? Consider materials such as: Data from auditees' databases and registers Data from questionnaire Data from statistical survey			
9.	Was an acceptable level of audit work done to find audit evidence from qualitative data materials? Consider materials such as: Documents Interview notes Observation notes Statements from questionnaires Statements from hearings			
10.	Was the audit hypothesis considered during the analysis of the data and findings?			
11.	Were proper conclusions drawn about the audit problem during the analysis of the audit evidence?			

12.	Was the audit approach appropriate? Consider matters such as: The choice of audit perspective (economy, efficiency, and effectiveness) to generate audit hypothesis to be examined The formulation of audit hypothesis If the need for knowledge to answer the audit questions is based on an analysis of the audit problem If the needed knowledge is broken down into need of information and data If the needed data is analysed in terms of sources, source availability, data quality, and contact persons If the methods, techniques, and IT support to be used is based on an analysis how to get the needed data			

C5. Quality factor: The audit object (audit areas, audit problems, and audit problems hypothesis)	Quality goal: PA staff must be able to identify relevant and manageable audit problems. This can be achieved if the head of the PA unit implements efficient procedures for identifying audit problems, for example, area watching, using general surveys, performing pre-studies, and developing audit criteria. The head of the PA unit must ensure that staff are complying with the rules concerning the analysis of audit problems to be selected.

C5	Quality assurance activities: The audit object	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Is there a well-developed capacity among performance auditors to select relevant and manageable audit problems (audit scope)? Consider matters such as:			
	Performance of area watching via different sources			
	Performance of general surveys (sometimes based on area watching)			
	A chapter on audit problems in pre-study memos			
	The audit problems should meet important criteria such as relevance and the ability to audit			
	Discussions between managers and performance auditors concerning material from area watching and general surveys and how to choose audit problems			

C6. Quality factor: The audit assessments	Quality goal: PA staff must be able to assess the audit evidence in a relevant and efficient way to draw conclusions about compliance with law, regulations, standards, and other norms.
	This can be achieved if the head of the PA unit implements efficient procedures for developing good audit criteria.
	The head of the PA unit must ensure that staff are complying with the rules concerning the development of audit assessment criteria.

C6	Quality assurance activities: The audit assessments	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Are performance auditors capable of developing good assessment criteria (unique for each PA project) to assess the audit findings and to draw conclusions. Consider matters such as: Criteria are developed, tested, and verified in a pre-study Criteria are further developed at the beginning of the main study Are criteria discussed with the auditee Criteria are related to the agencies goals, agencies objectives, and agencies measurements or other common criteria (praxis) Criteria are discussed with, and approved by, managers			

C7. Quality factor: The managing of a PA project	Quality goal: A PA project should be managed in keeping with the SAI's definition of a PA and in an efficient project management way. This can be achieved if the head of the PA unit implements efficient standards and procedures for managing a PA project. The head of the PA unit must ensure that staff are complying with the rules concerning the managing of a PA project.

C7	Quality assurance activities: Managing a PA project	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Are performance auditors able to run projects (general survey projects, pre-study projects, and main-study projects) in keeping with the relevant PA standards of the SAI?			

| 2. | Is the project team exercising due care in specifying, gathering, and evaluating evidence, and in reporting findings, conclusions, and recommendations? Consider such as:

Using PA handbook

Using notes from training courses

Following the steps/phases in local PA guidelines

Following ethical codes for audits

Following PA audit standards | | | |
| 3. | Are the audit teams in general executing the audit within the budget timeframe and costs? | | | |

C8. Quality factor: Audit findings, analysis, and conclusions	Quality goal: Performance auditors should be capable to identify audit findings from different data sources, assure the quality of the findings, analyse, and draw relevant conclusions from comparing findings with audit criteria to identify relevant and effective recommendations. This can be achieved if the head of PA the unit implements standards and efficient procedures for the audit fieldwork and for the audit analysis work. The head of the PA unit must ensure that staff are complying with the rules concerning the audit fieldwork and analysis work.

C8	Quality assurance activities: Audit findings, analysis and conclusions	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Are the auditee's objectives, goals, procedures, activities, information systems, use of IT, inputs, outputs, etc, sufficiently documented by the auditor?			
2.	Are documents compiled by the auditee regarding objectives, goals, procedure, activities, information systems (manual, IT- based), verified by the auditors before relying on them?			

3.	Is the verification of the above adequately documented?			
4.	Are the objectives of the audit evidence collecting phase clearly defined?			
5.	Were the procedures in the audit evidence collecting phase correctly executed and documented?			
6.	Is there proof of performance auditors being well capable to identify findings from different data collecting methods and to assure the quality of the findings? Consider matters such as: Each data collecting activity, such as an interview, is written down in a special memo Findings from one source are confirmed by findings from another source Completeness of data Data are secured The audit is not based only on one type of data After the collection of data is finalised, a special memo is written containing the main relevant audit findings The memo with findings is discussed with the head of the PA unit Audit evidence is properly assessed against chosen audit assessments and evaluated			
7.	Have all audit problems been followed up and confirmed with audit evidence?			

MEMORANDUM 4

D. Quality factors concerning PA reporting

D. Quality object: PA reporting consisting of:

The role of the Head of SAI and top managers in PA reporting (D1)

The role of the head of the PA unit in PA reporting (D2)

Relationships and interaction with external stakeholders (D3)

PA report and reporting (D4)

Reference INTOSAI Auditing Standards (2001)

Standards with Ethical Significance:

Due care in reporting (sections 2.2.39-2.2.40)

Good relationships (section 2.2.25)

Field Standards:

Co-operation with other actors (section 4.0.19)

Reporting (section 4.0.1)

D1. Quality factor: The role of the Head of SAI and top managers in PA reporting	Quality goal: The SAI must adhere to the principles of independence, integrity, objectivity, and confidentiality in the reporting to important external stakeholders.
	This can be achieved if the SAI implements standards and procedures for the involvement of top managers in the SAI's reporting. The SAI must ensure that it is complying with the reporting rules.

D1	Quality assurance activities: The role of the Head of SAI and top managers in PA reporting	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Does a proper reporting review method (job description, review checklist, review sheet) for top managers exist and is it used?			
2.	Do top managers assure that the review methodology, the review checklist, and the review sheet for top managers are well known by staff on all levels?			

3.	Are draft PA reports being discussed between the Head of SAI, top managers, and the head of the PA unit and audit staff?			
4.	Are top managers' comments written down in draft margins and/or a review sheet, signed and dated?			
5.	Do the Head of SAI and top managers pay special attention and assessments on audits findings being verified with quantitative and qualitative data?			
6.	Do the Head of SAI and top managers pay special attention to the relationships between audit findings, conclusions, and recommendations?			

D2. Quality factor: The role of the head of the PA unit in PA reporting	Quality goal: The SAI must adhere to the principles of independence, integrity, objectivity, and confidentiality in the reporting to important external stakeholders. This can be achieved if the SAI implements standards and procedures for the involvement of the head of the PA unit in the SAI's reporting. The SAI must ensure that it is complying with the reporting rules.

D2	Quality assurance activities: The role of the head of the PA unit in PA reporting	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Does a proper review methodology (job description, review checklist, and a review sheet) exist for the head of the PA unit's role in PA reporting, and is it used?			

2.	Does the head of the PA unit assure that the review methodology, the review checklist, and the review sheet are well known by staff on all levels?			
3.	Are draft reports being discussed between with the head of the PA unit and the project team?			
4.	Are the head of the PA unit's comments being written down in draft margins and/or a review sheet, signed and dated?			
5.	Does the head of the PA unit pay special attention and assessment if audits findings are verified with quantitative and qualitative data?			
6.	Does the head of the PA unit pay special attention to the relationships between audit findings, conclusions, and recommendations?			

D3. Quality factor: Relationships and interaction with external stakeholders.	Quality goal: The PA unit should have good relationships with important external stakeholders without damaging the independence, integrity, objectivity, and confidentiality in the audit work. Criteria:
	• Auditees willingly provide the SAI with the needed information in the audit work.
	• Auditees adopt suggested recommendations from the SAI.
	• The Public Accounts Committee, government agencies, and other governmental bodies and media are familiar and supporting PAs.
	This can be achieved if the SAI implements effective procedures for the interactions with the external stakeholders.
	The SAI must ensure that staff are complying with these procedures.

D3	Quality assurance activities: Relationships and interaction with external stakeholders	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Do auditees willingly provide the PA unit with the right information at the right time in the right way?			
2.	When auditees do not co-operate, what steps does the SAI take?			
3.	Do auditees adopt suggested recommendations?			
4.	Are the auditees and the Public Accounts Committee familiar with and supporting PAs?			
5.	Does the SAI have a press/communication policy for interaction with the media and are the media familiar with and supporting PAs?			
6.	If the necessary support is not received as stated in Questions 3 and 4, what steps are taken?			

D4. Quality factor: PA report and reporting	Quality goal: The SAI should be able to report the audit findings in a manner that ensures the quality and fairness of the audit work: • All audit work supports and confirms the audit evidences and conclusions. • All facts and conclusions are confirmed before being disclosed. • Report is submitted in good time. This can be achieved if the SAI implements standards and efficient procedures for reports and the reporting. The SAI must ensure that these criteria are met in all reports and reporting activities.

D4	Quality assurance activities: PA report and reporting	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Was the audit report tabled/submitted in good time in keeping with the set target dates?			
2.	Are the following confirmed before disclosure:			
	The level of disclosure is properly defined, for example, is it a draft report or a final report			
	The auditee is informed in writing about the information that will be made public			
	The relevant chairman of a board or Public Accounts Committee has been informed about the planned disclosure			
3a.	Are the audit reports prepared in keeping with the applicable standards? Consider matters such as:			
	The SAI's demands and requirements			
	Suitable title or heading			
	The legal basis (mandate) for the audit is identified and the objectives and scope of audit are clearly stated			
	Assurance that the audit has been carried out in keeping with generally accepted procedures to ensure the completeness of audit statements			
	Appropriate, easy to understand, repetition is avoided, free from vagueness, ambiguity, or contradictory statements between chapters, cross references between chapters			
	Facts are complete, accurate, and fairly presented for the sake of the necessary transparency			
	Information/findings are based on competent, reliable, relevant, and sufficient audit evidence and well documented			
	Promptly available among stakeholders			

3b.	Continued: Are the audit reports prepared in keeping with the applicable standards? Consider matters such as:			
	Conclusions follow findings, recommendations are based on conclusions, recommendations written as a guide for action			
	Constructive, encourages correction and improvements within the audited entity			
	Gives independent information, advice, or assurance as to whether and to what extent economy, efficiency, and effectiveness have been achieved			
	Includes the audited entity's responses to the matters raised			
	Facts agreed with auditee			
4.	Are the references to the audit evidence, findings, conclusions, and recommendations in keeping with professional standards and appropriate in the circumstances?			

MEMORANDUM 5

E. Quality factors concerning the professional running of PA unit

E. Quality object: The professional running of PA unit consisting of:
The role of the Head of SAI and top managers in running the PA unit (E1)
The role of the head of the PA unit in running the PA unit(E2)
The PA organisational reference library (E3)
The PA unit support environment (E4)
Reference INTOSAI auditing standards
Standards with ethical significance:
High standard of management within the SAI (section 2.2.38)

Use of external experts, consultants, other auditors (section 2.2.43)
General standards government auditing:
Manuals, guidance, instructions (section 2.1.13)
Supporting (sections 2.1.2 and 2.1.13)

E1. Quality factor: The role of the Head of SAI and top managers in running the PA unit	Quality goal: The Head of SAI and the head of the PA unit should manage the PA unit in an efficient and effective way, leading to audits of high quality.
	This can be achieved if the SAI implements policy, guidelines, standards, and procedures for PA management. This could include matters such as good knowledge and understanding of PA, expressing important quality requirements for the PA function, stimulating mechanisms for organisational learning, and improved PA work.
	The SAI must ensure that policy and guidelines are met.

E1	Quality assurance activities: The role of the Head of SAI and top managers in running the PA unit	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Do the Head of SAI and top managers have a constructive QA dialogue with head of the PA unit about audit work being done in the unit?			
2.	Do the Head of SAI and top managers decide what audit projects should be carried out?			
3.	Do the Head of SAI and top managers support performance auditing and do they have a good understanding of it?			
4.	Do top managers set important quality requirements for PA? Consider matters such as: - the existence of a top managers' checklist in PA issues (expectation concerning the quality of PA work)			
E2. Quality factor: The role of	Quality goal: The head of the PA unit must be able to:			

the head of the PA unit in running the PA unit	•manage the unit in an efficient way; •maintain and improve the quality of audit work; •have actual information about the audit work being done in other departments (information exchange); •have a constructive QA dialogue with top managers about audit work being done; •make the PA concept well-known and accepted among important external stakeholders; and •state a vision, mission, values, goals, and objectives for the PA unit. This can be achieved if the SAI implements policy, guidelines, standards, and procedures for the head of the PA unit. The SAI must ensure that policies, guidelines, standards, and procedures are met.		

E2	Quality assurance activities: The role of the head of the PA unit in running the PA unit	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Does the head of the PA unit manage the unit in an efficient and effective way? Consider matters such as: Giving guidance Taking good care of newly recruited staff Identifying skills that are lacking Supervising the work of the audit staff at each level and audit phase Managing meetings and discussions with audit teams about audit progress Making decisions about audit work (narrowing down audit problems, formulating audit problems, suggesting ideas of easy ways to collect data) Reading and commenting on audit draft reports Assessing the audit findings (quality and evidence, structure of findings), conclusions, and recommendations			
2.	Does the head of the PA unit maintain and improve the quality of work through a quality improvement plan? Consider factors such as: Ongoing training programme Implementation of new knowledge Management of post-audit projects for follow-up purposes Recruitment of new people Use of highly skilled PA section managers Improvement of the quality in audit recommendations Individual auditor training plans in place Competence plan for the audit function in place System for organisational learning in place			

3.	Does the head of the PA unit have current information about the audit work being done in other audit departments within the SAI?			
4.	Does the head of the PA unit have a constructive QA dialogue with top managers about audit work being done? Consider matters such as: Ongoing discussions during the audit work Discussion of main-study draft reports Audit team included in the discussions				
6.	Has the head of the PA unit developed statements about PA vision, mission, values, goals, objectives, and measurements to guide the audits? Consider matters such as developing and formulating a strategic plan as part of the work with the performance management system.				

E3. Quality factor: PA organisational reference library	Quality goal: A well functioning PA organisational reference library should be in place to provide the auditors with updated relevant facts, knowledge, and information about PA matters. This can be achieved if the SAI implements standards and procedures for organisational learning. The SAI must ensure that these organisational learning rules are met.

E3	Quality assurance activities: PA organisational reference library	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Do all performance auditors have access to a PA organisational reference library? Consider matters such as: Coverage, number of years Collections, discussions, documentations, registrations in system of experiences from audit work Documentation of audit areas of interest from area watching (reading newspaper, storing articles, information from other audit departments, information analysis) Auditors are committed to do in-depth studies of published audit reports to make them committed to the reports in different situations Collection of ethical codes, PA guidelines, PA handbook, methods descriptions, best practice based on experiences from audit work Updating of manuals and other written guidance and instructions.			

E4. Quality factor: The PA unit support environment	Quality goal: The PA unit must have access to a good supporting system. This could be achieved if the SAI's implements: •handbooks, guidelines, best practice; •IT-based audit tools (CAATs); •access to external audit firms and other consultants to be used; •other SAIs' audit department to be used; •internal and external experts; •recruitment procedures; and •individual career development procedures. The SAI must ensure that the support system functions well.

E4	Quality assurance activities: The PA unit support environment	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	In determining the use of CAATs in specific PA projects, were the following factors considered: Computer knowledge, expertise, and experience of the performance auditor Availability of relevant IT-based tools and suitable computer facilities (programmes for quantitative and qualitative description and analysis) Timing of the use of IT-based tools in the audit projects			
2.	Where IT-based audit tools were used, does the audit project working paper contain enough documentation of the IT application, such as the following: Planning: Objectives for using IT; specific IT tools to be used and exercised; staffing, timing, and costs Execution: Preparation for using IT; testing procedures and controls; details of tests performed by IT tools; details of input, processing, and output; relevant technical information about the entity's information system such as file layouts, data quality Audit evidence: Output provided; description of the audit work presented in output and audit conclusions Reporting: Recommendations to management			
3.	Does the PA unit have access to external audit firms or other external organisations or professionals to carry out PA projects?			

4.	Does the PA unit have auditing standards that can be made available to external consultants?			
5.	Is the work performed by other auditors within the SAI properly evaluated and taken into consideration during the current audit (computer audit, financial audit, and forensic audit)?			
6.	Do all staff members have access to the latest version of the audit standards documentation, the SAI's approach documentation and guidelines, and other relevant documentation?			
7.	Do all audit team members and management have access to experts, either within the SAI or outside, in areas such as IT and taxation?			
8.	Does the PA unit consult other management members about audit areas, audit problems/focus areas, audit problem hypothesis, audit objects?			
9.	Is there a technical department responsible for research into complex technical or public sector specific matters related to performance audit matters? How is this work documented?			
10.	Are relevant technical publications adequately circulated among PA staff members?			
11.	Can the SAI effectively recruit and retain PA staff? Consider matters such as: Ensuring the appointment of quality staff to perform PA Keeping the number of performance auditors above the critical mass level Career system			

12.	Are there individual career development plans? Have the managers formulated assessment criteria and, if so, have they implemented such criteria? Consider matters such as: Salary policy to be based on results A career development plan for each auditor Specialist career path besides the management career			

MEMORANDUM 6

F Quality factors concerning the PA quality monitoring system

F. Quality object: The PA quality monitoring system consisting of: Internal review of the quality assurance system (F1) External review of the internal review of the quality assurance system (F2)   Reference INTOSAI Auditing Standards General Standards in Government Auditing: Review the efficiency and effectiveness of the SAI's internal standards, procedure (section 2.1.25)

F1. Quality factor: The PA internal review of the quality assurance system	Quality goal: There should be QA activities for the performance PA mandate (part A), the performance auditor requirements (part B), managing PA projects (part C), managing PA reporting (part D), and managing PA function (part E). This can be achieved if the SAI implements policy, standards, tools, and procedures for an internal quality assurance review system as an integrated part of PA work. The SAI should ensure that this internal QAR system is working well and effectively.

F1	Quality assurance activities: Internal review of the quality assurance system	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.

1.	Is a PA quality assurance review system (objectives, strategy, plan, reviewers, activities) in place?			
2.	Do managers manage the internal quality review system?			
3.	Is there a yearly plan for quality assurance review activities?			
4.	Is a yearly quality review plan completely executed?			
6.	Are the conclusions and recommendations from internal QAR being discussed and taking care of in a PA improvement plan?			
7.	Are the recommendations followed up?			

F2. Quality factor: External review of the internal review of the quality assurance system	Quality goal: The SAI should use external experts to review the SAI's activities, such as its internal quality assurance system (part F1) or other parts of the SAI.
	This can be achieved if the SAI implements a relevant, well functioning and running quality control system, based on the use of external experts (outside PA).
	The SAI should ensure that this quality control system is working well and effectively.

F2	Quality assurance activities: External review of the internal review of the QA system	YES NO N/A	COMMENTS (relevance, procedures in place, documentation, strengths and weaknesses, need for further development)	WP Ref.
1.	Does the SAI use independent bodies to carry out evaluations of the SAI?			
2.	Does the quality control system show that the internal quality review system (part F1) is focusing on the main quality matters in the PA work?			
3.	Are the internal reviews carried out in keeping with the quality review plan?			
4.	Are all internal reviewers regularly updated in PA matters?			

5.	Are the results of each of the internal reviews discussed with audit management and the audit team? Were all differences cleared?			
6.	Is the outcome of the internal reviews adequately addressed in actions plans, with feedback into the PA unit's strategic plans?			
7.	Is there a follow-up of the action plans for the previous year?			

MEMORANDUM 7

Relevance, procedures, and documentation for different quality issues

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Quality object: The PA quality system consisting of quality activities in the area of:

A. PA mandate

B. Individual performance auditor's professional requirements

C. The professional managing of PA projects

D. The PA reporting

E. The professional managing of the PA unit

F. The SAI´s PA quality monitoring system

A. PA mandate

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
A. PA mandate			

B. Individual performance auditor's professional requirements

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
B1. Auditor's ethical behaviour			

Quality system objects, factors, and activities (targets for QA activities)			
B2. Auditor's academic background			
B3. Auditor's theoretical knowledge of PA			
B4. Auditor's skills in managing PA projects			

C. The professional managing of PA projects

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
C1. The role of the Head of SAI and top managers in the projects			
C2. The role of the head of the PA unit in the projects			
C3. The administration of PA project			
C4. PA project planning			
C5. The audit objects			
C6. The audit assessments			
C7. Managing a PA project			
C8. Audit findings and conclusions			

D. The PA reporting

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
D1. The role of the Head of SAI and top managers in reporting			

D2. The role of the head of the PA unit in reporting			
D3. Relationships and interactions with important external stakeholders/interested parties			
D4. Audit report and reporting			

E. The professional managing of the PA unit

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
E1. The role of the Head of SAI and top managers in managing the PA unit			
E2. The role of the head of the PA unit in managing the unit			
E3. PA unit organisational reference library			
E4. The PA unit support environment			

F. PA quality monitoring system

Quality system objects, factors, and activities (targets for QA activities)	Is the issue assessed to be relevant for PA?	Are there procedures to manage the factor in place?	Are the procedures documented (objectives, strategy, activities)?
F1. The SAI's internal review of the PA QA system			
F2. External review of PA and the SAI's internal review of the PA QA system			

MEMORANDUM 8

Results and need for further development concerning different quality issues

Quality object: The PA quality system consisting of quality activities in the area of:
A. PA mandate
B. Individual performance auditor's professional requirements
C. The professional managing of PA projects
D. The PA reporting
E. The professional managing of a PA unit
F. The SAI's PA quality monitoring system

A. PA mandate

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	The present strengths and weaknesses?	Need for further development?
A. PA mandate			

B. Individual performance auditor's professional requirements

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	Present strengths and weaknesses?	Need for further development?
B1. Auditor's ethical behaviour			
B2. Auditor's academic background			
B3. Auditor's theoretical knowledge of PA			
B4. Auditor's practical skills in managing PA projects			

C. The professional managing of PA projects

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	Present strengths and weaknesses?	Need for further development?

C1. The role of the Head of SAI and top managers in the projects			
C2. The role of the head of the PA unit in the projects			
C3. The administration of PA projects			
C4. The PA project planning			
C5. The audit objects			
C6. The audit assessments			
C7. Management of a PA project			
C8. Audit findings, conclusions, and recommendations			

D. The PA reporting

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	Present strengths and weaknesses?	Need for further development?
D1. The role of the Head of SAI and top managers in reporting			
D2. The role of the head of the PA unit in reporting			
D3. Relationships and interactions with important external stakeholders/interested parties			
D4. The audit report and reporting			

E. The professional managing of a PA unit

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	Present strengths and weaknesses?	Need for further development?
E1. The role of the Head of SAI and top managers in managing the PA unit			
E2. The role of the head of the PA unit in managing the PA unit			
E3. The PA unit organisational reference library			
E4. The PA unit support environment			

F. The SAI's PA quality monitoring system

Quality system objects, factors, and activities (targets for QA activities)	What kind of result has been achieved with the procedures to manage quality?	Present strengths and weaknesses?	Need for further development?
F1. The SAI's internal review of the PA QA system			
F2. External review of PA and the SAI's internal review of the QA system			

Appendix 8: Sample quality assurance review recording form

QCQ reference	Positive observations	Negative observations	Effects	SAI comments	Causal factors	Name of reviewer	Recommendations
(V) B.1		There was no planning memorandum on file. There was no indication that a plan was prepared before the execution of the audit.	Objectives of the audits may not be achieved because of lack of planning and this may result in wastage of resources.	The observation is noted and we will make all the necessary effort to prepare audit plans and place them on file. Deputy Director: Central Government Audits	During the period under review, the SAI was under pressure to meet the statutory deadline and teams were going out for audits without preparing audit plans and there was no proper supervision. Last year, the report was produced six weeks after the deadline.	Mrs Evelyn	INTOSAI standards paragraph 3.1.3 and ISA 300 require working papers to include a planning memorandum. It would be good for the SAI to prepare a proper operational plan that will cater for all resource requirements and enable audit teams to conduct their audits efficiently and effectively. Adherence to the operational needs should be monitored by the supervisors.
(III) O. 12	The report was designed in a way that addresses the needs of readers with different interests and it was tabled well before the		This has had a positive effect in that most people are now interested in reading the SAI's report and this has improved its	The public and other business people have been complaining that it was difficult to understand information in the report and that it was too long. Therefore, the SAI decided to take corrective action by	The SAI appointed an ad hoc committee to: 1) identify the information needs of the auditees and stakeholders; 2) determine the most appropriate layout of the report; and 3) revise the report with a	Mr Thomas	It is recommended that the SAI consider ways and means of institutionalising the good practices of writing user-friendly reports and making them available in time.

		statutory deadline.		credibility.	nominating an ad hoc committee. Director: Central Government Audits	view to improving it and meeting auditee and stakeholders' information needs.		

Signed by ………………………………..   **Date…………………………………………**

Details required for the completion of the Quality Assurance Review Recording Form (QARRF) include:

Quality Control Questionnaire reference

The Quality Control Questionnaire (QCQ) reference is necessary for further clarification as there may be need to refer back to the QCQ.

Positive observations

It is essential to acknowledge the good practices done on the audit assignment.

Negative observations

All material negative observations should be recorded precisely. State the nature and extent of the finding.

Effect

This attribute identifies the real or potential effect of the observation. The significance of the observation is usually judged by its risk. One would be trying to answer the question, "What risk does it expose?"

SAI comment

The reviewer should obtain and record comments from the SAI's audit manager/audit director on the observations made.

Recommendations

The reviewer should have already come up with the appropriate recommendations and recorded them. The recommendations would identify suggested remedial actions and answers to the question, "What should be done?"

The relationship between the recommendation and the underlying observation should be clear and logical. The recommendation should state precisely what needs to be changed or rectified. The cost of implementing and maintaining recommendations should always be compared to the risk.

Name of reviewer

It is necessary to state the name of the reviewer who made a particular observation.

Signature and date

The team leader should make sure that all observations are completely and correctly stated and should insert signature and date on the form.

Appendix 9: Content of a QA report

Date – The report has to be dated.

Address – This is usually the physical address of QAR team at the time of writing the report.

Addressee – The report is addressed to the division/unit of the audit manager.

Heading – An appropriate heading is given, for example:

REPORT ON QUALITY ASSURANCE ON "CENTRAL ELECTRICITY BOARD" FOR THE YEAR ENDING 30 JUNE 2011

Introduction – In the introductory paragraph, the team has to state:
- o the purpose of the QAR programme; and
- o how the assurance review was initiated.

Expected outputs – The expected outputs would normally include feedback to the SAI management. The feedback will not be on one file but will include findings from a number of files. The output would include:
- o collated findings;
- o trends and possible recommendations; and
- o assessment of the SAI's QA system.

Work done and methodology – This would include the actual work done and the procedures followed by the QAR team. This would cover items such as:
- o entrance conference conducted to reaffirm the mandate and to provide a briefing on how the process had evolved;
- o main focus of the review;
- o number of files reviewed and procedures followed;
- o the criteria applied on choice of files to be reviewed;
- o discussions with the team members; and
- o the SAI's QA model and auditing standards on issues such as review and documentation to be used.

Determining the current status – In this paragraph, the review team will make a list of good practices. Although this has not been the trend, we propose that issues relating to the good practices noted on the audit assignment be incorporated. Good practices to be considered would range from planning to reporting. They should illustrate the strengths/strong points of the SAI being reviewed. Issues to be raised here may include the following:
- o audit risk assessment;
- o use of experts;
- o report; and

- o design.

Areas for improvement – Examples of areas at individual audit level are highlighted below. At this level, areas for improvement may cover:

- o *Planning*: Some of the items that normally require improvement in planning are:
  - existence of engagement letters;
  - existence of permanent files;
  - competence of staff;
  - existence of audit plan;
  - directives issued by the Head of SAI and Audit Manager not implemented;
  - whether risk assessment is performed;
  - evidence of internal audit assessment;
  - whether files indicate scheduling of staff, time, budget, and evidence of supervision/direction;
  - insufficient information on the knowledge of the auditee; and
  - documentation.

- o *Fieldwork issues:* Some of the issues that may be included for improvement in fieldwork are:
  - existence of lead schedules in the files;
  - WPs show the audited period/financial year for regularity audits;
  - the scope of the audit was indicated;
  - the information system was assessed;
  - the index related to the WPs;
  - irrelevant materials were filed;
  - WPs were signed by the reviewers;
  - tick marks or work performed were explained;
  - the reviewer checklist was on file;
  - core issues are considered in the recommendations; and
  - the Head of SAI has ownership of the audit files for work done by auditee firms.

- o *Reporting:* Issues raised in reporting may include the following:
  - existence of the final management letter; and
  - whether matters for the attention of the reviewer were summarised. Suggestions for the Head of SAI/audit manager on the individual audit: The review team should make suggestions to the Head of SAI/audit manager being reviewed for consideration to improve its operations.

- o Suggestions to be considered for improvement may include the following:
  - strengthening reporting;
  - streamlining the documentation requirements;
  - reviewing the QA system;
  - making field inspections more efficient;

- presentation on the importance of documentation; and
- familiarity with the QA questionnaire.

Conclusion and signature – The conclusion is based on all findings from the review performed on the individual audit level (files). The review team may give its general perception on the whole exercise and what effect the review has on the files being examined.

The head of the QAR team signs the report before sending it to the head of the unit that was reviewed.

If shortcomings were identified during the review, these must be corrected before the review leader can sign off the review. If there are unresolved differences between the review team and the audit team, this must be resolved before the report is signed. In such instances, the prescribed process in the SAI's QA policy should be followed to resolve the differences.

The following process can be followed to resolve the findings:
- The findings should be discussed with the audit team. For every finding, the team should indicate whether there is agreement/disagreement on the finding.
- Where agreement was reached on a high-risk matter:
  - the audit team should ensure that the matters are addressed in a timely manner; and
  - the review team should perform additional review work to confirm that the matter has been addressed and should indicate whether the matter has been resolved to their satisfaction and the date on which the reviewer confirmed that it was resolved.
- Where there was disagreement on a high-risk matter, or other important matter, the audit team should clearly state the reason for the disagreement and ensure that the SAI's process for differences of opinion is followed to resolve the matter before the audit report is issued. Detail on such a process should be included in the working paper.

Where a difference of opinion between the review team and the audit team exist, the following procedures for dealing with differences of opinion can be followed by the SAI:
- Where the reviewer makes recommendations on high-risk findings from the review that the audit team does not accept and the matter is not resolved to the reviewer's satisfaction, the report is not issued until the matter is resolved by senior management.
- Even when policies and procedures are put in place to resolve differences of opinion, a resolution may not be reached where matters are contentious and strong opinions are held. In that case, clear designation of who will take the line responsibility for making the final decision may be necessary. The person who signs the audit report will be the most appropriate person. If a member of the audit team or a person involved in resolving the difference of opinion continues

to disagree with the resolution, they may disassociate themselves from the resolution of the matter and should be offered the opportunity to document that a disagreement continues to exist.

- o The steps in the process to be followed by the audit team to resolve differences of opinion include:
    - *Consider the reasons for the difference of opinion*: Consider whether or not the difference of opinion arises from a different interpretation of facts, or from a more technical or personal interpretation of "grey areas", often where there are no standards to give a precise interpretation or application of principles.
    - *Research*: The matter is thoroughly researched by the Research and Development function of the SAI and credible information is obtained that supports the difference of opinion expressed.
    - *Consider past experience*: Consideration of similar circumstances or experience among senior staff in the SAI or the region may provide guidance for consensus in the resolution of the difference of opinion.
    - *Mediation*: Other individuals with current, specialist professional expertise identified within the SAI may be brought in to mediate the difference of opinion.

7. REFERENCES

Quality Assurance Handbook, 2007, AFROSAI-E

Quality Assurance in Financial Auditing Handbook, 2009, ASOSAI

Office of the National Public Auditor Manual, 2006, FSM National

General Standards (Chapter 3), 2007, Generally Accepted Government Auditing Standard

General Standards, 2007, ISSAI 200, INTOSAI

Quality Control for an Audit of Financial Statements, 2009, ISSAI 1220, INTOSAI

Quality Control for an Audit of Financial Statements, 2009, ISA 220

International Standard on Quality Control (ISQC 1), 2009

The Lima Declaration, 1998, ISSAI 1, INTOSAI

Audit of Quality Control for SAIs, 2008, ISSAI 40, INTOSAI