Guidelines on Audit Quality
and Electronic Database on Audit Quality

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Main areas covered by the Guidelines:

➢ **Quality Control – „Hot Review"**

➢ **Quality Assurance – „Cold Review"**

➢ **SAIs' Quality Management System**

Guidelines on Audit Quality

➢ **considers two models of SAIs:**

- **Court of Audit**

- **Audit Office**

➢ **refer to different types of audit (regularity, performance, etc.)**

Characteristics for a good quality control system (i)

➢ **Significance and value of matters addressed in the audit**

➢ **Scope and completeness in the planning and performance of the audit**

➢ **Objectiveness and fairness on the basis of which assessments are made and opinions given**

➢ **Efficiency in the performance of audits and related tasks**

Characteristics for a good quality control system (ii)

➢ **Reliability and accuracy of findings, conclusions, opinions and other matters presented in the audit report**

➢ **Clarity in the presentation of audit findings and reports**

➢ **Timeliness in the issue of reports**

➢ **Effectiveness in terms of results and impacts achieved**

Direction, Supervision and Review

Quality Controls of a Direction, Supervision or Review nature (Annexes H and I of Guidelines refer) are taken into account in all phases of an audit (i.e. Planning, Execution, Reporting and Follow-up).

These Controls are applied according to:

➢ The Type of SAI Model

➢ Phase of Audit in question

➢ Task in hand

➢ Qualifications and Experience of Audit Team Members

Selection and Timing of Audits (i)

Depend on:

➢ **Priority among potential audit subjects, depending upon legal requirements and limits of SAI's mandate**

➢ **Financial and human resources available, considering availability of staff and skills required**

➢ **Appropriate timing, including legally imposed timing**

Selection and Timing of Audits (ii)

Depend on:

> ➢ **Revision of audit priorities in response to changing circumstances**

> ➢ **Extent of reliance on work of other auditors**

> ➢ **Risk and materiality assessments, and sensitivity of audit topics**

Audit Planning (i)

Audit Task Plan:

➢ **Objectives of audit**

➢ **Audit Tasks to be performed**

➢ **Time and Resources allocated**

Audit Planning (ii)

Audit Task Plan modified if necessary:

➢ Review and modification approved by official with supervisory authority

➢ All reviews and approvals documented

Audit Execution (i)

➢ **Audit to be performed in accordance with the approved audit task plan**

➢ **Detailed record of audit task carried out and results thereon to be documented by individual performing audit**

➢ **Working Papers organised systematically**

Audit Execution (ii)

➢ **Supervision of work of team members by principal auditor. Nature and extent of supervision will depend on number of persons in audit assignment, their experience, qualifications and aptitude**

➢ **Sufficiently detailed daily or periodic time sheets/reports prepared by team members**

Audit Execution (iii)

➢ **Audit documentation and working papers properly kept, adequately describe audit tests and findings, referenced, easily traced to relevant elements in audit plan**

➢ **Audit evidence relevant, sufficient and reliable**

➢ **Internal control systems of auditee properly documented, evaluated and tested**

Audit Execution (iv)

➢ **IT controls adequately tested**

➢ **Proper sampling, analytical procedures, data gathering techniques and information analysis techniques are used, when appropriate**

➢ **Where legal issues arise, it would be appropriate for principal auditor to seek advice from legal experts**

Audit Reporting (i)

➢ **Clear, timely, concise and objective**

➢ **Provide fair summary of all facts**

➢ **All findings to be supported by adequate, reliable and fair audit evidence in audit working papers**

➢ **Viewpoints on significant issues should be mentioned in report**

Audit Reporting (ii)

➢ **Draft report prepared by principal auditor, in consultation with team members**

➢ **Draft report should be reviewed by experienced auditor/audit collegium independent of audit team - for materiality, legality, evidence, figures, relevance of findings, appropriate and consistent style used**

➢ **Comments/amendments to be documented and retained in audit working papers**

Audit Follow-up

➢ **Some time after report is issued, SAI should take appropriate steps to determine what action, if any, has auditee taken to correct problems through implementation of SAI's recommendations**

➢ **Follow-up encourages appropriate response to audit findings from auditee or other responsible entities**

➢ **Follow-up lays foundation for future audit work**

Definition of Quality Assurance

System of Reviews:

➢ **After audit procedures have been completed**

➢ **Performed by people independent of the audits under review**

Purpose of Quality Assurance:

➢ **Verification whether needed controls are in place and properly implemented**

➢ **Confirmation of the quality of the audit practices and reports**

➢ **Identification of potential ways of improving the controls**

Comparison of Quality Assurance with Quality Control (i)

➤ **Quality Control exists, in different degrees, in every SAI. Quality Assurance in many SAIs has only just begun**

➤ **Guidelines concerning Quality Assurance have to be less prescriptive – the SAI itself decides what types of Quality Assurance it wishes to undertake**

Comparison of Quality Assurance with Quality Control (ii)

Quality Assurance necessarily involves the criticism of specific audits. However, the purpose of the review is not to negatively comment on those specific audits. Rather, it is to determine what controls were intended to apply to those audits, how those controls were implemented, gaps in the controls that may need to be filled and other ways of improving the control system.

Main Types of Quality Assurance

➢ **Internal Review**

➢ **External Review**

➢ **Peer Review**

➢ **Feedback from Auditees**

Internal Review

Possible Ways:

➢ **Establishment of a separate unit, independent of the audit units, or**

➢ **Conducting reviews by staff members from different structural units, independent of the audit being reviewed**

External Review

➢ A private audit firm might be asked to review a sample of Regularity Audits

➢ A management consulting firm or academics could be asked to review selected performance audits

Peer Review

➢ **Assessment of the extent to which an SAI meets international standards**

➢ **Suggestions for improvements**

➢ **Review may be based on a checklist to assist the reviewers in their work and assure the comparability of assessments**

Feedback from Auditees

➢ **The SAI needs to understand auditees' needs and expectations**

➢ **Helpful insights where the SAI and the auditee have established a relationship of mutual respect**

➢ **Annex L refers**

Section 4: Institutional Management

- ➢ **The management of human resources**

- ➢ **The management of institutional risks and**

- ➢ **The importance of building effective external relations**

Managing Human Resources (i)

- Establishing a clear strategy for recruitment:

➢ to seek excellence in the people the SAI employs

➢ to anticipate the SAI's future needs and recruit staff to fill those needs

Managing Human Resources (ii)

- **Providing effective training:**

  - ➤ **Introductory training**

  - ➤ **Technical and skills training**

  - ➤ **Managerial training**

- **Having a performance appraisal system in place**

Managing Human Resources (iii)

- **Providing career development:**

  ➤ **to help each auditor to become as proficient as possible**

  ➤ **to help selected individuals to prepare for more responsible positions**

Managing Institutional Risks

- **The establishment of a clear procedure for assessing risks, taking into account:**

  ➢ **complexity of the audit**

  ➢ **audit costs**

  ➢ **controversy associated with the matters being audited**

  ➢ **likely co-operation or resistance by the auditee**

- **Allocation of resources in order to minimize risks**

Managing External Relations

- **Establishing and developing relations with:**

  ➢ **Parliament and its Committees**

  ➢ **the Ministry of Finance, other line ministries and state agencies**

  ➢ **media**

  ➢ **private sector auditors**

  ➢ **academics**

  ➢ **other SAIs**

Annexes to the Guidelines

➢ **The Guidelines contain a number of annexes relating to:**

1. **Reference material on audit quality**
2. **International auditing standards relating to audit quality**
3. **Quality control procedures to be implemented by SAIs at various stages of the audit**

Annexes to the Guidelines

➢ **The annexes to the Guidelines are listed hereunder:**

Annex A – Reference Documents

Annex B – Summary of the Report "Quality in the Audit Process"

Annex C – IFAC ISA 220 (Revised), "Quality Control for Audits of Historical Financial Information"

Annex D – ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements

Annex E – INTOSAI Implementation Guidelines for Performance Auditing

Annex F – Levels of Planning for an SAI

Annexes to the Guidelines

➢ **The annexes to the Guidelines are listed hereunder (cont.):**

Annex G – Audit Planning Checklist

Annex H – Direction, Supervision and Review in "audit offices"

Annex I – Direction, Supervision and Review in "courts of audit"

Annex J – Audit Execution Checklist

Annex K – Audit Reporting Checklist

Annex L – Checklist for Self Assessment and Obtaining Views of Auditees

Electronic Database

➢ **Electronic Database on Audit Quality prepared by the Expert Group on Audit Quality on behalf of the network of EU Member State SAIs**

➢ **Serves as up-to-date reference on audit quality**

➢ **Hosted on website dedicated to the EU Member State SAIs Contact Committee network**

Electronic Database

➢ **The reference material on audit quality is grouped under the following categories:**

1. International Standards and Guidelines
2. Relevant EU Rules and Regulations
3. National Regulations, Standards, Guidelines and Checklists used by SAIs
4. Publications
5. Training Courses
6. Links
7. Activities of the Expert Group on Audit Quality

VII EUROSAI Congress Theme on Audit Quality

➢ **Expert Group had proposed theme**

➢ **"Establishing Audit Quality Management System within a SAI" is going to be one of the two principal themes of the Congress in Kraków (Poland), June 2008**

Thank you for your Attention