



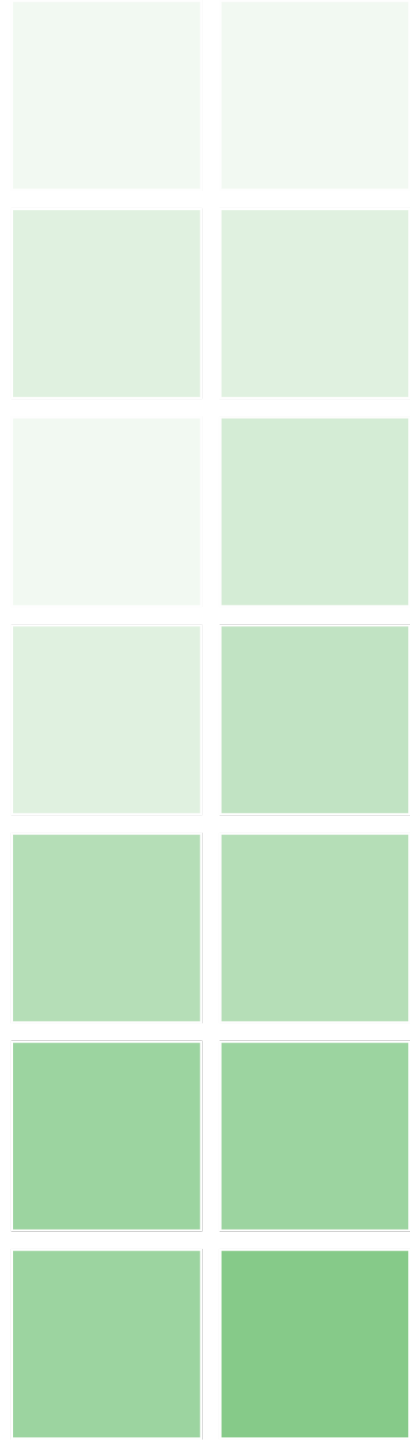
"Pacific Auditors Working Together"

Quality and the elements of the Quality Control System

Session 2

Session objectives

- ▶ Ensure a sound understanding of what 'quality' means for a SAI
- ▶ Introduce the standards that apply and how they fit together
- ▶ Examine in detail the six elements of the Quality Control Framework and how to implement them in your SAI
- ▶ Introduce a practical tool to assist with implementing a quality system
- ▶ Share real experiences from the PASAI Region

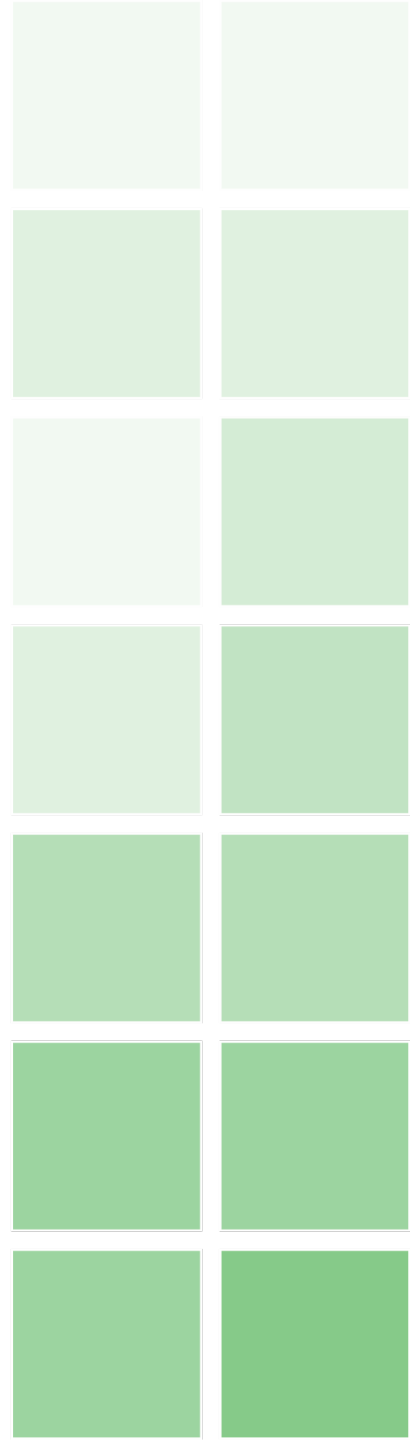


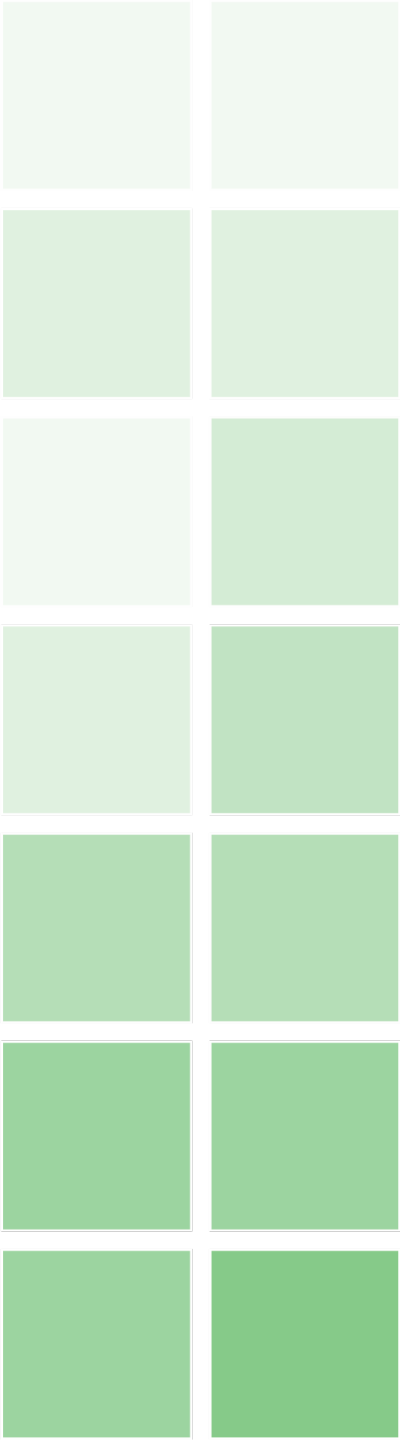


US\$120



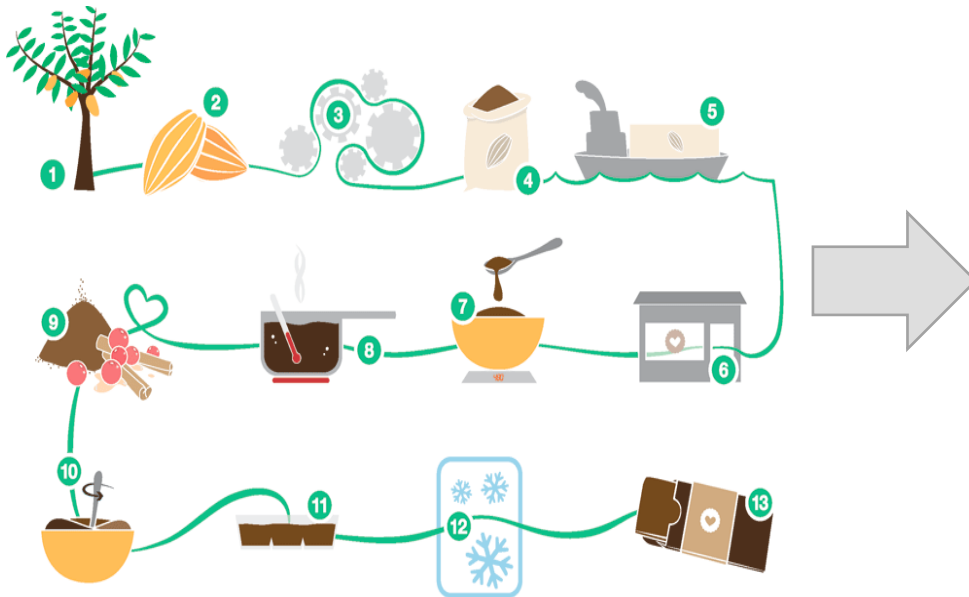
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Concepts of quality control

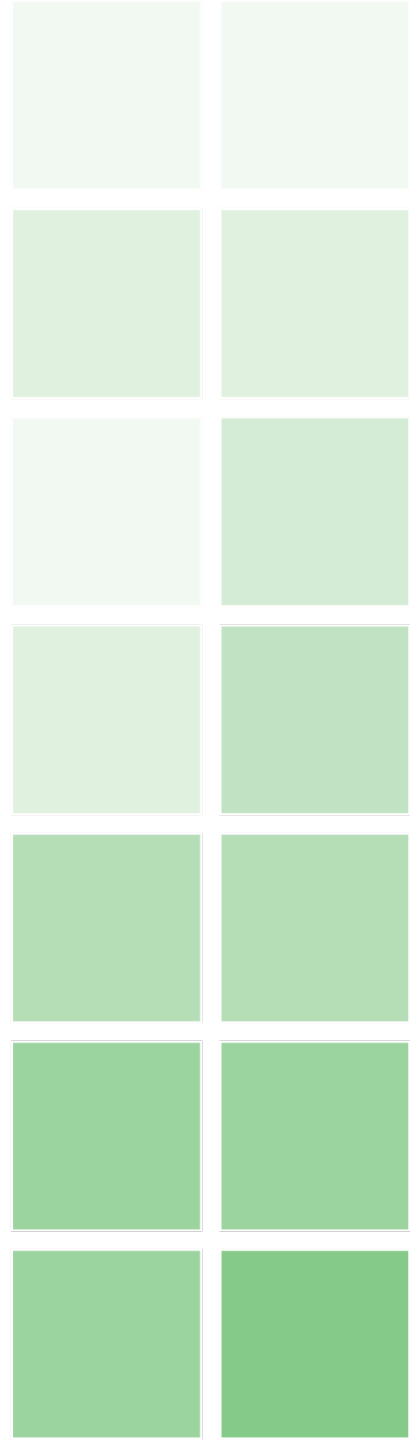
Chocolate-making process



Establishing some definitions: 'quality' vs 'quality control'

Quality The totality of features and characteristics of a product or service that creates the basis on which the stakeholders assess its ability to satisfy stated or implied needs.

Quality control Standards and procedures established to ensure that the product or service meets the desired characteristics.





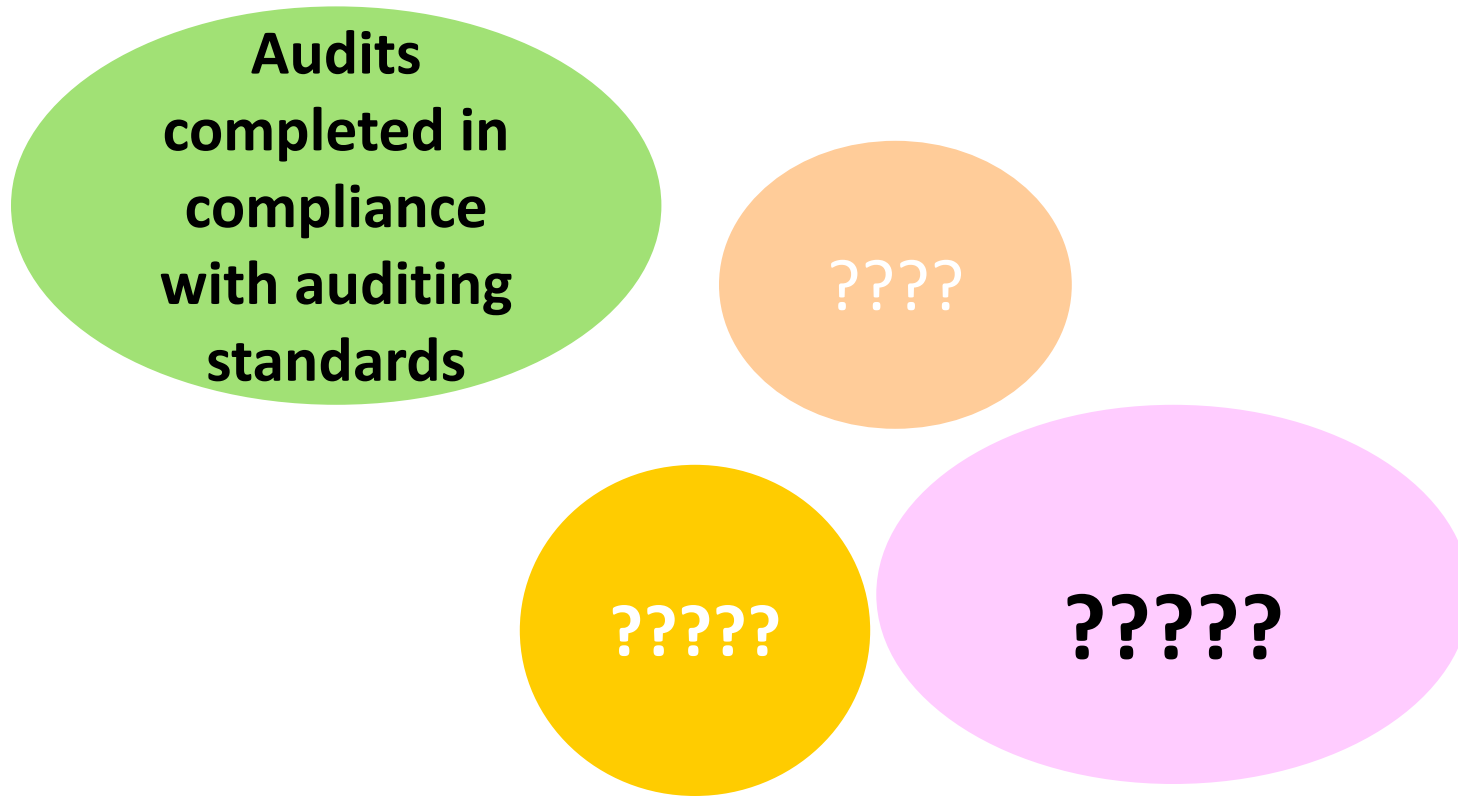
QUESTION

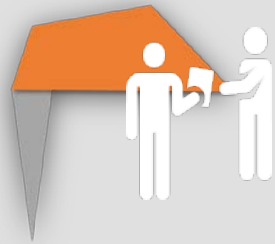


When you think about quality in the context of the public audit environment what do you think of?

Share your thoughts using the chat function on the side of the screen

Quality for a SAI – is made up of what?

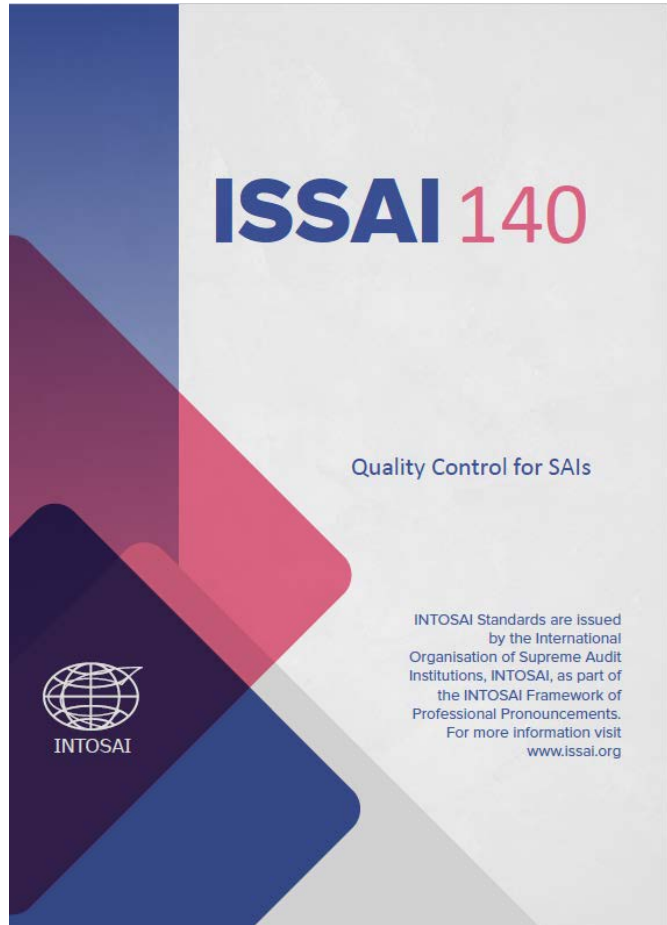




QUESTION



When you think about quality in the context of the public audit environment what do you think of?



Standard on Quality Control for SAIs



United States Government Accountability Office
By the Comptroller General of the United States

July 2018

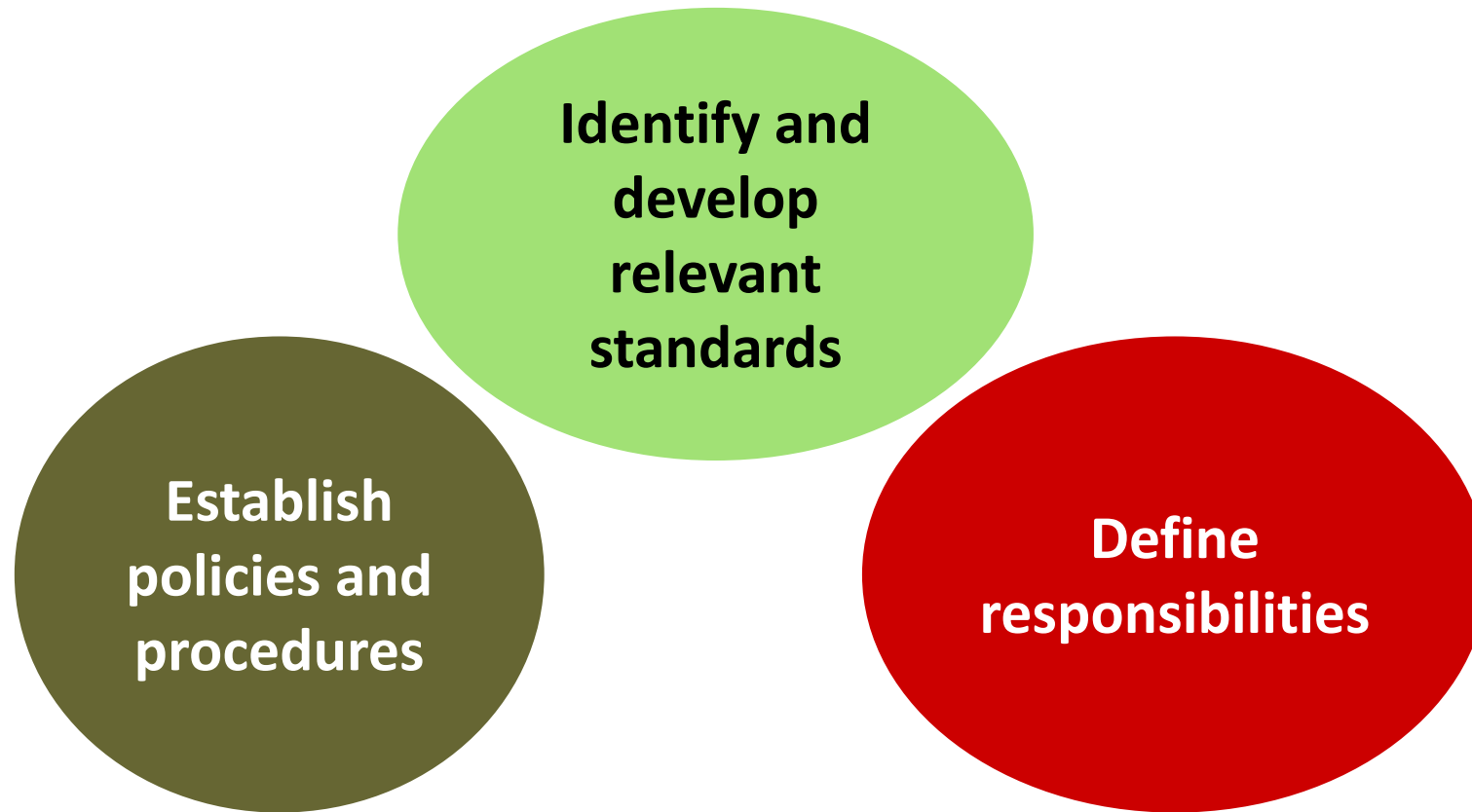
GOVERNMENT AUDITING STANDARDS

2018 Revision

Focuses on organisational aspects of audit quality operating throughout SAI

Based on ISQC 1, adapted as necessary to SAIs

A System of Quality Control is needed to maintain quality audit



ISQC 1

The international standard on Quality Control

Objective

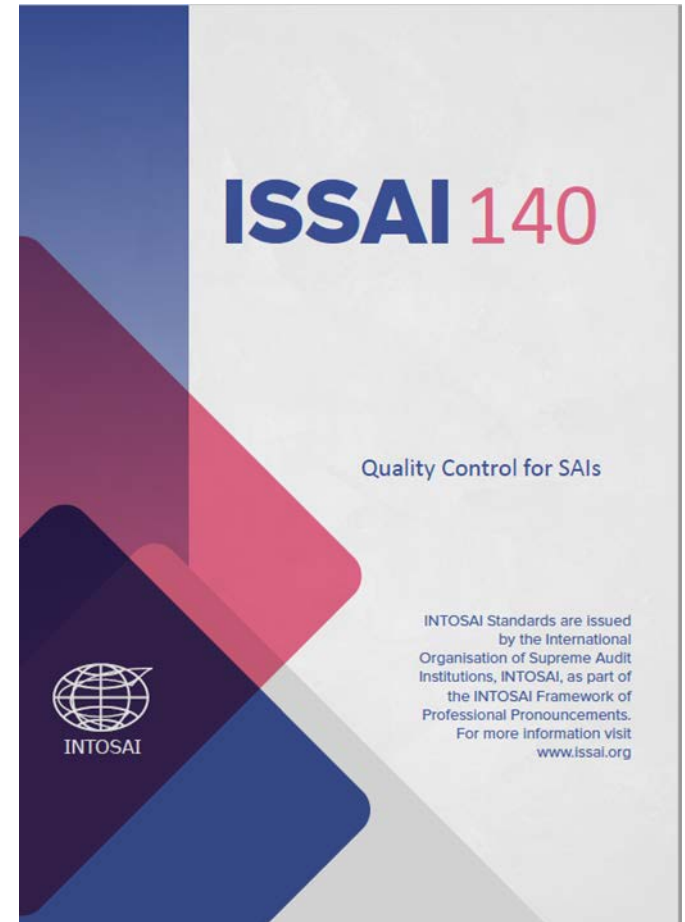
The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:

- (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- (b) Reports issued by the firm or engagement partners are appropriate in the circumstances.

ISSAI 140 Quality Control for SAIs

Purpose

The purpose of ISSAI 140 is to assist SAIs to establish and maintain an appropriate system of quality control which covers all of their work. This document should help SAIs design a system of quality control which is appropriate to their mandate and circumstances and which responds to their risks to quality.



GOVERNMENT
AUDITING
STANDARDS

2018 Revision

5.02 Requirement Quality Control and Assurance

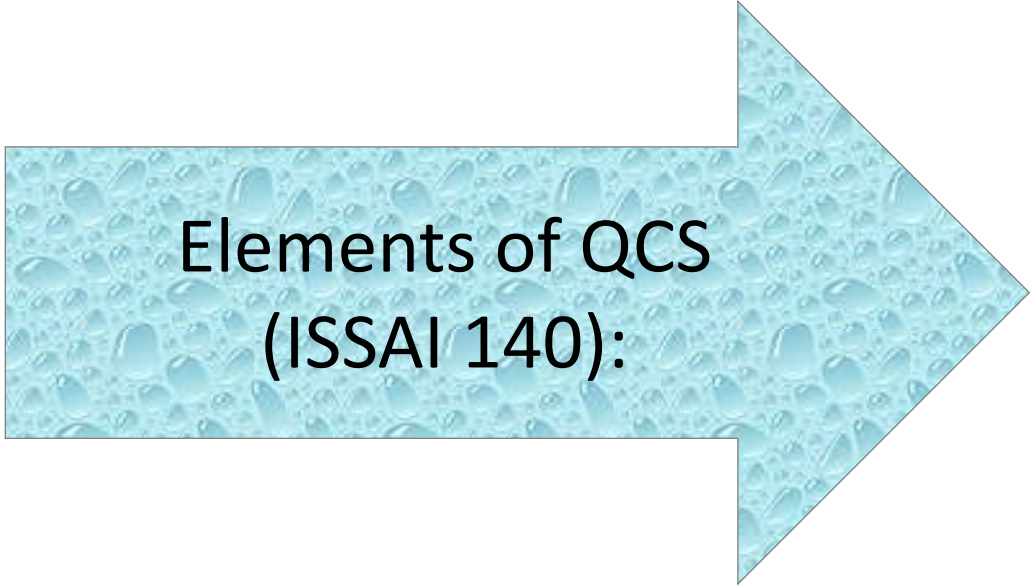
An audit organisation conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organisation with reasonable assurance that the organisation and its personnel comply with professional standards and applicable legal and regulatory requirements.

5.04 Requirement System of Quality Control

An audit organisation should document its quality control policies and procedures and communicate those policies and procedures to its personnel.

Quality Control System (QCS) – ISSAI 140

**SAI
Mandate
(FA, PA, CA
and any
other work)**



**Elements of QCS
(ISSAI 140):**

**Quality
Audit
Reports
(FA, PA, CA
and any
other work
of the SAI)**

Introducing the six elements of Quality Control Framework – ISSAI 40



Leadership

- Head of the SAI retains overall responsibility for the Quality Control System
- A SAI should establish policies and procedures designed to promote a culture that encourages and recognises the importance of quality
- Leadership should make quality a focus of SAI strategy and ensure maintaining the quality control system is properly resourced
- Quality is essential in ALL areas, not only technical audit work

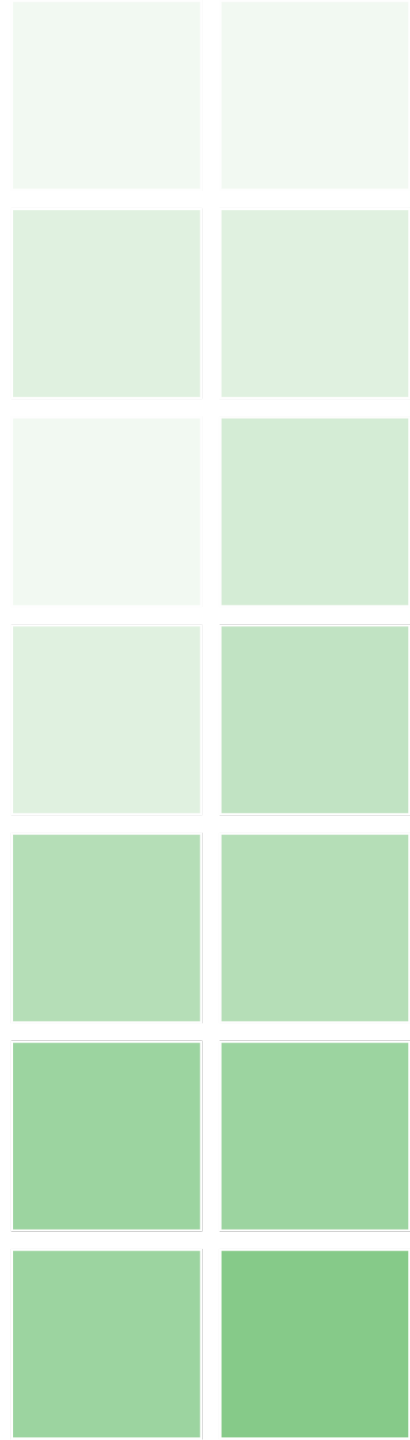


Leadership



Practical examples of what Leadership might mean:

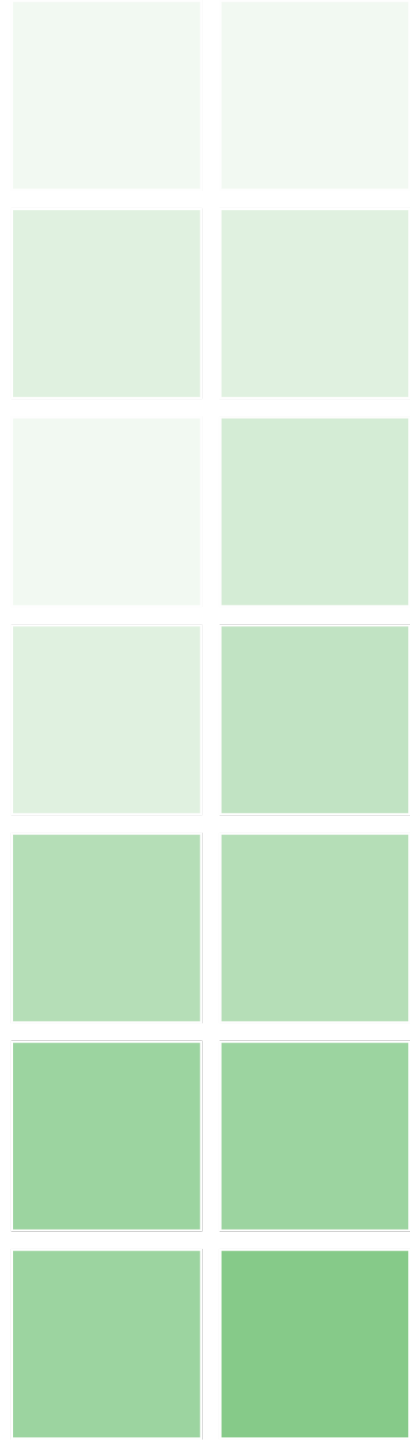
- Actions and messages from SAI leadership to encourage a culture that recognizes high quality work delivered through training, meetings, formal and informal messages, SAI mission statement, internal and external newsletters
- Link staff appraisal processes to quality rewarding quality work



Ethical requirements



- Policies and procedures to clearly set out what is required to meet independence, legal and ethical requirements
- At least annual affirmation by personnel of compliance
- Consider impacts on independence over time, reduce risk through rotation policies

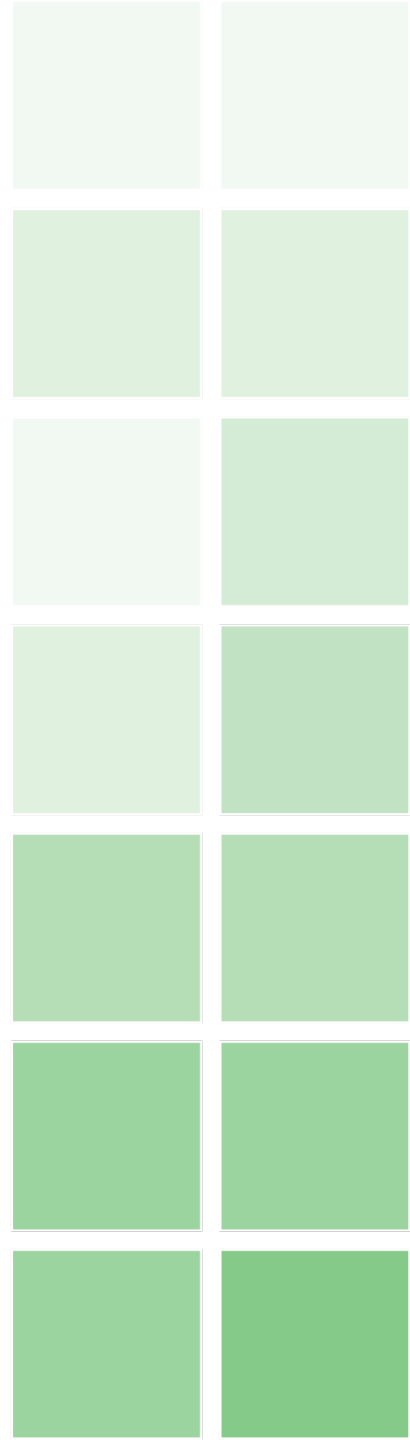


Ethical requirements



Practical examples of what ethical requirements might mean:

- Annual confirmation of employee independence
- A confidentiality agreement for contractors
- A rotation policy
- Annual sign off of ethical performance by all staff



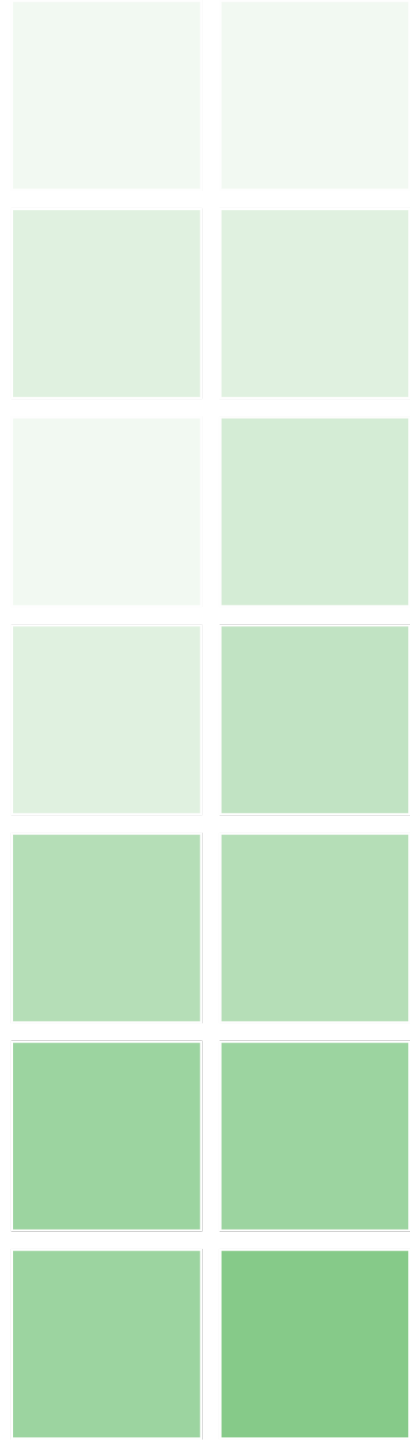
Ethical requirements



PASAI Tools to address increasing quality of Ethical Requirements

Independence Resource Kit

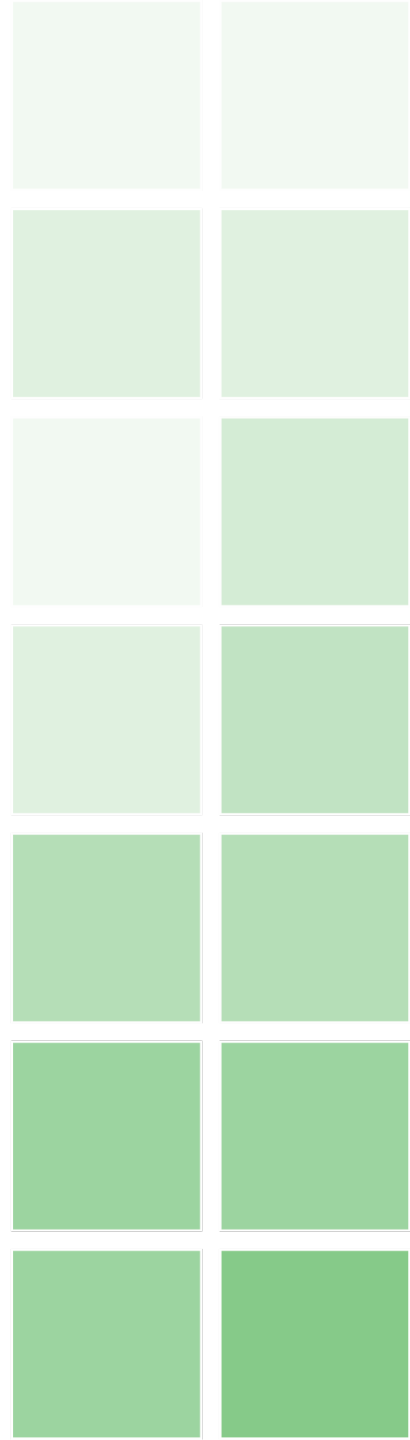
IntoSAINT Integrity self-assessment tool



Acceptance & Continuance



- Policies and procedures to evaluate competence to perform the work and to assess compliance with relevant ethical requirements
- Process to evaluate the integrity of the auditee and to address any risks or threats to SAI quality

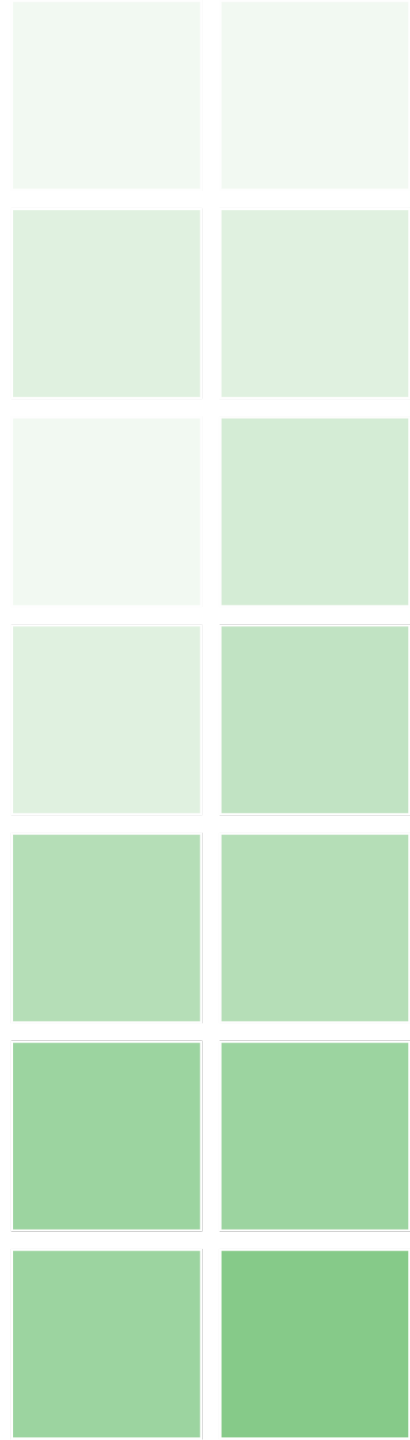


Acceptance & Continuance



Practical examples of what acceptance and continuance requirements might mean:

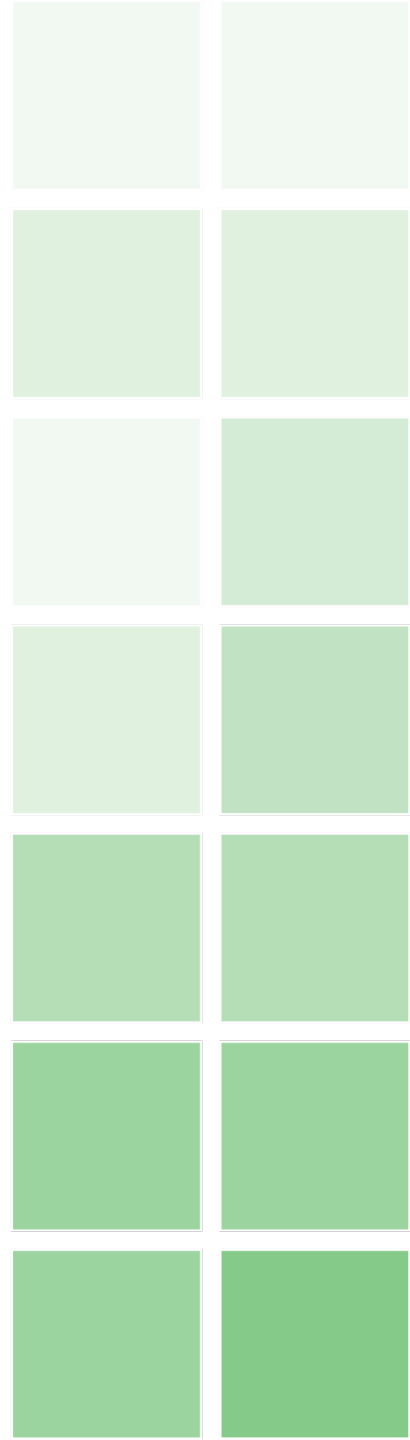
- End of audit evaluation of integrity of auditee
- Continuing dialogue with the legislature or budgetary authority regarding the level of resourcing the SAI needs to competently complete mandated work
- A prioritization tool to evaluate SAI capacity to accept requested discretionary work



Human resources



- Establish policies and procedures to address competence, capabilities and commitment
- Ensure there is sufficient resource and time to complete a quality audit
- Carry out work in accordance with relevant standards and applicable requirements
- Ensure a culture of quality and a focus on improvement
- Key areas to be covered include:
 - Recruitment
 - Performance evaluation
 - Professional development

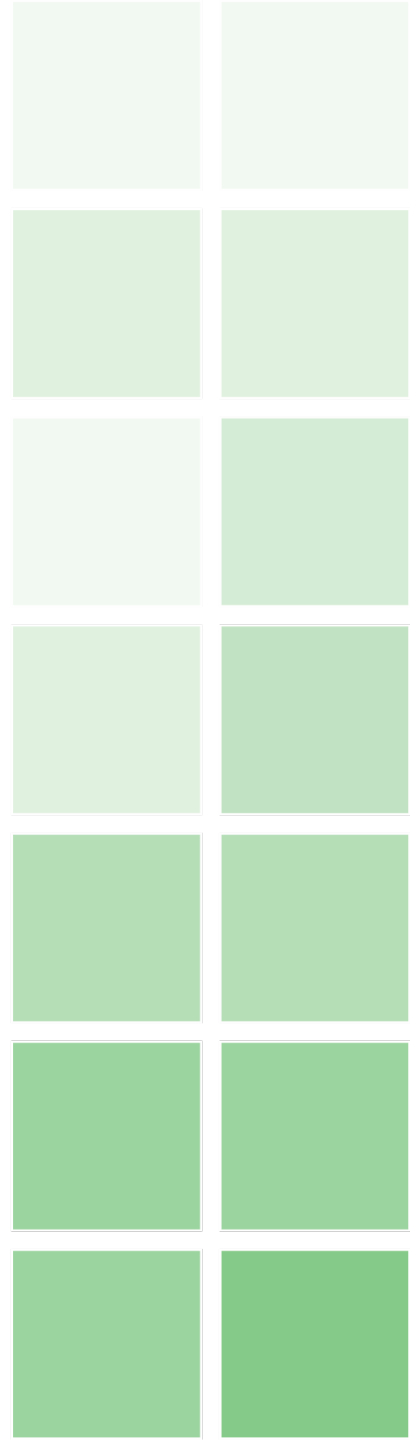


Human resources



Practical examples of what human resource requirements might be:

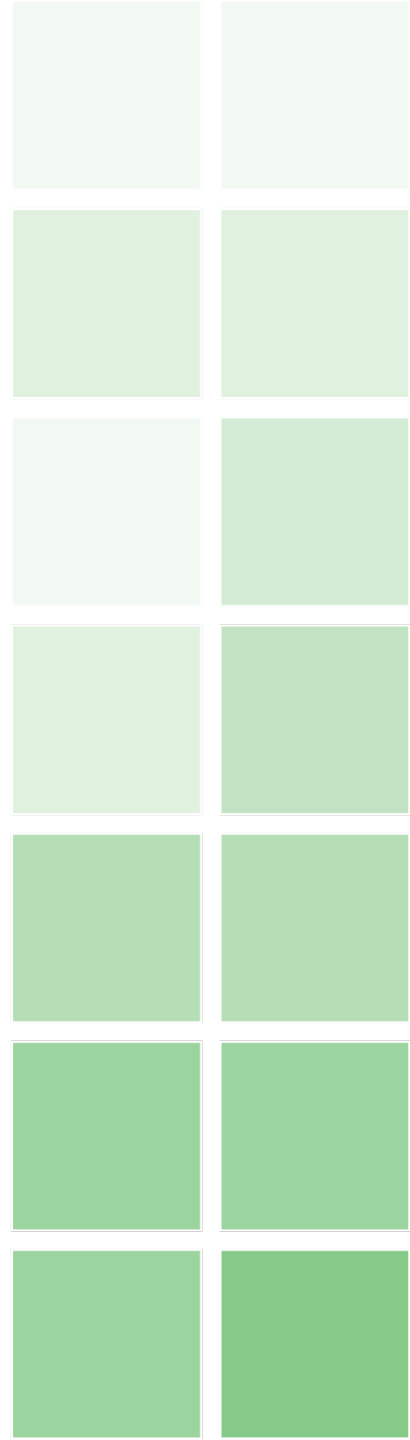
- A recruitment policy that specifies the qualifications necessary for each role
- A structured professional development programme for all staff
- A performance evaluation system that focuses on quality of work and meeting SAI ethical principles
- Actions that create a culture that focuses on continuous learning and expects everyone to take responsibility to be a learner and to contribute to others development and support.



Engagement performance



- Policies and procedures to ensure consistency in the quality of the audit work
- Appropriate skills and proficiency to supervise and review work of others
- Use additional technical expertise and specialists to supplement the audit team for complex issues
- Use sound processes of consultation to address contentious issues in the team and with the audited entity.



Engagement Performance



Planning



Specialist qualifications



Communication



Execution



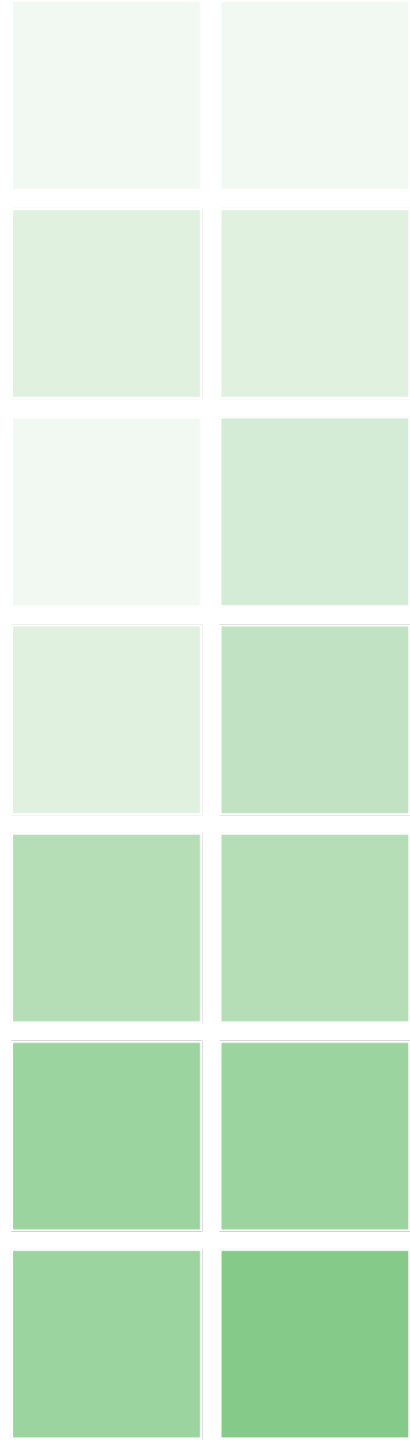
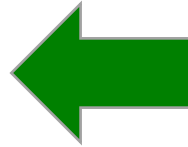
Documentation and storage



Quality control



Reporting

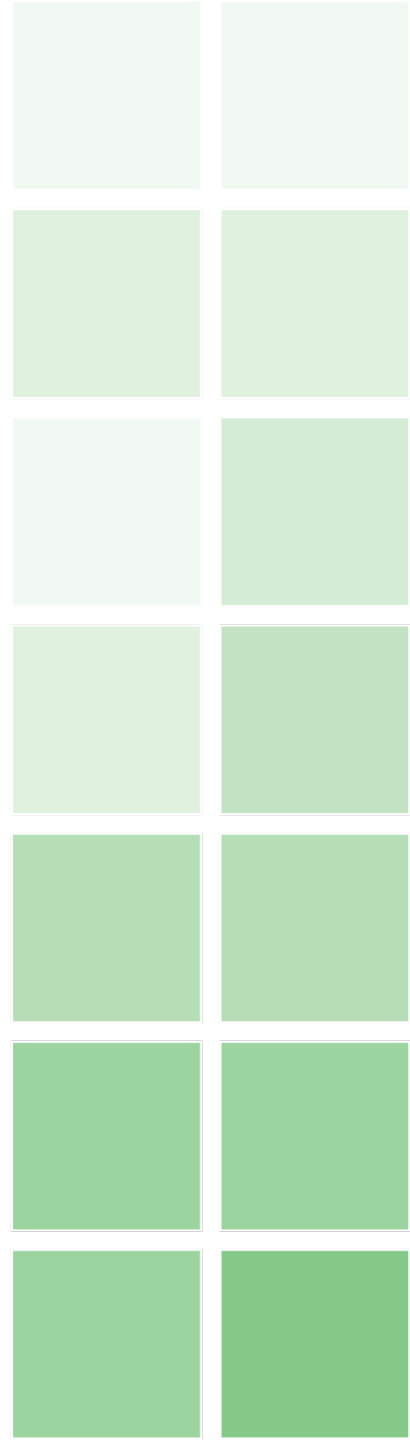


Engagement performance



Practical examples of what might enable engagement performance requirements to be met are:

- Audit methodology to guide the audit process
- Documentation templates, whether electronic or hard copy to address quality processes and professional standards
- Standard consultation processes and timelines to confirm factual accuracy of report before finalization.
- Regular training for supervisors on review and mentoring of junior staff



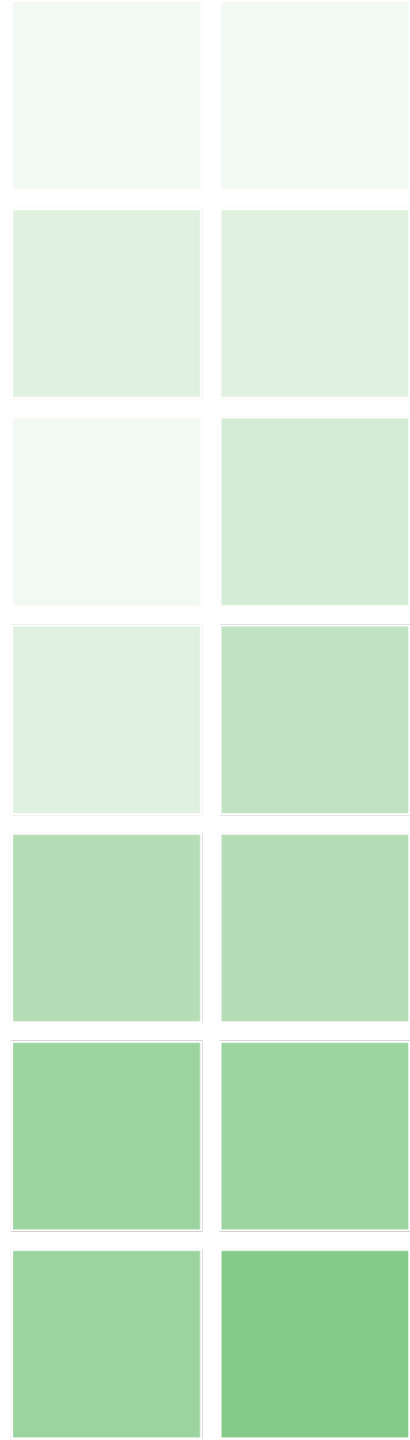
Engagement performance



PASAI Tools to address increasing quality of Engagement performance

Audit methodologies – FA, CA and PA and workshops to customize manuals to meet unique country requirements

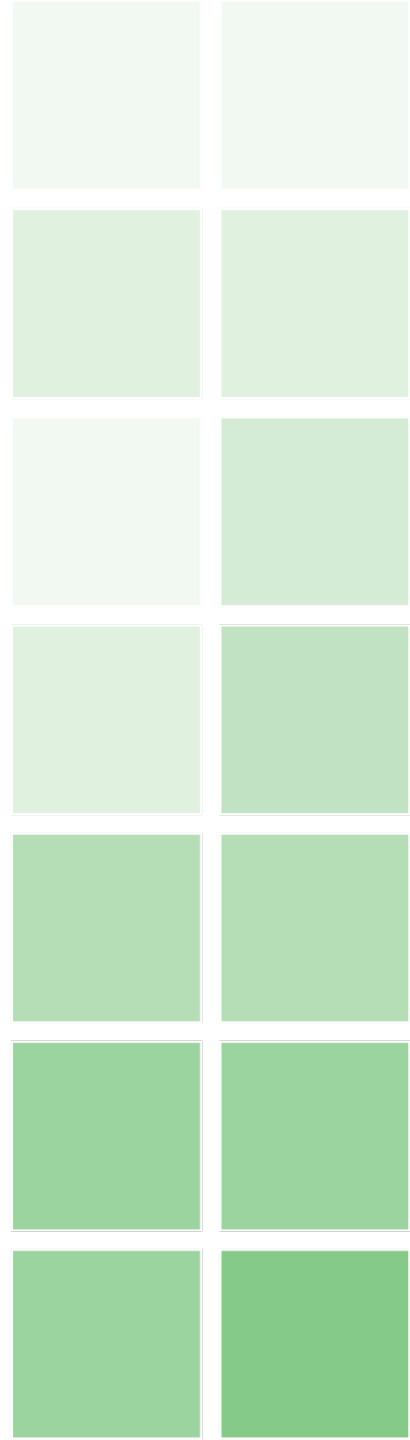
Tier training programme – begins with basic auditing technique including the soft skills needed for role of the audit supervisor



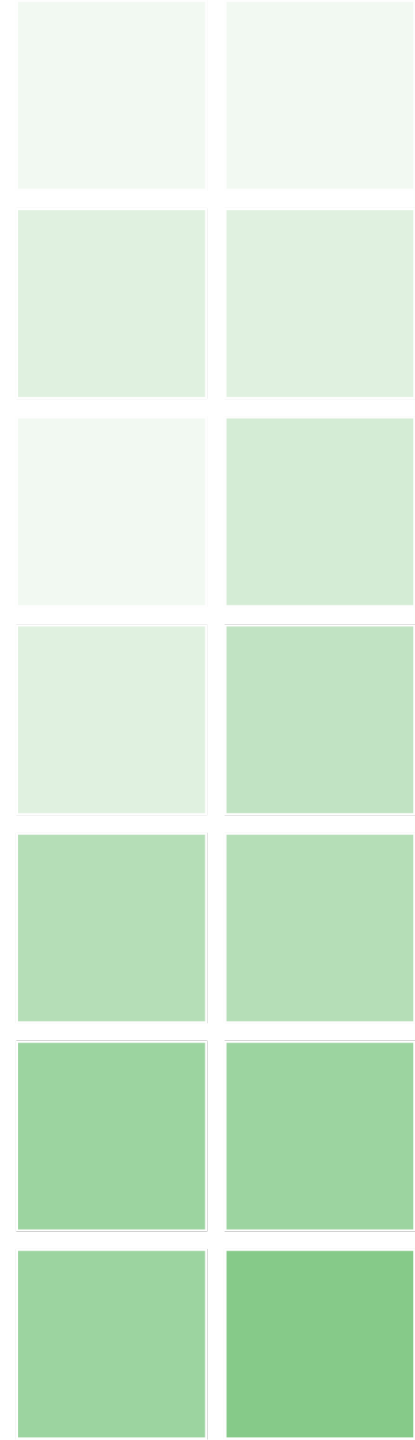
Monitoring



- Evaluation of the effectiveness of the QC system e.g. review of a sample of completed work across the range of work carried out by the SAI
- Assures that policies and procedures relating to the QCS are **relevant**, **adequate** and are operating **effectively**.
- Conducted by those with sufficient appropriate experience and authority
- Reviewers are independent



Elements of Quality Control Framework – ISSAI 140

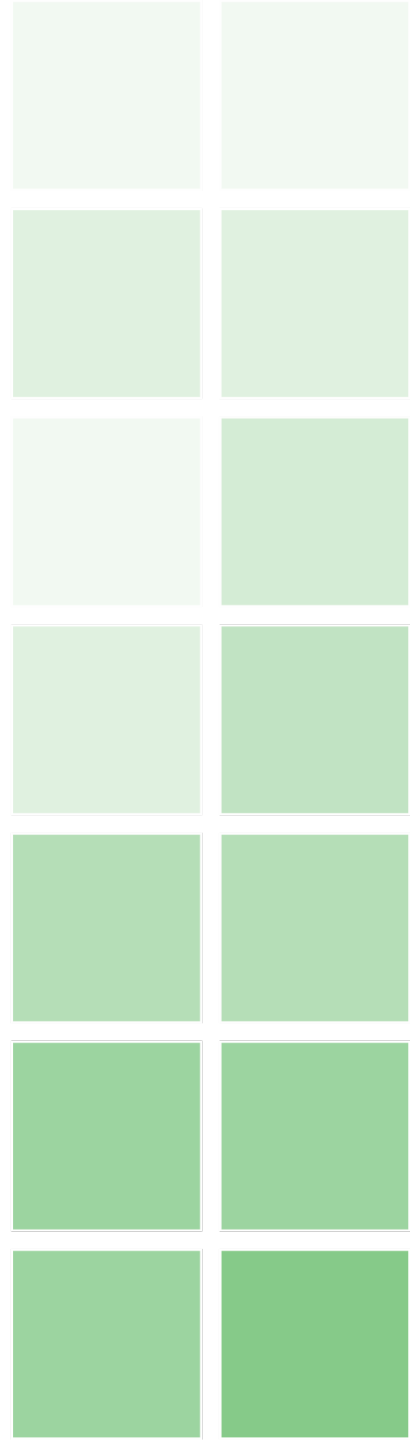


Monitoring

Practical examples of what monitoring processes might include are:



- Independent assessment by an appropriately skilled and independent SAI staff member or an external expert
- Procedures for selection of engagements for review should be documented.
- Evaluation should focus on adherence to professional standards, whether the quality system has been properly designed and applied.

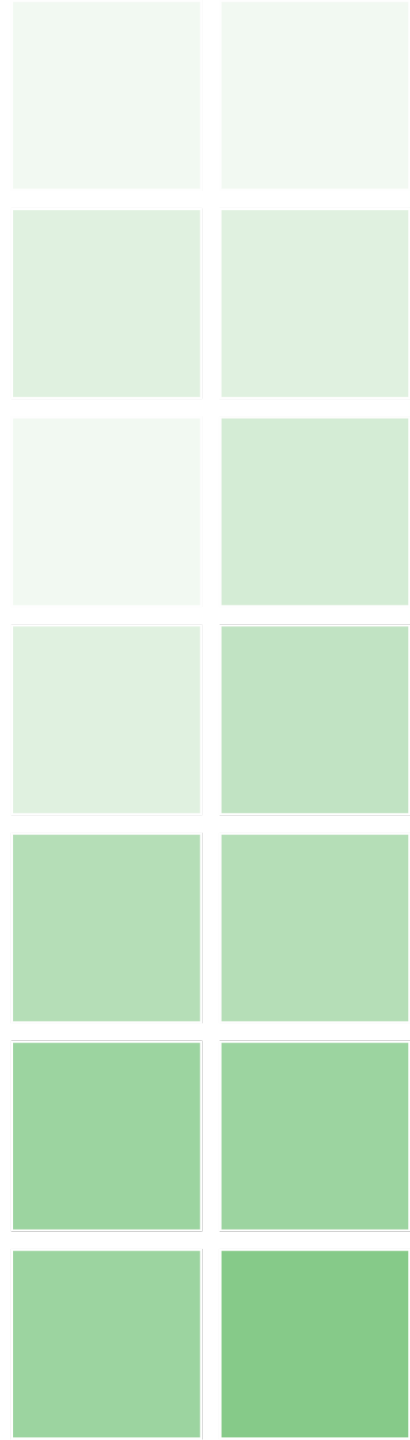


Monitoring



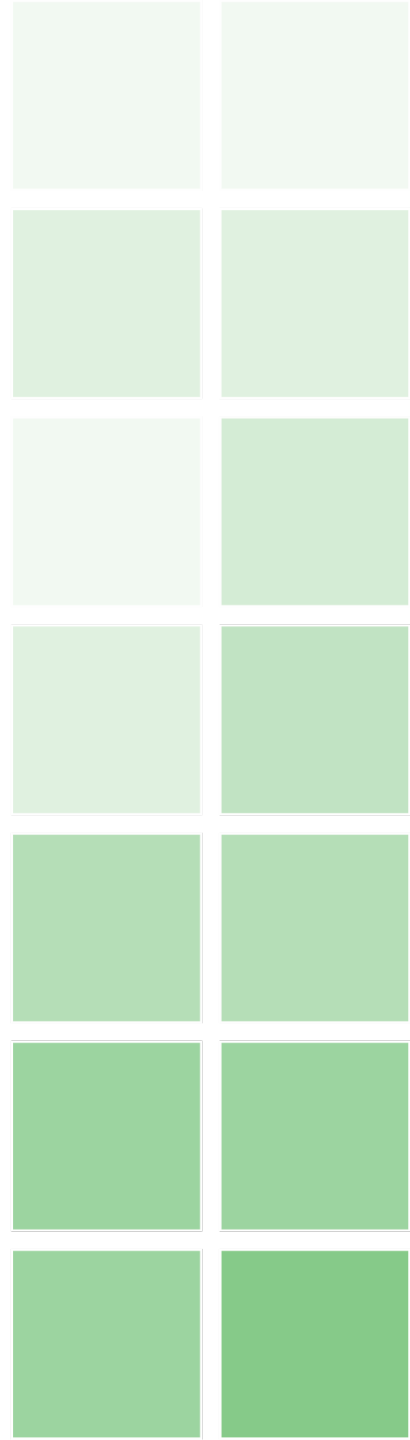
PASAI Tools to support SAI monitoring processes

Peer review and quality control training programme – get correct name



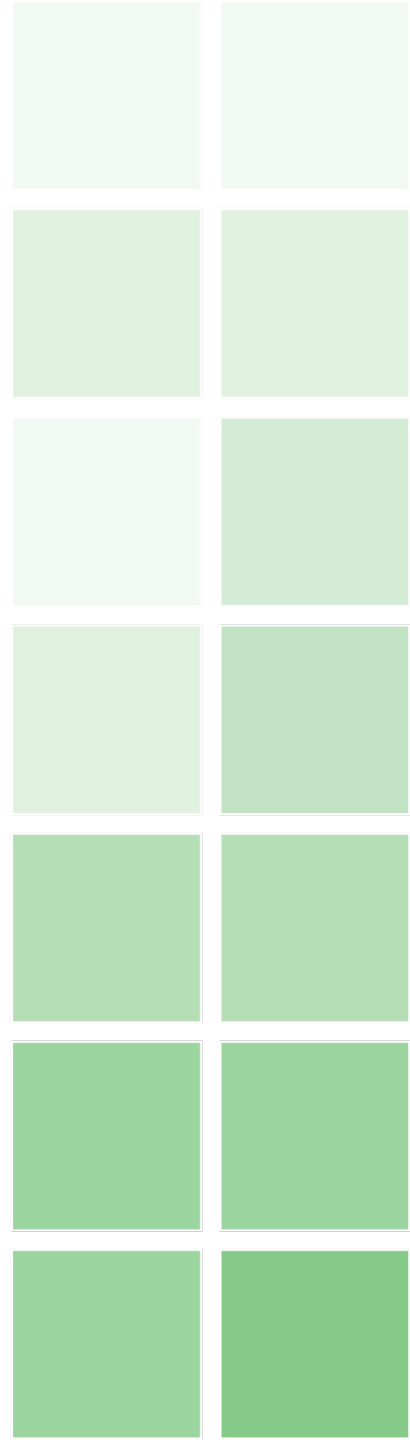


Quiz Time



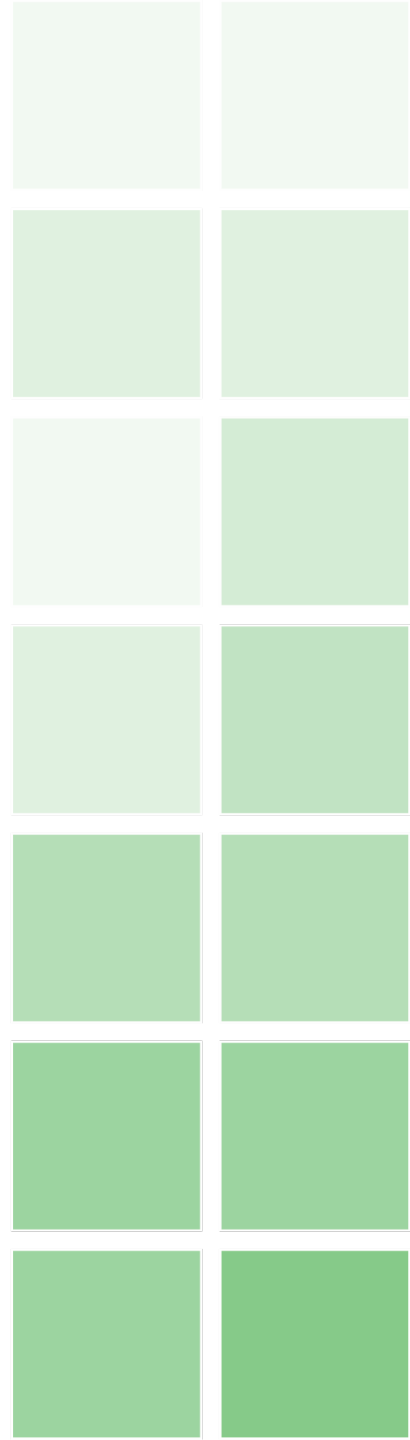


1. Who is ultimately responsible for the system of quality control?
 - a) The audit professional completing the audit work.
 - b) INTOSAI Governing Board.
 - c) Head of the SAI.
 - d) The writer of the SAI's quality control policies.



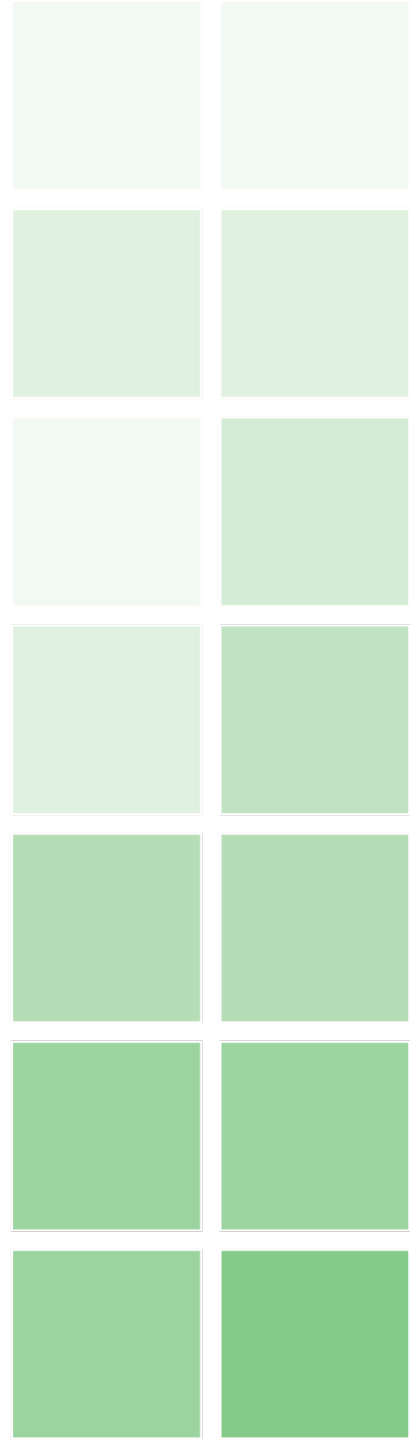


2. ISSAI 140 requires leadership of the SAI to focus in what areas when setting up the system of quality control?
- a) Creating a culture of quality.
 - b) Building a strategy with a quality focus.
 - c) Providing sufficient resource to do quality work.
 - d) Assign responsibility for establishing the system of quality control.
 - e) All of the above.





3. Rotation policies are designed to reduce the risk arising from what?
- a) Independence.
 - b) Conflicts of interest.
 - c) Familiarity.
 - d) Incompetence.





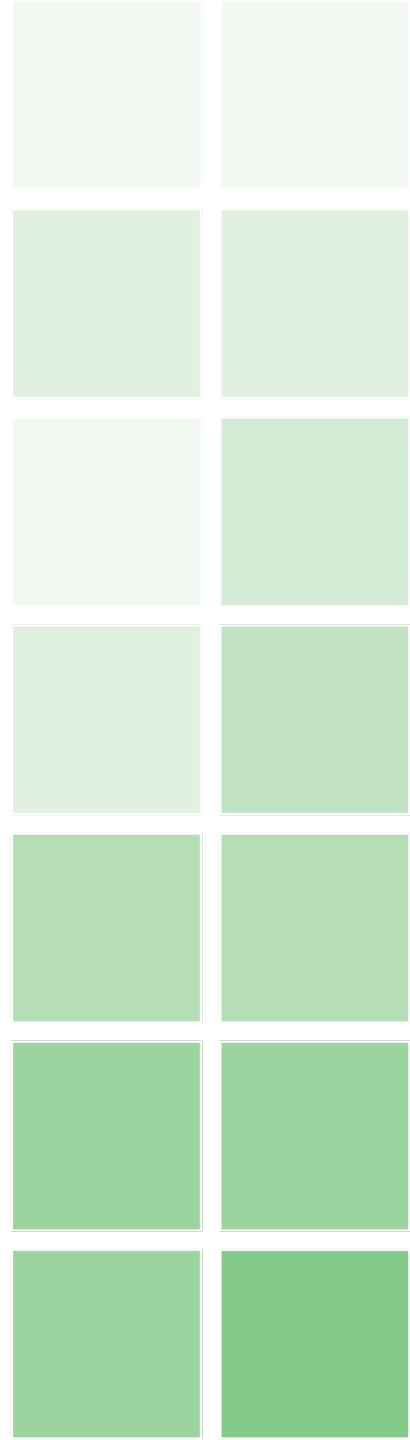
4. ISSAI 140 requires that a SAI establish a process for annual confirmation of what?
- a) Independence, compliance with ethical standards, including confidentiality for contractors.
 - b) Independence, compliance with ethical standards and declaration of conflicts or perceived conflicts of interest.
 - c) Independence, and compliance with ethical standards only.
 - d) None of the above.



5. When the SAI has concerns about the integrity of the auditee within its non-discretionary mandate what actions should the SAI take?
- a) Reprioritise staff to other work.
 - b) Reduce the risk to the SAI by not documenting the concerns.
 - c) Make a press statement to the public about the risk identified.
 - d) Assigning more experienced staff than would normally be used to the audit and add more in-depth engagement quality review before the audit is finalised.



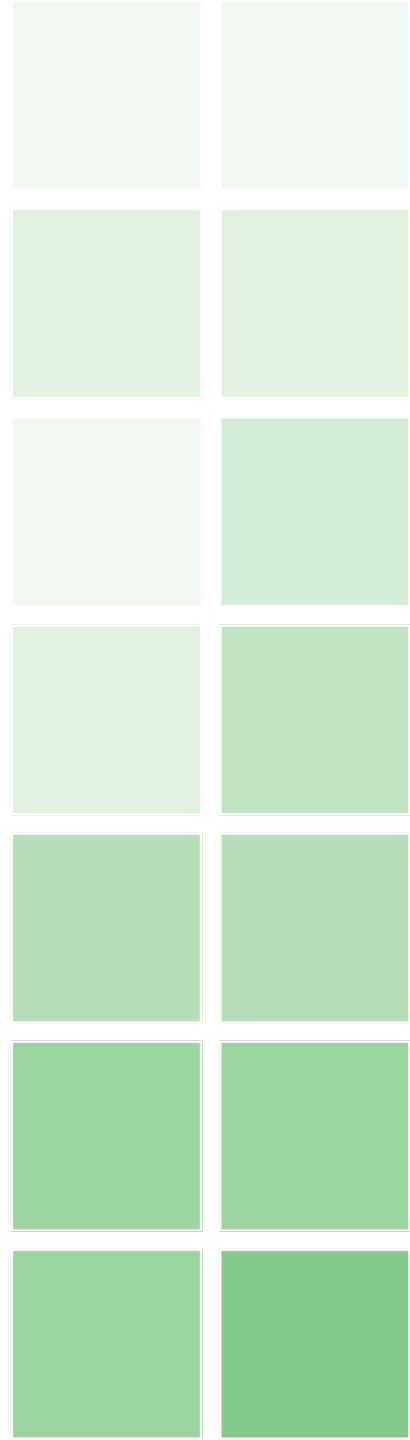
6. In respect to the competence of the SAIs human resources what standard is most relevant?
- a) Community expectations of the SAI.
 - b) Professional standards and applicable legal and regulatory requirements.
 - c) The technical standards that the relevant audited entity uses for their work.
 - d) The United Nations code of ethics.



7. When a SAI is developing Human Resource policies and procedures it should take into account quality and the SAIs ethical principles in relation to which parts of its policy?



- a) Recruitment – so that it considers the qualifications and skills of staff.
- b) Performance evaluation – so that staff are evaluated based on the quality of their work and their adherence to SAI and professional ethics and values.
- c) Professional development and career development – so that staff training includes a focus on quality and developing competence and career progression criteria are based on clear criteria regarding competence and ethical behaviour.
- d) Capability (sufficient time to perform assignments to required quality standard) and capacity (sufficient resource to complete required work).
- e) All of the above.





8. A SAI must balance the confidentiality of documentation with the need for transparency and accountability. Therefore the SAIs must:
- a) Make all audit files available for public inspection.
 - b) Establish transparent procedures for dealing with information requests that are consistent with legislation in their jurisdiction.
 - c) Protect confidentiality at all costs and never reveal evidence sources.
 - d) Address all requests on a case by case basis making rules that seem appropriate for each request.



9. Which of these statements about monitoring of audit quality is not true?
- a) Monitoring of audit quality can be achieved through cyclical evaluation of audit files.
 - b) All staff should be made aware of the results of monitoring inspections so that poor performance can be punished.
 - c) Inspections should not alter, add to or delete information in the audit file.
 - d) Results of quality monitoring should be reported in a timely manner to enable action to be appropriate and effective.
 - e) Some audit files should be selected without prior notification. The selection of audit files can take account of peer review results or other regulatory inspection results.



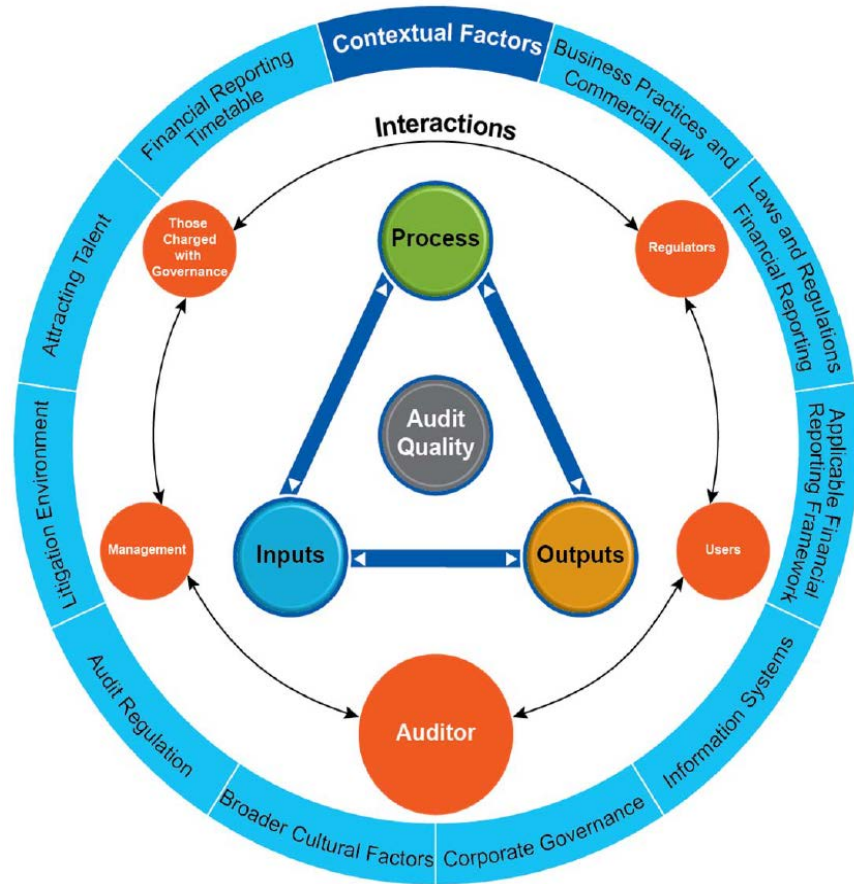
10. How often do quality control systems need to be reviewed?
- a) Once in place policies and procedures will be appropriate indefinitely.
 - b) Every year.
 - c) Every three years.
 - d) A SAI needs to monitor appropriateness on an ongoing basis and make a commitment to continuous improvement.

Advice for those starting out

- Leadership committed to quality
- Objective standards to evaluate against



Advice for those starting out



Advice for those starting out

Video encouragements

SAI Fiji

SAI Solomon Islands





Recap – session objectives

- Ensure a sound understanding of what ‘quality’ means for a SAI
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- Examine in detail the six elements of the Quality Control Framework and how to implement them in your SAI
- Introduce a practical tool to assist with implementing a quality system
- Share real experiences from the PASAI Region