

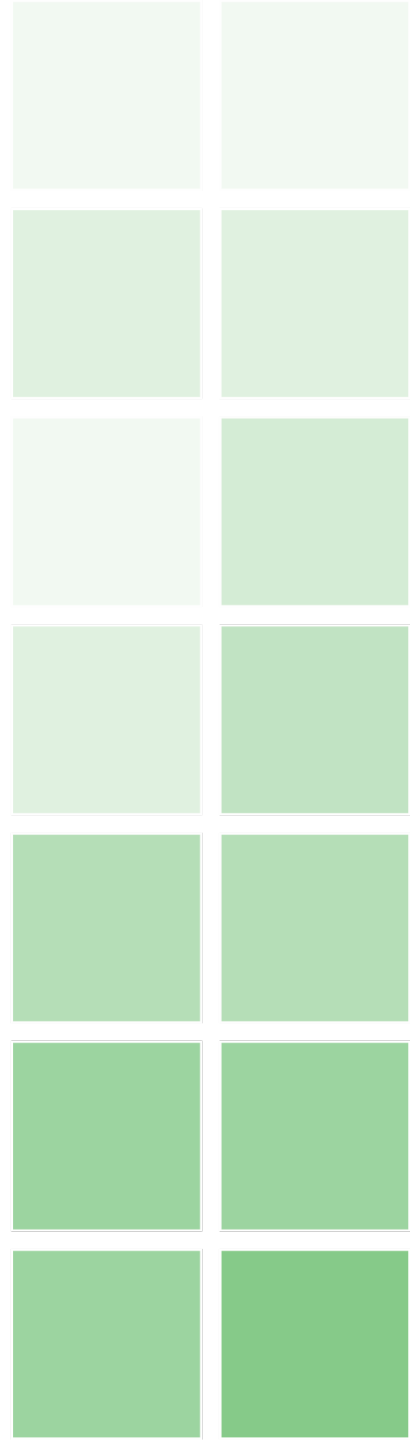


Quality and the elements of the Quality Control System

Session 3

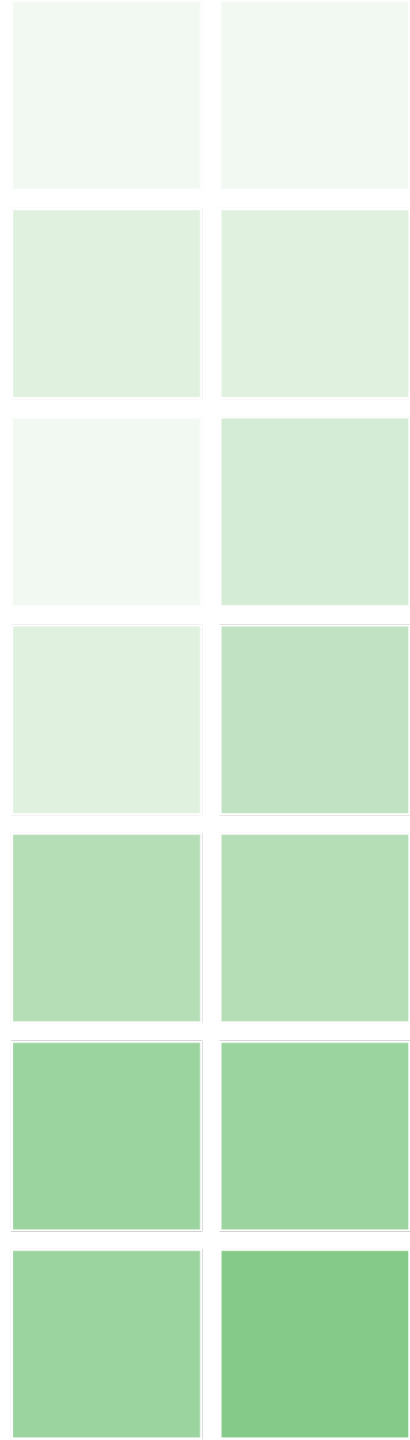
Session Objectives

1. Recap about the differences between quality controls and quality assurance
2. Considerations in setting up a quality assurance function
3. Recent developments in Quality Control and Quality Assurance



Quality Control

Quality control – policies and procedures established by the SAI to ensure that its audit work (Financial Audit and Performance Audit) is of high quality (ISSAI 140, par. 2).





Examples of Quality Controls

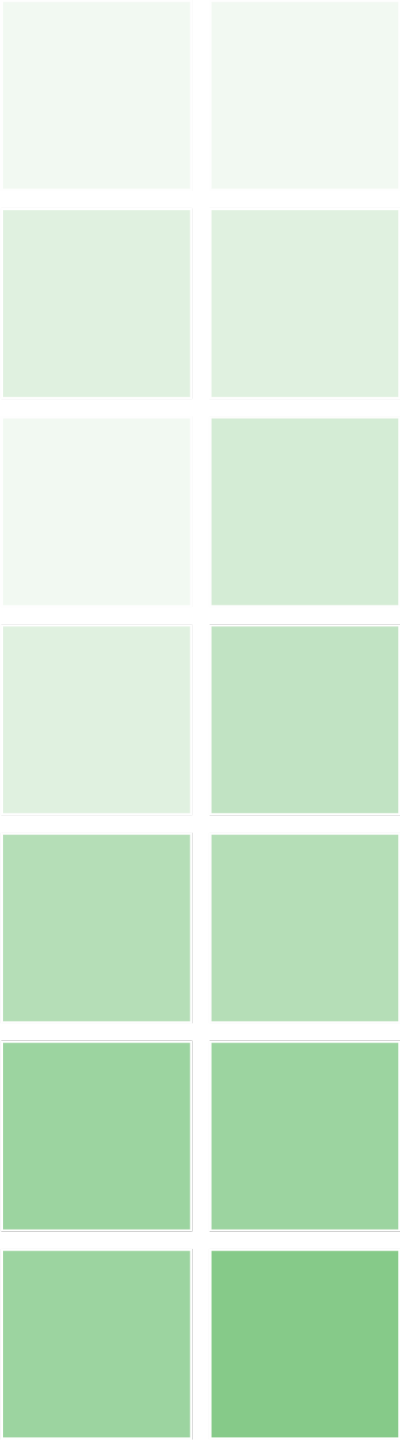
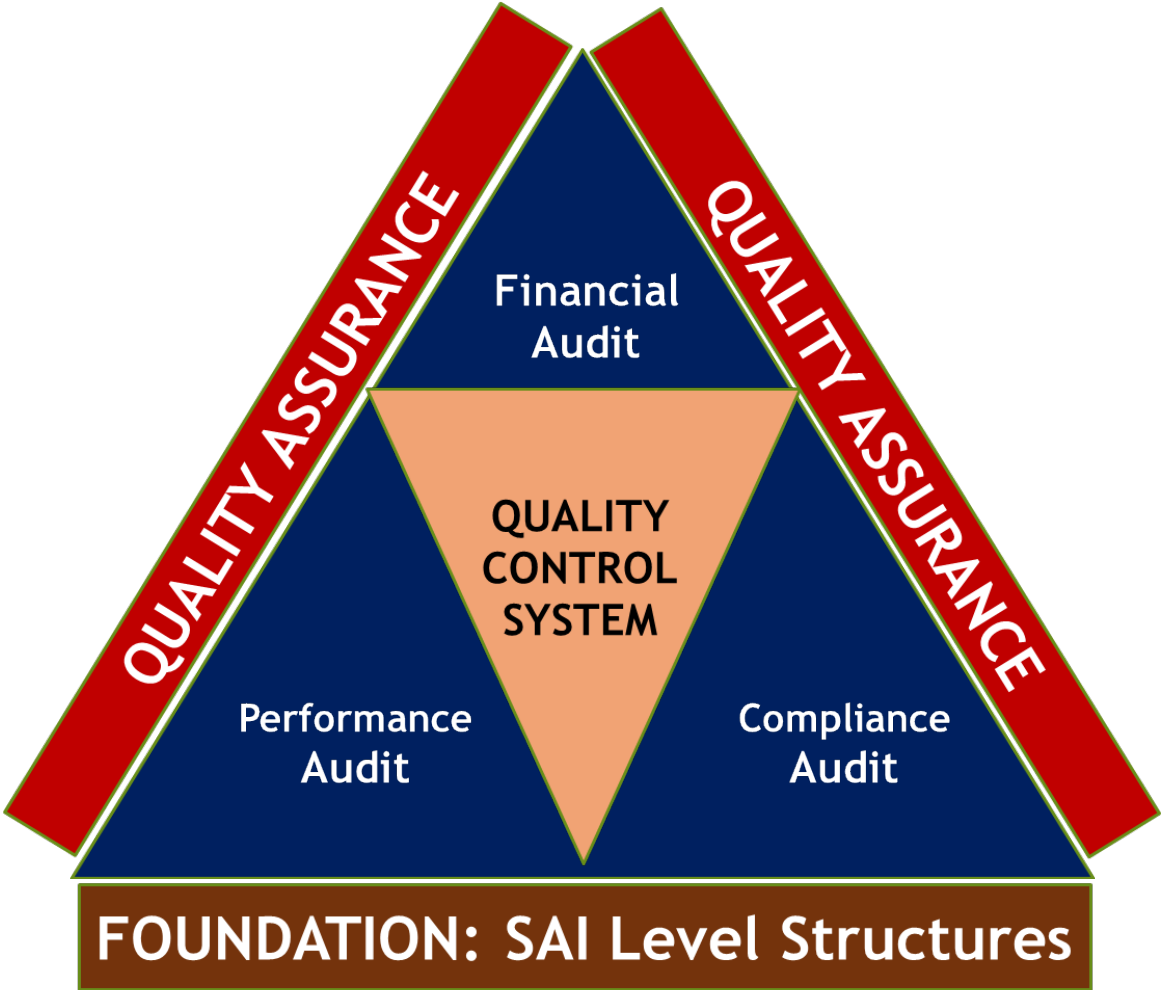
- Guidance on requesting technical consultation
- Policy about which audits require an Engagement Quality Reviewer
- Policy about mandated training for certain audit work
- Guidance that should be considered as part of the audit work
- Timely review of work
- Allocating sufficient senior level review
- Audit team being clear about who is responsible for which quality controls
- Scheduled updates about audit progress and issues
- Looking at standard procedures
- Performance reviews

Quality Assurance is:

- A monitoring process
- Designed to provide the SAI with reasonable assurance that the policies and procedures relating to the quality control system are relevant, adequate, and operating effectively in practice and the SAI's
- Audit(s) have been conducted in accordance with the standards



Quality assurance and Quality control

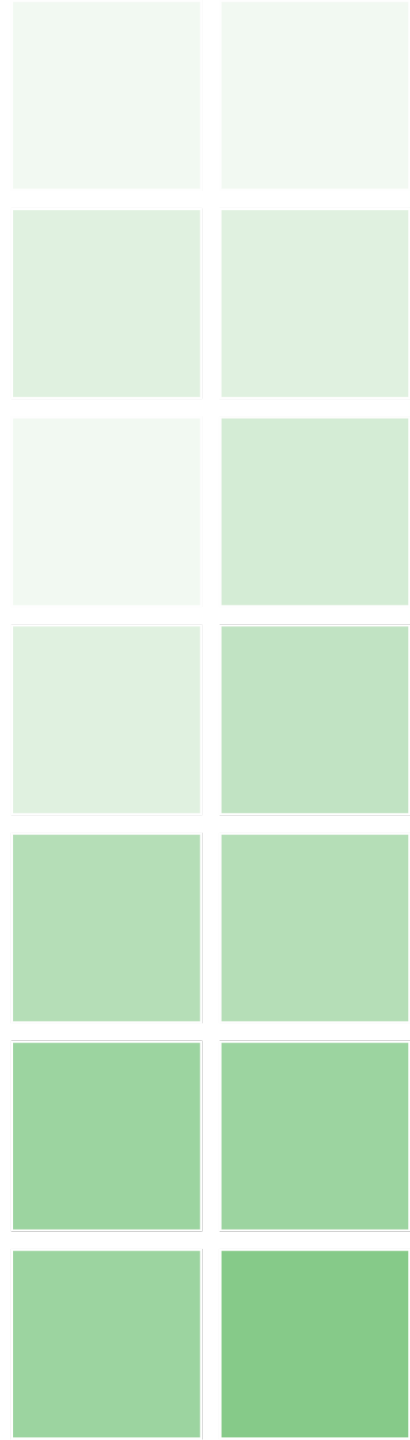


Elements of Quality Control Framework – ISSAI 140



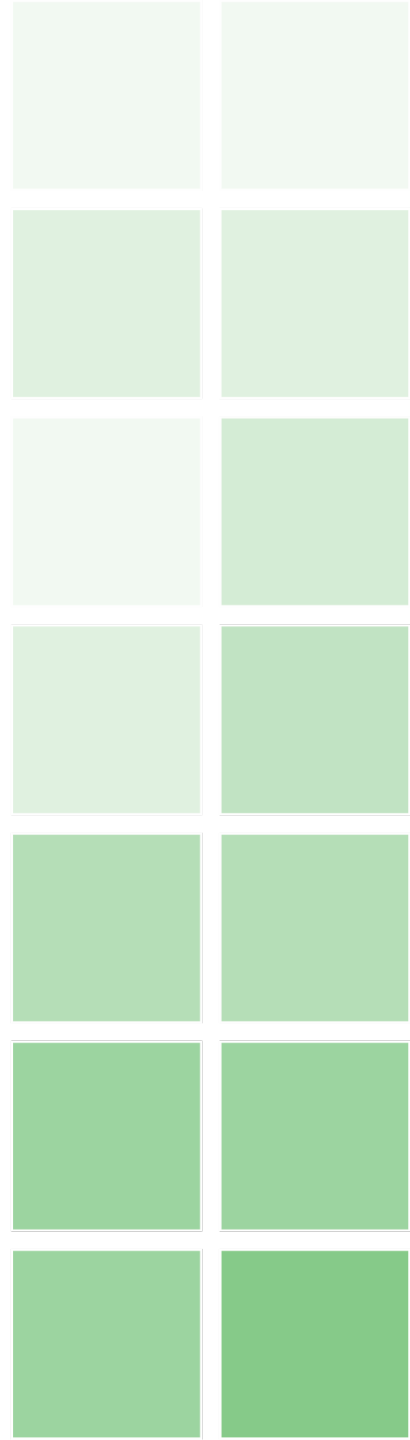
Monitoring function which:

- Conducts evaluation of the SAI's system of quality control (SAI Institutional level and engagement level)
- Independent from the engagement being reviewed
- Reviews the adequacy and compliance to quality control system
- Inspects completed audit work
- Reports findings (monitoring function and improve role)

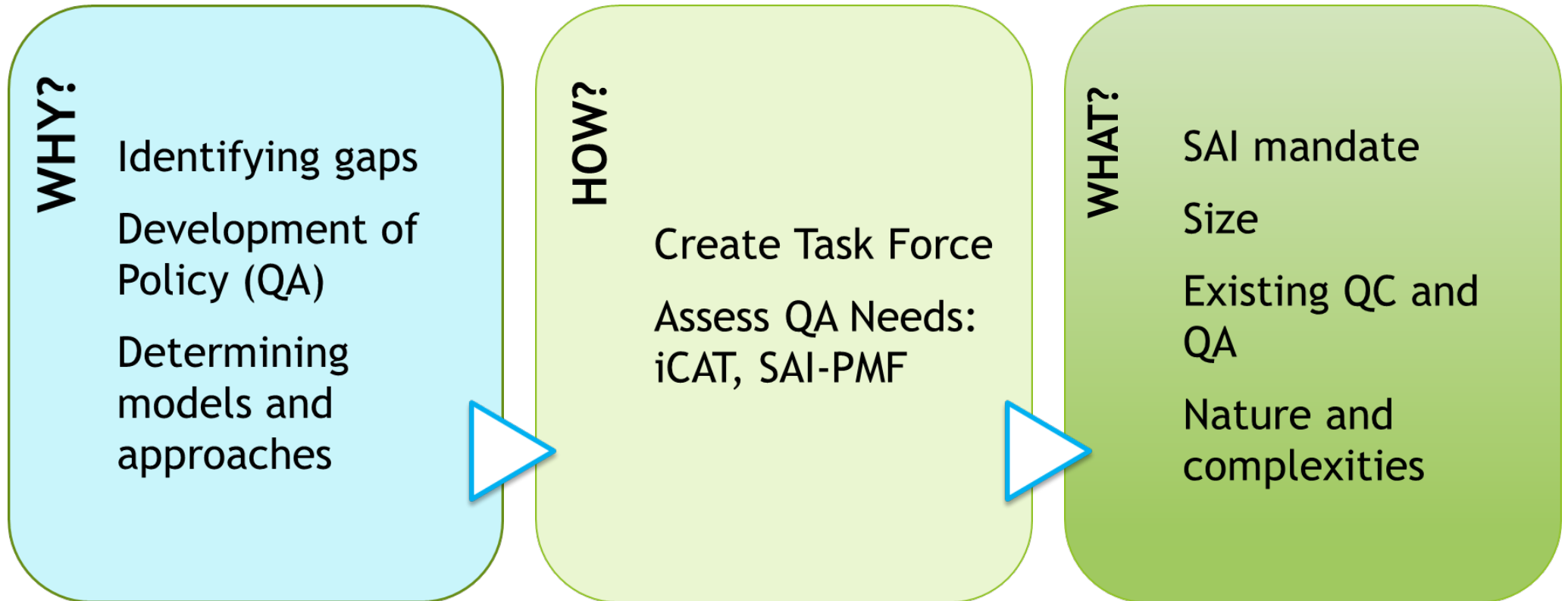


Establishing a quality assurance function - considerations

- Needs assessment of your SAI
- Focuses on the identified quality risks
- Monitors the System of Quality control (which includes engagement level quality assurance)
- Effective Quality Controls are more effective than doing more quality assurance



Perform a needs assessment first

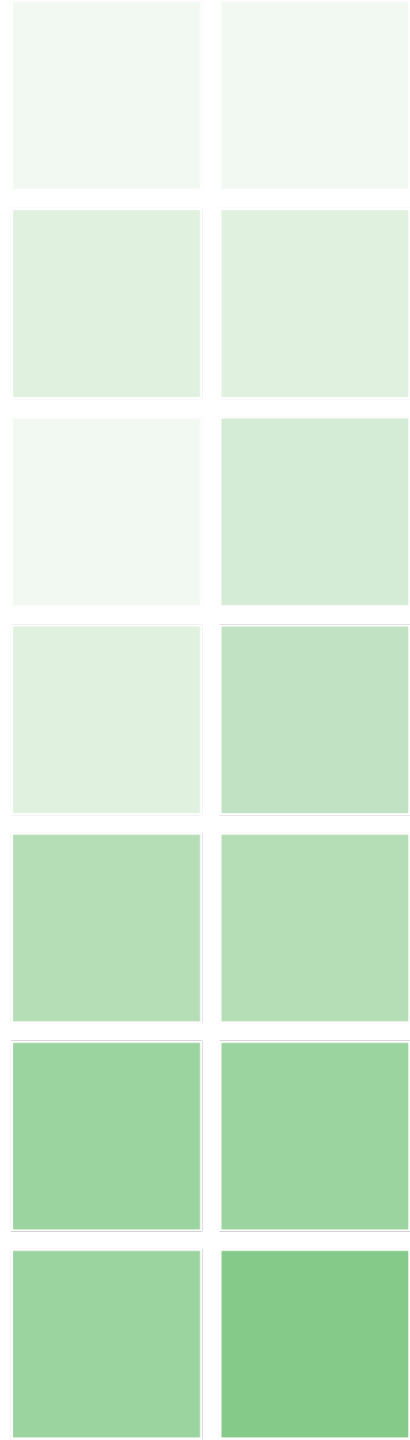




Quality Assurance Models

Considerations: Selecting QA Review Model and Approach

- Size of the SAI
- Does SAI has adequate resources, capacity and competency to perform QA reviews?
- Number and geographical locations of its offices
- Results from previous QA reviews
- Risks associated with auditee and specific audit engagements
- Independence of QA reviewer



Approached to quality assurance reviews

Leadership

Ethical Requirements

Communication and Continuation

Human Resource

Engagement Performance

Monitoring

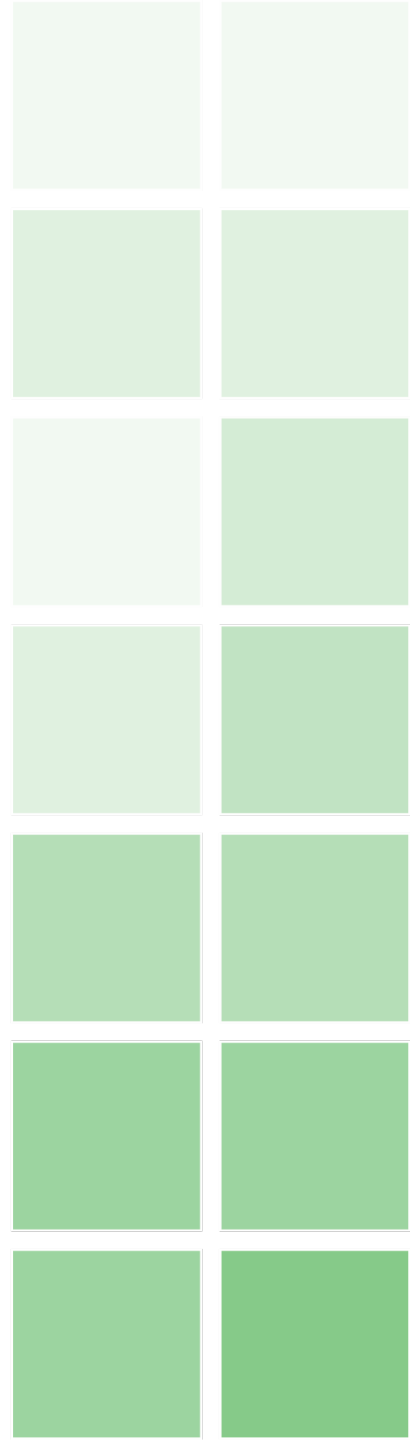
External Review

- Peer SAs
- Private auditing firm
- Management consulting firm



Internal Review

- Established QA function
- Peer review by audit divisions



Models of Quality Assurance

QA Functions

QA Reviewer

- One person responsible for QAR
- Good QCS
- Small SAI
- Small no. of QAR
- Mostly cold review

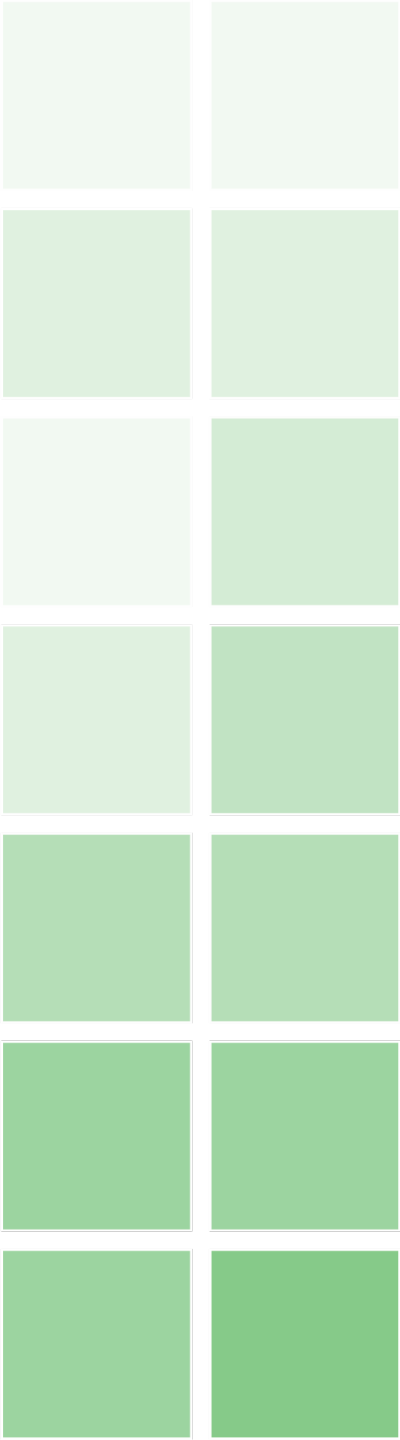
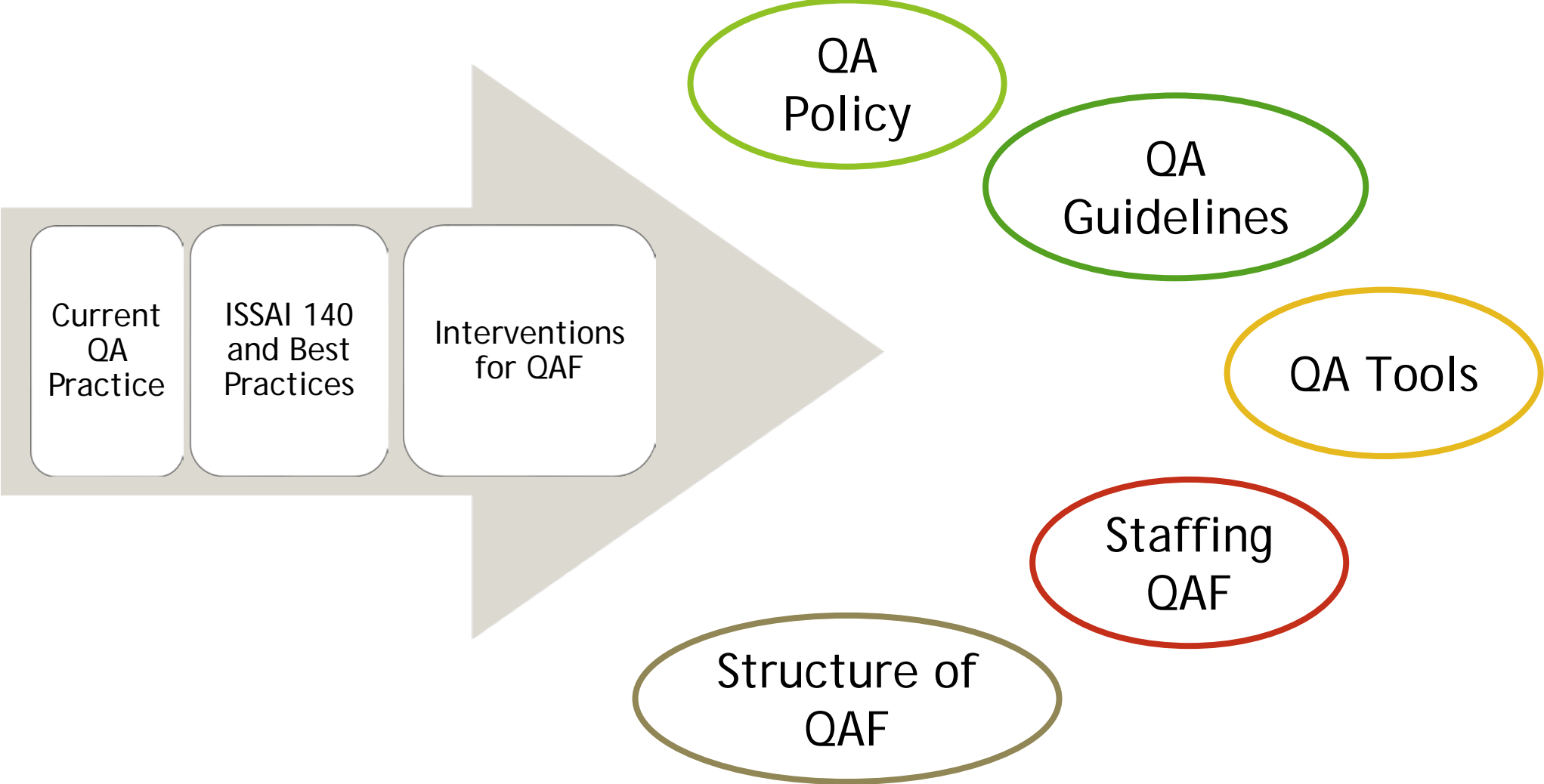
QA Team /Committee

- Team formed with members from different audit streams
- Pre/Post Issuance & IL/EL reviews
- Permanent or temporary
- Specific TOR
- Small SAI

QA Unit /Directorate

- Headed by a Director
- Reports to Head of SAI
- May be supported by QA policy, guidance
- Adequate staff and funds
- Mostly hot, cold and EL reviews

Outputs of QA need assessment



QA Policy



Purpose of QA policy and function



Requirements of follow-up and settlement of QAR results



Structure and objective of QA function



Reporting requirements - QA function and reviewed audits



Applicable standards, tools



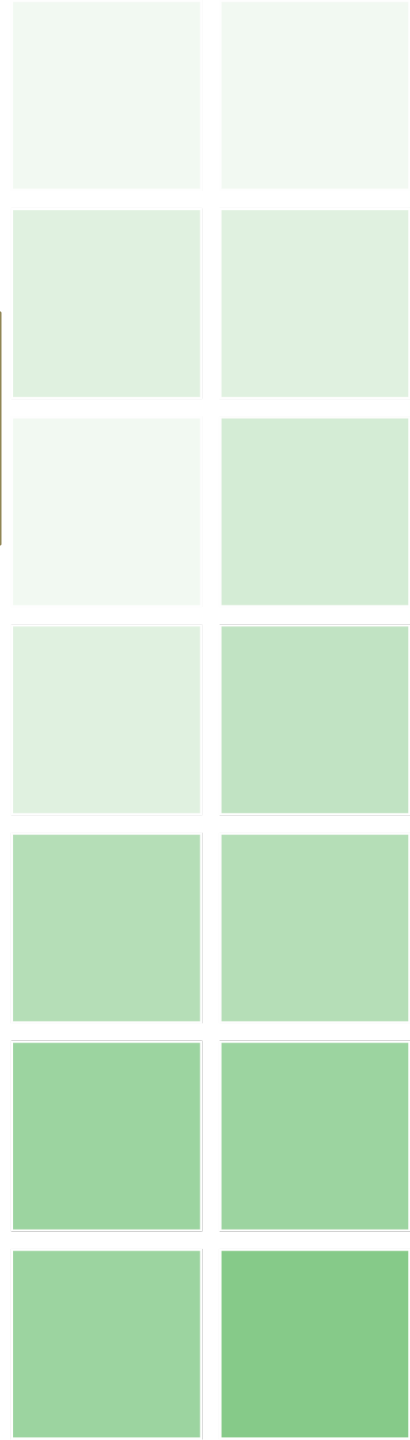
Authority, responsibility, qualification of head and members of QAF



Criteria for QA reviews - nature, frequency and scope of QAR



Reporting lines and responsibilities within QA function and SAI



Setting up the QA Function

Creating staff awareness

- Senior management emphasize importance of QC and QA
- Staff awareness created through staff meetings, group discussion, circulars, newsletters, SAI's intranet and website
- A forum for questions and answers

Develop competencies of staff

- Select senior managers of adequate experience and knowledge on SAI processes
- Select team members from three streams of audit
- Select team members from different audit directorates
- Recruit staff from outside - professional bodies
- Train staff on QA process and methodologies

Developing QA manual, tools

- SAI appoint team experienced in QC and/or QA
- If team does not have sufficient knowledge and skills:
 - ▶ training programmes
 - ▶ secondments to SAIs and/or private audit firms
 - ▶ engage external expert/consultant

Evaluation Quiz

1. A quality assurance review can be carried out _____ conduct of the audit
- (a) Before and after
 - (b) During and after**
 - (c) Before and during
 - (d) All of the above

Evaluation Quiz

2. External quality assurance review can be carried out by

- (a) Other SAIs
- (b) Audit teams
- (c) None of the above
- (d) Both a and b

Evaluation Quiz

3. QA function does not consider the following:

- (a) Materiality and media coverage of the SAI
- (b) QA Policy
- (c) Size of the SAI
- (d) Models of SAI QAF

Evaluation Quiz

4. QA Team should include auditors that were engaged in the audit to ensure timely and complete QAR.

This statement violates the _____ of the QAF.

(a) Confidentiality

(b) Competence

(c) Independence

(d) All of the above

Evaluation Quiz

5. ISSAI 140 talks about quality assurance in

(a) Quality control

(b) Monitoring

(c) Performance

(d) Leadership

Evaluation Quiz

6. The review of audit reports by the department head before issue forms part of:

- (a) External assessment
- (b) Internal assessment
- (c) Quality Assurance
- (d) Quality Control

Evaluation Quiz

7. QAR of Human Resource by the SAI's staff who are not engaged in HR falls under

- (a) Cold Review
- (b) Hot Review
- (c) External Review
- (d) SAI Level review

Evaluation Quiz

8. The frequency of QA reviews for a SAI is included in:

- (a) Individual QA Plan
- (b) Terms of Reference
- (c) QA Policy
- (d) QA Need Assessment

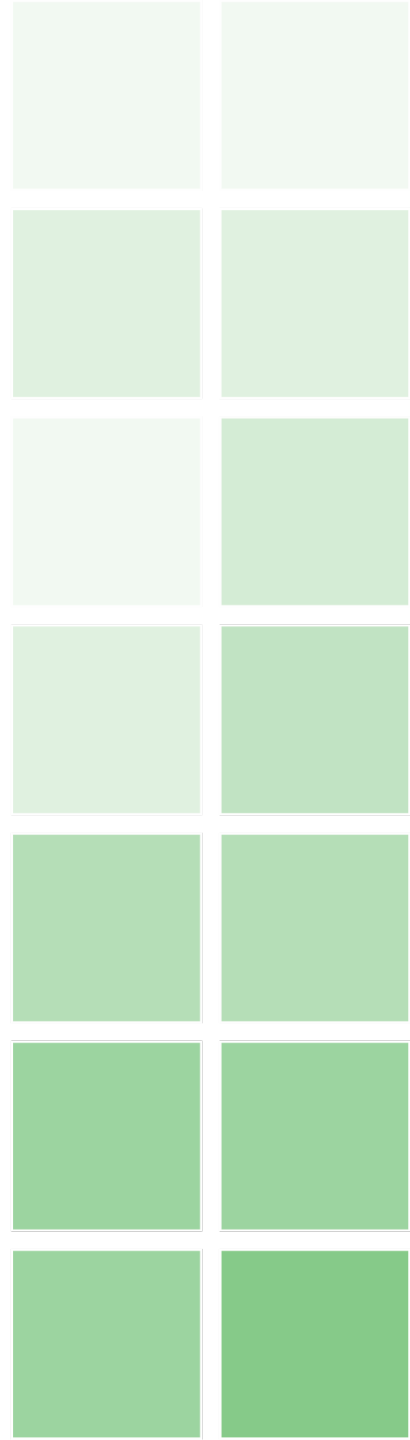
Evaluation Quiz

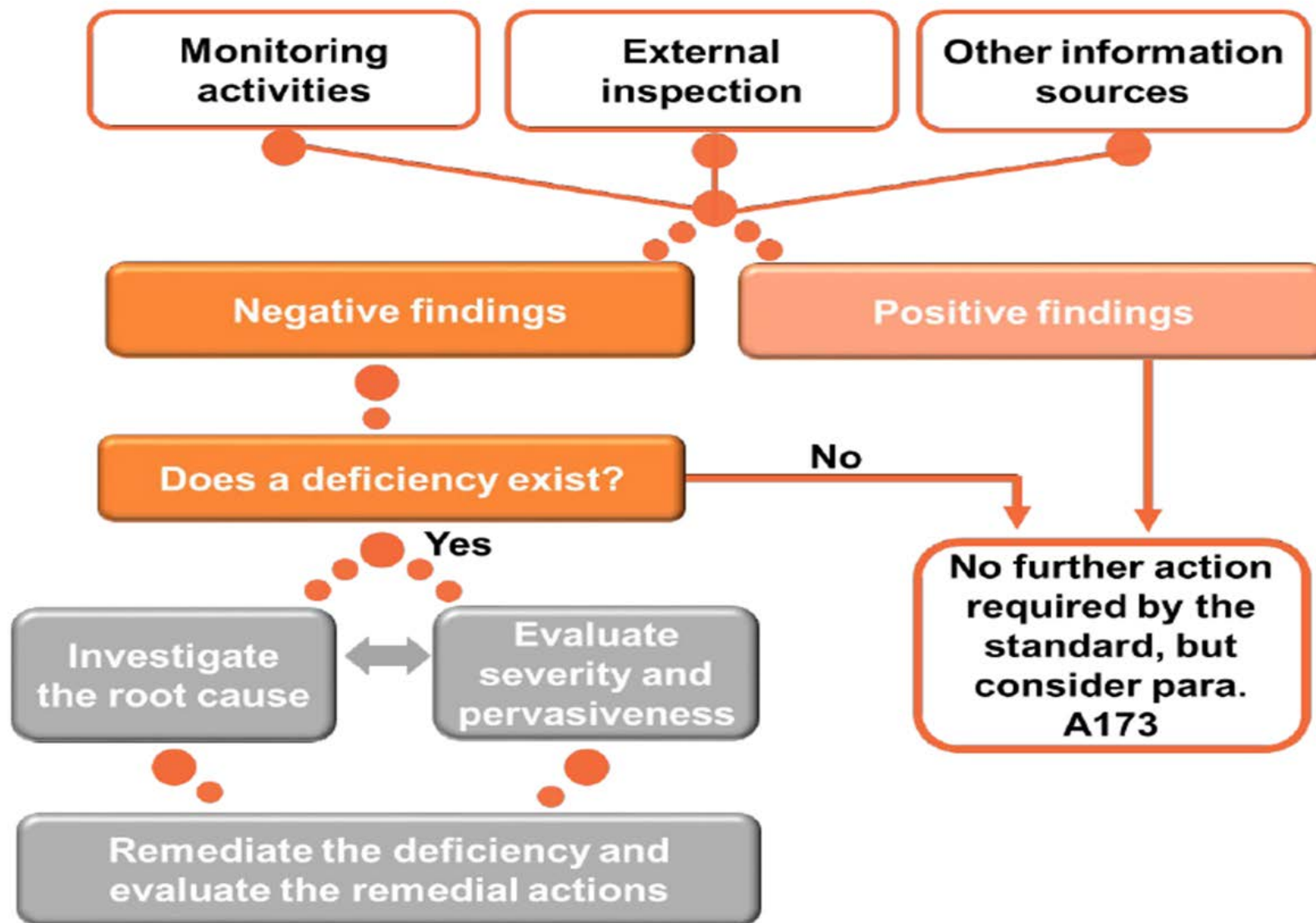
9. Need Assessment for quality assurance can be conducted with the help of:

- (a) Quality Assurance tool
- (b) Quality Assurance Handbook
- (c) SAI PMF
- (d) SAI Mandate

Communicating the results of QA engagement reviews

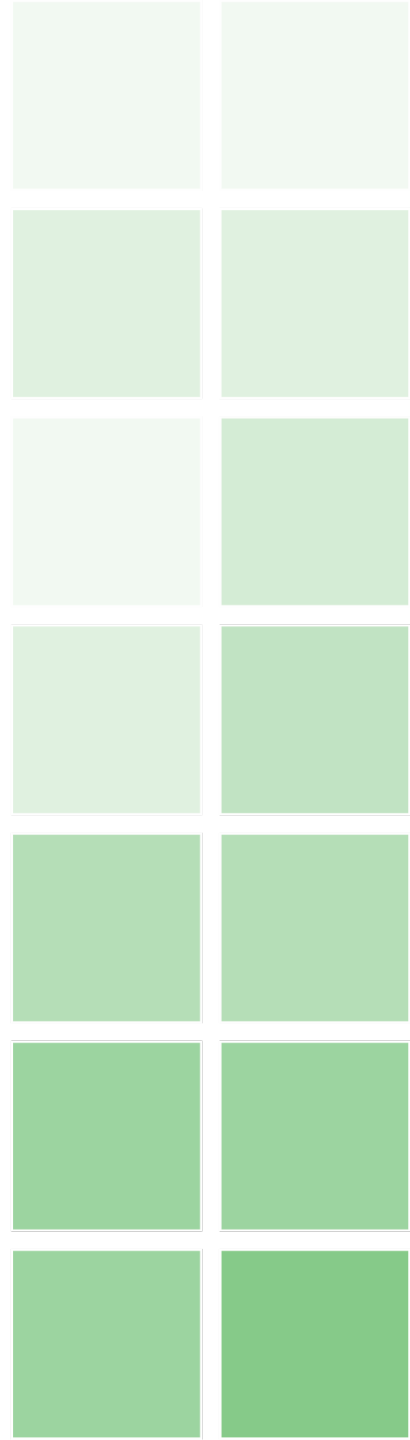
- Providing results to the engagement team for comment (factual accuracy and comment)
- Assessment of significance
- What impact does it have on the audit



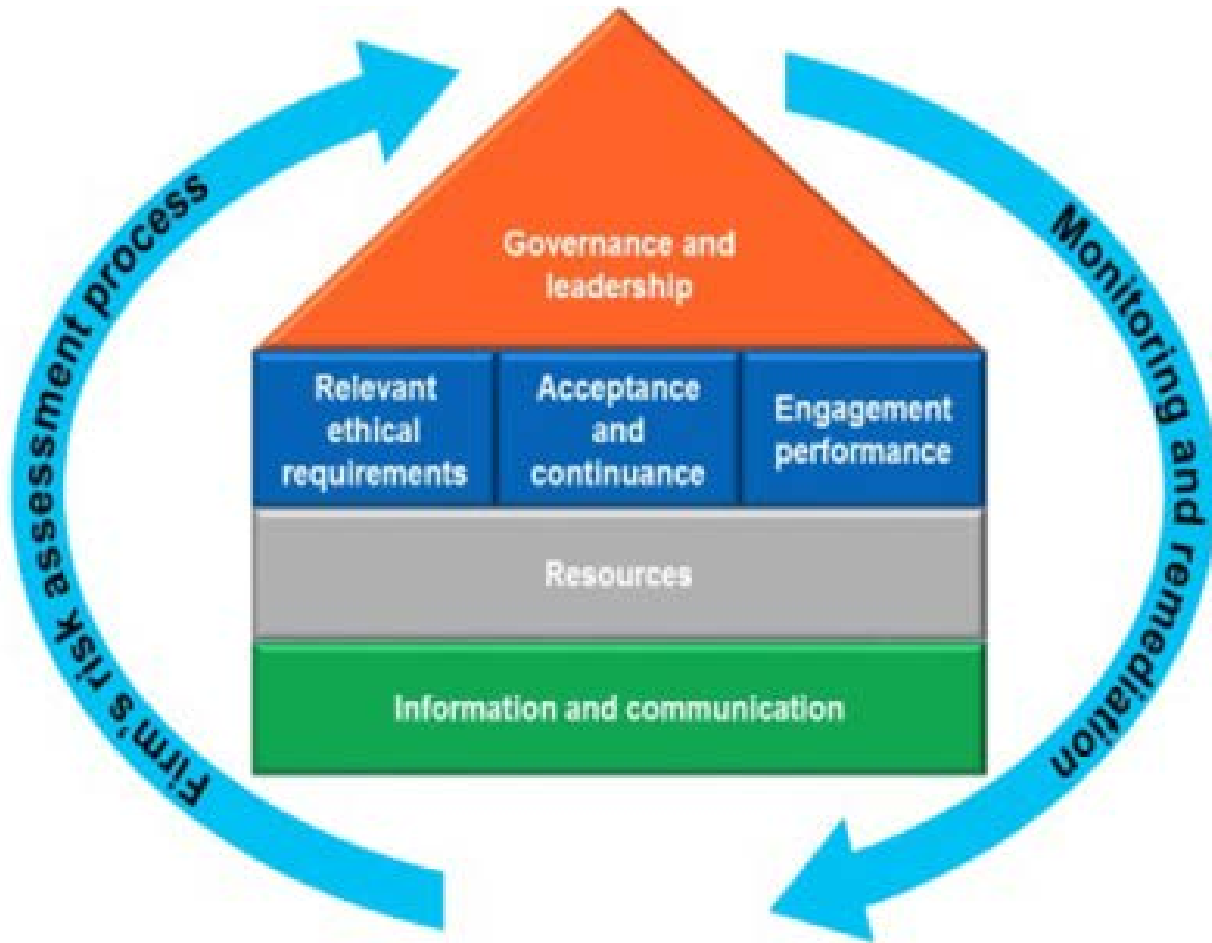


What is coming with QC and QA standards – things to look out for in the future

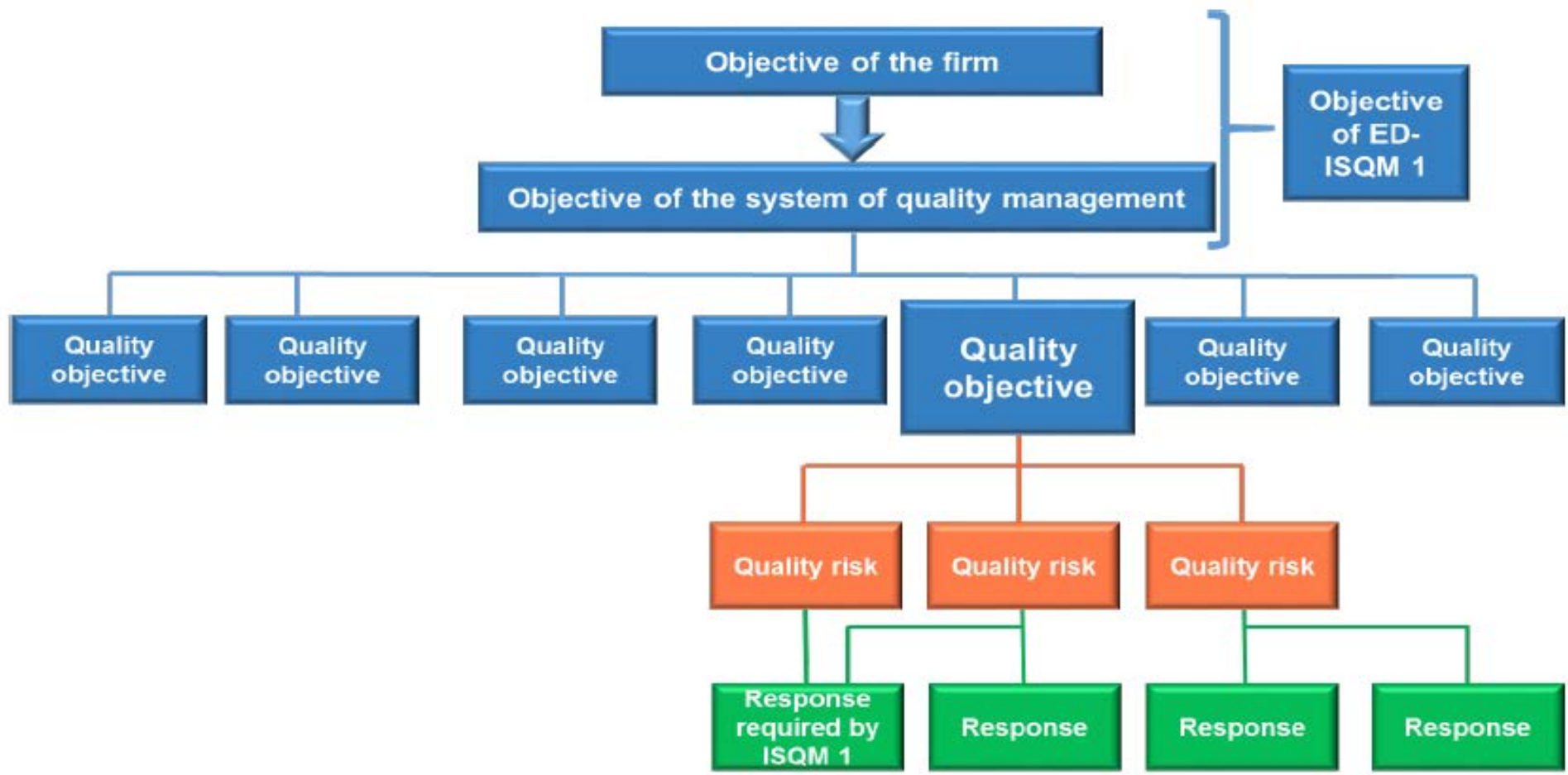
- ISQM -1 – Quality Management



Proposed ISQM-1 now has eight components



Focus is on quality risks



Thank you

