

# QUALITY ASSURANCE IN FINANCIAL AUDITING

A Handbook  
2009

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## Foreword

The main purpose of this handbook is to emphasise the importance of the quality assurance (QA) function for Supreme Audit Institutions (SAIs), and highlight the benefits that should be derived from undertaking these reviews at regular intervals. In order to be useful and relevant, such a handbook must strike a balance between concepts and practice. This handbook has been designed with that in mind. In particular, the templates, checklists and samples in the appendices can serve as useful job aids. The purpose of these job aids is to provide practical ‘how to’ guidance on the QA review process.

When the world at large is clearly striving for achieving the highest quality for the least possible time and cost, audit work needs to be at least in line with this shift. In fact, Supreme Audit Institutions (SAIs) should remain a step ahead of other organisations since they have to set the right example, particularly in the public sector. As such, 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 whilst maintaining a high degree of integrity, accountability and competence. Quality must be embedded in all areas of the SAI's activities. All these factors lead to the need for SAIs to implement robust QA systems.

This handbook provides the necessary guidance and tools to assist SAIs in implementing comprehensive quality assurance processes. The guidance and tools highlighted have been adapted from various sources and follow international good practice.

All SAIs should consider implementing the core elements of this handbook. However, prior to doing so, certain customisation may be necessary to suit each SAI's unique needs. In addition, SAI staff may have to be trained in QA issues and practices in order to be able to make best use of this handbook. A courseware has been developed to facilitate this process, and is available on request for use by SAIs and INTOSAI regions.

If this handbook succeeds in providing practical guidance and helps SAIs establish and/or strengthen their quality assurance systems, then it will have met its objective.

This handbook was developed by a team of representatives from member SAIs of ASOSAI, SAI of Canada, the IDI and South Africa. Collectively, they possessed rich experience in the functioning of SAIs in developing countries, financial auditing and quality assurance standards and practices. We are grateful to them for their dedication to the project and appreciate their valuable contributions.



## Section 1: Introduction

### Purpose

The purpose of this chapter is to emphasise the purpose and importance of quality assurance (QA) in audit as it relates to SAIs. It also aims to help familiarise the reader with the quality assurance process and different types and levels of QA reviews, to provide a broad overview before discussing the process in detail in the later chapters.

### Summary

Quality Control and Quality Assurance are two different aspects of a robust quality control mechanism, and both are critical to the effectiveness of an SAI's performance. Since the quality of SAI products and services is of utmost importance in creating the desired impact on the external stakeholders, a Quality Assurance function needs to be established (or strengthened) in every SAI.

QA reviews can either be performed internally, or by external persons. Such reviews may also be undertaken on the organisation as a whole, and/or for a specific audit.

This chapter also explains the different phases of the quality assurance review (QAR) process.

### Roadmap

The chapter describes the basic concepts relating to quality, quality control and quality assurance, their definitions and differences between quality assurance and quality control. It explains the benefits of quality assurance, the types of quality assurance techniques, and the INTOSAI and IFAC standards pertaining to quality.

This chapter also provides an explanation of each stage of a QAR process. It then goes on to discuss the requirements for operational planning by the QA function, and the types of reviews that can be used. This chapter concludes with brief guidance on measuring the outcomes of QARs.

The steps taken are as follows:

- ✓ Planning the quality assurance review (**Appendices 1A to 1D** provides guidance on the operational planning by the QA function and peer reviews).
- ✓ Conducting the quality assurance review (**Appendix 1E** provides a checklist).
- ✓ Reporting the findings and recommendations.
- ✓ Follow-up (**Appendix 1F** provides a sample action plan).

### **Key Decisions**

Disseminate to all SAI staff the concepts and importance of quality, quality control and quality assurance with regards to the SAI's audit and support activities.

Ensure that the QA function complies with the approved QA process.

## 1. Quality, quality control and quality assurance

### 1.1 Characteristics of quality

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

**In the case of the quality of different audits conducted by the SAI, the general characteristics of the quality may include<sup>1</sup>:**

**Scope:** Did the audit plan properly address all issues needed for a successful and effective audit? Did the execution of the audit satisfactorily complete all the needed elements of the task plan? Was the report in line with the requirements of the stakeholders?

**Reliability:** Did the audit findings and conclusions truly reflect actual conditions with respect to the matter being examined? Are the conclusions on the assertions in the audit report fully supported by the data and evidence gathered in the audit?

**Objectivity:** Was the audit carried out in an impartial and fair manner? The auditors should base their assessment and opinion purely on the facts and proper analysis of the evidence.

**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 any recommendations can be easily understood by users of the audit report. The users may not be experts in the matters that are addressed, but may need to act in response to 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.

**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 impact achieved? Did the audit products and services contribute to the promotion of accountability, transparency and better management practices in the public sector?

## 1.2 Quality Control

The quality control process consists of the systems and practices designed to ensure that the particular SAI issues reports that are appropriate in the circumstances, and in accordance with applicable standards and legislation. This can be ensured by a pre-issuance and post audit reviews.

Quality Control should be implemented with respect to day-to-day operations in the following aspects of the audit process:

- 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.

### (a) Pre-issuance and post audit reviews

A pre-issuance review is a Quality Control review conducted **before** the audit report has been issued to ensure the audit complies with the audit methodology and practices and any other legal and regulatory requirements, and that the report is appropriate in the circumstances.

A pre-issuance review:

- considers the significant risks identified and the responses to those risks;

- considers judgments made with respect to materiality;
- examines whether appropriate consultation has taken place on matters involving differences of opinion;
- ensures that working papers selected for review reflect the work performed in relation to the significant judgments and supports the conclusions reached; and
- considers the appropriateness of the report to be issued.

The review provides an independent and objective evaluation of significant judgments made on accounting, auditing and reporting matters, in order to be able to conclude that, based on all the relevant facts and circumstances known by the pre-issuance reviewer, no matters have come to his or her attention that would cause the reviewer to believe that the conclusions reached are not appropriate.

It should be noted that the pre-issuance review:

- does not reduce the review responsibilities of the audit team; and
- does not relieve the manager from the final responsibility for the issuance of the Audit Report.

The audit team may consult the pre-issuance reviewer during the audit. Such consultation should not compromise the pre-issuance reviewer's eligibility to perform the role. Where the nature and extent of the consultations becomes significant, however, care should be taken by both the audit team and the reviewer to maintain the reviewer's objectivity. In situations where this is seen not to be possible, another individual should be appointed to take on the role of the pre-issuance reviewer, or alternatively, another person should be consulted.

The possible criteria and indicators and timing regarding conducting the pre-issuance reviews are explained in **Appendix 1B**.

(b) **Post-audit QA reviews** are conducted **after** the audit reports have been issued. The preparation of an annual internal report on such reviews would be useful in terms of objectively identifying shortcomings and improvements required for future audits of a similar nature.

On the basis of all reviews and additional information, a report on the quality of all the audit work summing up general findings and recommendations should be completed. Such a report may entail the analysis of the SAI's work in the previous year, including information on audit work, information on training activity, a summary of issues arising from quality control systems, and summaries of external reports evaluating the SAI activity and recommendations on how to improve the SAI's work.

The SAI top management should actively consider this report in detail. This report may also be distributed to all SAI staff as feedback and possible training material.

### **1.2.1 Quality Assurance**

Quality assurance is the process that provides independent assurance to the head of the SAI that the quality control systems and practices in the organisation are working effectively and that the SAI is issuing appropriate reports. Thus, Quality Assurance is the process of comparing what is required of a product and what is actually being provided to the users of that product.

Quality Assurance is the process established by an SAI to ensure that:

- a) necessary quality controls are in place;
- b) quality controls are being properly implemented; and
- c) potential ways of strengthening or otherwise improving quality controls are identified.

As such, Quality Assurance is an assessment process focusing on the design and operation of the quality control system by persons independent of the system / audit under review. The purpose of Quality Assurance is not to criticise specific systems / audits but to help ensure that the audit products and services meet the required international best practices, and meet the needs of the SAI's stakeholders.

### **1.2.2 Quality Assurance versus Quality Control**

Although at times Quality Assurance and Quality Control are used interchangeably, there is a clear difference in scope and meaning of the two terms.

As already stated above, Quality Control (QC) involves the policies and procedures through which an SAI **ensures** that all phases of an audit process (planning, execution, reporting and follow-up) are carried out in compliance with SAI auditing standards, rules,

procedures and practices in line with the best international practices. Basically it is a line function, and the responsibility of management.

On the other hand, Quality Assurance is a process through which an SAI **assesses** and monitors the system of quality control, including a periodic inspection of audit engagements. This assessment is designed to ensure the SAI's system of quality control is working effectively and that individual audits are carried out in compliance with SAI standards, rules, practices and procedures. These should be in line with best international practices as reflected in INTOSAI Auditing Standards and the International Federation of Accountants (IFAC) pronouncements on auditing standards and the code of ethics.

### 1.3 Quality standards<sup>2</sup> and function

INTOSAI has adopted the quality standards as issued by IFAC that cover the aspects of quality in audit.

The ISQC1, the first quality control standard, establishes the standard and provides guidance regarding the responsibilities a system of quality control for audit (at the institutional level) and ISSAI-1220, the second quality control standard, establishes standards and provides guidance about the specific responsibilities for management and staff regarding quality control procedures for individual audits.

These two standards, (ISQC1 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 ISQC1 is focused on policies, procedures and systems of control for the SAI as a whole whereas ISSAI-1220 is aimed at the implementation of quality control procedures by staff assigned to the individual audit level, and focuses on the audit team and its leadership.

Many of the key instruments that would be employed to comply with the two standards are also similar. For example, the SAI Head would ensure that the SAI has auditing

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<sup>2</sup> Readers may kindly read the valuable guidelines produced by INTOSAI ([www.issai.org](http://www.issai.org)). These guidelines on Audit Quality are designed to conform to the quality standards issued by the respective committees of International Federation of Accountants (IFAC) and INTOSAI.

standards and manuals (ISQC1), 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.

### 1.3.1 IFAC Standards

The elements of a system of quality control as outlined in IFAC's ISQC1 and ISSAI-1220 are:

- Leadership responsibilities for quality within the SAI
- Ethical Requirements
- Acceptance and Continuance of Client Relationships and Specific audits
- Human Resources
- Audit Performance
- Monitoring
- Documentation

### 1.3.2 INTOSAI Auditing Standards

The ISSAI-200 INTOSAI Auditing Standards-General Standards<sup>3</sup> (**Paragraph 1.25**) states that:

“The SAI should adopt policies and procedures to review the efficiency and effectiveness of the SAI’s internal standards and procedures.”

This Standards are 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.”

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<sup>3</sup> The International standards of Supreme Audit Institutions, ISSAI are issued by the INTOSAI. For more information kindly visit [www.issai.org](http://www.issai.org)



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 be established by reference to the international standards and best practices aligned with objectives of the SAI, which will normally reflect the legal requirements and socio-political expectations that the SAI faces.

**And Paragraph 1.29** 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.”

**And 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.”

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.”

**(Paragraph 1.28)**

The emphasis here is that reviews should be conducted by SAI personnel who are not members of the audit team, and also that there is periodic reporting on the outcome of quality reviews. The various aspects of setting up and managing the Quality Assurance function are discussed in detail in chapters 2. The quality assurance review processes are considered in chapters 3, 4 and 5.

### **1.3.3 Importance / benefits of the QAR**

The benefits that can be derived from an effective quality assurance function include the following:

- ✓ Ensure a high standard of audit work by improving audit performance and results.
- ✓ Ensure that the audit is conducted in the most efficient and cost effective way, which 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 training and identification of additional training needs.
- ✓ Motivate the personnel of the SAI.
- ✓ Facilitate self-assessment of audit work performed.
- ✓ Provide a management tool for measuring the performance of the SAI.
- ✓ The SAI will avoid possible litigation if its work is of high standard and quality.

#### **1.4 Quality Assurance Review Process**

The quality assurance review process ensures that a comprehensive review is carried out in accordance with international standards. Generally, it involves the standard four phases of a project cycle, as shown in the diagram below.

**Figure 1: Quality Assurance Review Process**



The first phase (**Planning**) is where the review team will plan the review before it takes place. The inputs will include the terms of reference, budgets and background information. The output of this phase will be a plan for conducting the review. This can be a long term plan in the case of an institutional level review, and an annual plan in the case of a financial audit level review. Once the plan has been approved it becomes the input of the second phase (Conducting).

In the second phase (**Conducting**), the review team will conduct the review using the Quality Assurance work programmes detailing the specific methods and checklists for gathering evidence. The outputs of this phase are the *findings* and *observations*. This should be discussed with the senior management in the case of institutional level review, and with the audit staff for the individual level review to obtain feedback.

The third phase (**Reporting**) is where the review team will use the outputs (findings and observations) of the conducting phase as inputs to prepare a report.

The final (**Follow-up**) phase is where the review team will use the action plan prepared by the line functions as inputs, and assess the extent of implementation of the action plan and reasons for non-implementation of any items in the action plan. Appropriate follow-up actions are necessary to ensure that the agreed action plan is implemented or adequate steps are being taken to implement it.

#### **1.4.1 Planning the quality assurance review**

The planning process involves the preparation of an operational plan and selection of the type of review to be conducted according to the conditions present at the SAI.

##### **(a) Operational plan**

The SAI's QA function should prepare an annual operational plan, which should be approved by the relevant senior management at a sufficiently high level. While the Operational Plan may cater for QARs at both Institutional and individual audit levels, the review at institutional level is comprehensive in scope, addressing all areas within the SAI that affect its audit performance, while the individual audit level reviews will be for selected audits only. A sample of an operational plan can be found in **Appendix 1A**.

##### **(b) Scope**

The scope of quality assurance reviews (QARs) can extend to all the activities being carried out by the SAI. This is referred to in this handbook as an institutional level QAR. At the same time, QARs can be taken up at the level of individual financial audits. This is referred to in this handbook as financial audit level QAR<sup>4</sup>.

*Institutional level QAR:* The QAR at Institutional level is a comprehensive review that deals with various aspects of the SAI, such as audit methodology & standards, human resource development, stakeholder relations, etc. Conducting QAR's at the Institutional level is discussed in detail in Chapter 3 of this Handbook.

*Financial audit level QAR:* The financial audit level review needs to be carried out on a selection of individual financial audits to ascertain whether the SAI's instructions – as codified in the standards and guidance manuals, policies and procedures were applied by

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<sup>4</sup> QARs at individual audit level could also relate to performance audits. However, the focus of this handbook is limited to financial audits.

the audit team/unit while carrying out individual audits. Conducting a QAR at the financial audit level is discussed in detail in Chapter 4 of this Handbook.

### 1.4.2 Types of Quality Assurance Reviews

There two types of Quality Assurance Reviews:

#### Internal and external reviews

The two mechanisms of Quality Assurance are internal and external reviews. These are described below:

#### Internal review

The purpose of this handbook is to provide a step-by-step approach for performing internal quality assurance reviews.

A properly functioning internal QAR process is one of the key processes in the SAI that an external peer review needs to be able to rely on in the conduct of an external review.

The internal review is a periodic review carried out by person/s within the organisation, with knowledge of the audit procedures, practices and standards. This could be conducted by an established Quality Assurance unit or through a peer review mechanism involving different divisions, units, or sections.

#### External reviews

In an **External Review**, a peer SAI, including a private auditing firm, management consulting firm, or academic expert could be asked to undertake a review at either the institutional level or at the audit level, or both. These reviews should be performed by qualified persons who are independent of the organisation and who do not have any real or apparent conflict of interest.

#### *QAR by external organisations*

In this type of review, an organisation that is external to the SAI, such as another SAI (a peer review), a private audit firm, management consulting firm, academic expert or regulatory body could be asked to perform a quality assurance review for the SAI. It is performed to appraise the quality of the audit activity and provide independent assurance of the audit quality to management, the board, audit committee and the external auditors,

as well as those who rely on the work of the audit activity. These reviews should be performed by qualified persons who are independent of the organisation and who do not have any real or apparent conflict of interest. The reviews should be conducted within a given periodicity, depending on the scope of the review. For example, if the scope covers the entire functioning of the SAI, the review may be conducted once in 3 to 5 years, preferably before at the commencement of the SAI's strategic planning cycle. On the other hand, if the scope is review of certain types of audit reports, it may be conducted annually..

The details about the scope, requirement, conducting and reporting of a peer review are given in **Appendix 1C**. A sample Terms of Reference (TOR), drafted to define the scope and purpose of the peer review, is included in Appendix **1D**.

*Feedback from the auditees and/or other external stakeholders:*

Feedback from the auditees and/or other external stakeholders provides inputs to identify the strengths and weaknesses of the SAI's audit processes. In the case of pre-issuance reviews, discussion with the auditees on the audit observations help in improving the quality of the audit report before it is finally issued.

### **1.4.3 Conducting the quality assurance review**

Identify the checklists to be used. SAIs can use the checklists developed by IDI / ASOSAI if they do not have their own. If an SAI uses its own checklists, it is good practice to make comparisons with IDI / ASOSAI checklists to ensure completeness. The checklist for Institutional and financial audit level QARs and methods for gathering and analysing evidence are documented later in this handbook.

#### **(a) Monitoring and supervising QAR processes in accordance with QA standards, policies and procedures**

A sound system of monitoring and supervision is essential for high quality QARs. Supervision involves directing QA staff and monitoring their work to ensure that the QA objectives are met. Supervision involves assigning responsibilities and providing sufficient guidance to staff members. It also involves staying informed about significant problems encountered, reviewing the work performed, overseeing individual development, coaching, providing periodic feedback and effective on-the-job training.

QA staff should receive an appropriate level of leadership and direction so that they are encouraged to perform to their potential and to ensure that reviews are properly carried out. All work is reviewed by the team leader before the QA reports are finalised. This is to bring more than one level of experience and judgment in the review process, and to ensure that evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable evidence as a foundation for the final opinion or report.

The Supervisor of the QA reviews should ensure that the reviewing team adhere and conform to the policies and procedures prescribed by QAR management.

The reviewing team should use the QA plan as a tool to ensure focused fieldwork by the audit team, and also to facilitate monitoring by the team leader of the progress of QA reviews.

In addition, the QA reviewer may use the checklist in **Appendix 1E** as a guide in the supervision and monitoring function of QAR.

#### **1.4.4 Reporting findings and recommendations**

As in the case of audit work, all QA findings and observations must be supported by sufficient, relevant and reliable evidence. Working papers of the QAR team should be documented methodically to enable easy referencing. The draft findings and recommendations should be discussed with senior management of the SAI before including them in the final report. The report should include a summary of observations and recommendations on how to improve.

#### **1.4.5 Follow-up**

The reports of QARs will not gain impetus if appropriate follow-up actions are not undertaken. Follow up reviews may be undertaken either by Quality Assurance Units or other internal Committees especially formed for the purpose. On the other hand, such a responsibility can also be passed on to the same QA review team by incorporating an appropriate clause in the Terms of Reference.

Based on the QAR report, the line functions should prepare and then implement the Action Plans. The Action Plans will facilitate undertaking proper follow up of the QAR report. A sample Quality Assurance Follow-up Action Plan is found in **Appendix 1F**.

**(a) Measuring outcomes of the QA function**

Every function within the SAI is accountable to deliver the desired results in order to demonstrate its value to the SAI. This applies equally to the QA function. While the outputs of a QA function may be several QA reports, the **outcomes are**

1. **An assurance to the head of the SAI that**
  - **the system of quality control is working effectively; and**
  - **the audit reports issued are appropriate under the circumstances.**
2. **Identification of the improvements in various SAI work processes and greater effectiveness of audit reports and services as a result of implementing recommendations in QAR reports.**

SAI top management may select capable personnel or an external body such as a private professional entity to measure and evaluate the effectiveness of the QA function based on the improvement implemented as a result of the reviewing function. The evaluation may also consider international standards issued by PEFA (Public Expenditure and Financial Accountability).

To measure outcomes of the QA function, the following are some of the performance indicators that an SAI may consider:

- the Audit Reports are submitted on or before the deadline;
- the quality controls are designed, implemented and working effectively;
- SAI's methodology is aligned to the international standards on auditing;
- sufficient, appropriate audit evidence to support the audit report;
- stakeholders and audit clients are satisfied with the final outcome of the audit product;
- cost savings in performing audit functions;



- identification of areas for improvement in technical knowledge and skills; and
- improved job performance.

## Section 2: Quality Assurance Function

### Purpose

The purpose of this chapter is to highlight the different aspects of creating and managing a quality assurance function.

### Summary

Setting up a QA function requires attention to various requirements including assessing the need for such a function and/or the need to strengthen an existing QA function, developing and implementing a QA policy, developing a QA handbook for practical guidance, and selecting the right people, and clarifying their roles and responsibilities.

The steps that should be taken to establish a QA function are determined by the current situation of the SAI. The steps highlighted in this chapter could be considered as sequential for a SAI without a QA function.

This chapter also focuses on the roles and responsibilities of SAI's management in managing a quality assurance function once it has been established. Discussions about important aspects of managing such as planning, controlling, monitoring, delegating of duties, reviewing and evaluating serve as vital factors in contributing to the effectiveness of the quality assurance function.

### Roadmap

This chapter begins by assessing the requirements of a QA function. It then discusses different aspects of developing and implementing QA policy. It goes on to elaborate on the need for developing and implementing a QA handbook. Finally, it details how to establish and manage the QA function.

Appendix 2A provides a sample QA policy, while Appendix 2B outlines possible roles and responsibilities, soft skills, competencies and qualifications of different levels of QA staff.

### Key decisions

- ✓ assessing the need for establishing or strengthening the QA function;
- ✓ developing and maintaining QA policy;

- ✓ creating staff awareness of QA policy;
- ✓ developing (or adapting) a QA handbook with toolkits;
- ✓ setting up a QA function (if it does not already exist); and
- ✓ managing the QA function.

## 2.1 Introduction

INTOSAI Auditing standards (para 2.1.25) state 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 quality assurance programme in order 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.

Generally, some kind of a Quality Assurance function already exists in an SAI. However, SAIs should continuously strive to raise the level of that function and to achieve international best practices. Improving the existing QA function requires a systematic organisation-wide approach. For that reason, it is required that the SAI should have their QA policies and procedures and a system in place for their effective implementation. This can be achieved through the following phases:

- a) Identify the need for a quality assurance function.
- b) Create task force.
- c) Acquire QA knowledge and skills.
- d) Assess quality assurance requirements.
- e) Analyse options for QA functions.
- f) Develop and disseminate QA policy.
- g) Develop and adopt handbook.
- h) Provide sufficient and competent personnel to staff the QA teams.
- i) Ensure continuing professional staff development.

## 2.2 Assessing needs for a QA function in the SAI

In order to set up a QA function successfully, it is useful to conduct an assessment of QA needs. The purpose of conducting the assessment exercise is to identify the gaps between the best practice and actual practice of the QA within the SAI. The assessment also helps to determine the requirements of the quality assurance policy, detailed guidelines, tools, staff, budget as well as other infrastructure relating to the QA function.

The assessment exercise can be conducted either by internal staff of the SAI (creating a task force) at middle and higher management levels, or by another SAI and/or organisations of SAIs such as ASOSAI, INTOSAI, IDI, etc.

While compiling a task force, the following aspects should be considered:

- ✓ qualifications of the team members;
- ✓ positioning of the task force with respect to management's influence;
- ✓ consideration of the future involvement of the task force members in QA activities;
- ✓ terms and reference aspects such as duties, responsibilities, time frame, etc.

The assessment tools may include: QA surveys, questionnaires, interviews, focus group discussions and reviews of documents, including documents of SAIs with experience in QA.

While assessing the needs of the QA function, the followings factors may be considered:

- ✓ size of the SAI;
- ✓ QA practices in SAIs with more experience in this subject;
- ✓ INTOSAI and IFAC standards and ASOSAI guidelines on audit quality management;
- ✓ Rules and regulation regarding the requirement of a QA function;
- ✓ nature, and average annual number of audits undertaken by the SAI;
- ✓ status of quality controls in the SAI;
- ✓ number and level of qualifications of SAI staff; and
- ✓ media/stakeholder interests.

The SAI top management should ensure appropriate actions to implement the findings of the assessment.

### **2.3 Developing and implementing QA policy**

The Head of the SAI should adopt a comprehensive QA policy that gives a high level guidance. The head of the SAI should appoint a team to oversee the assignment, and provide the team with a reasonable period of time to complete the assignment. The team should consist of experienced middle level staff to draft a QA policy, supervised by a senior level manager with several years of work experience in the SAI.

The team should benchmark the draft policy to IFAC's ISQC1 requirement for "monitoring" to ensure that the final agreed policy is complete and relevant. Some of the issues that a QA policy should address include:

- ✓ purpose of the policy;
- ✓ structure of the QA function;
- ✓ reporting lines within the function;
- ✓ nature and frequency of QA reviews; and
- ✓ performance reporting by the QA function.

If there is already a QA policy in place, it can be updated to meet international good practices, and/or to incorporate any changes in audit processes.

A sample QA policy can be found in **Appendix 2A**.

The SAI's QA policy should be reviewed periodically and updated, if necessary. While reviewing its QA policy, the SAI should consider lessons learnt with regard to quality control and assurance as well as international developments in auditing, quality control and quality assurance.

## **2.4 Creating staff awareness of QA policy**

Quality Assurance is the process established by an SAI to ensure that:

- d) needed quality controls are in place;
- e) quality controls are being properly implemented; and
- f) potential ways of strengthening or otherwise improving quality controls are identified.

Quality assurance is therefore a constant process to ensure compliance with the quality control system, and compliance will increase the SAI's credibility. Although it may be possible to produce isolated audits of high quality without a proper system of quality assurance, it is not possible to do it continually for all the audit products issued by the SAI.

Staff awareness is therefore of critical importance. Quality assurance is the responsibility of all the staff at the SAI from the head of the SAI down to the lowest level. Quality assurance also requires a clear understanding of where the responsibility lies for particular decisions. Thus, the SAI's general quality assurance policies and procedures should be clearly communicated to its personnel in a manner that provides reasonable assurance that the policies are understood and implemented. The responsible unit of the

SAI together with the top management should prioritise the generation of awareness at all levels of staff on QA. Staff awareness can be created through staff meetings, discussion forums, office circulars, newsletters, essay-poster competitions, etc.

## **2.5 Developing and adapting the QA handbook**

After adopting a QA policy and creating awareness on it, there will be a need for the SAI to compile a more detailed handbook or guidelines that specify how to conduct QA in practice. The handbook should form the basis of standard operating procedures (SOP) of the QA function. For the easy implementation of the handbook, it should incorporate related toolkits as well as required checklists that are developed based on INTOSAI Auditing Standards and ASOSAI AQMS Guidelines.

Rather than developing a QA handbook from scratch, it might be more cost effective for most SAIs to customise the relevant chapters of this handbook to their own situation and requirements. While customising this handbook, the particular SAI should consider its financial audit manual as well as its QA current practices.

Such a handbook or guideline can be compiled by a team of staff members experienced in QA. The development team should be provided with a reasonable period of time to complete the assignment. It might also be helpful to provide structured opportunities for the handbook development team to upgrade their knowledge and skills in QA, before, or certainly while, they are engaged in developing the handbook. This could be done through training programmes, study tours to SAIs with strong QA practices, secondments to SAIs and/or private audit firms.

If the collective experience of the team is insufficient, the SAI may consider engaging an external expert to advise the internal development team. However, if the handbook is written by an external expert, there must be active involvement of the relevant SAI staff. Otherwise, there is the risk of creating a handbook that is not as relevant for local needs as it should be, and may as a result mean the particular SAI has no sense of ownership.

## **2.6 Objectives of the Quality Assurance function**

In line with ISQC 1 and AQMS of ASOSAI, the main purpose of the quality assurance function within an SAI is to identify weaknesses in quality controls at both the institutional

and individual audit levels, and suggest strategies for addressing those weaknesses. To achieve this, some of the main issues for consideration are:

#### **At Institutional level**

- determine if the SAI's legal framework is sufficient to meet the independence and mandate expectations of the Lima and Mexico declaration;
- assess the extent to which the quality of systems and practices contribute to the effective internal governance of SAI;
- assess the process and systems in place to recruit, develop and manage the Human Resources to meet the mandate of SAI to ensure that there are sufficient competent and motivated staff to discharge its function effectively;
- confirm that the audit methodology and practices are based on INTOSAI standards and aligned with international best practices;
- identify ways to strengthen internal administration and support services;
- assess whether the SAI is effectively addressing current and emerging issues and taking advantage of new opportunities;
- assess the status of relations with key external stakeholders and need for improvement if any; and
- determine the quality of audit reports and services and their impact on the accountability and transparency in the public sector, and the overall improvement in the financial management practices of the government.

#### **Financial Audit level**

- determine if required quality controls are in place;
- determine if existing controls are being properly implemented;
- confirm the quality of the audit practices and reports, and identify potential ways of strengthening or otherwise improving the controls;
- determine if proper documentation for the control procedures exist;



- determine if the audit was properly planned, and whether risks were identified and received the appropriate attention;
- confirm that sufficient work was undertaken to support the opinion in the audit reports;
- confirm the working papers are in accordance with SAI policies and procedures;
- determine if conclusions are properly explained and supported by audit working papers;
- determine that audit opinions are fully supported and documented in working papers; and
- confirm the financial statements are presented in accordance with government accounting and other relevant regulations, and that the audit report issued is appropriate.

## **2.7 Establishing a QA function**

The SAI has a number of options for setting up a QA function, and establishing a QA unit is one of the primary approaches. 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 as well as the expected cost and benefits, the SAI can select any of the following options:

- allocate staff to form a separate QA unit;
- in the case of shortage of staff:
  - assign special QA duties to staff in rotation, or
  - form QA committee(s);
- arrange QA reviews by other SAIs or other professional bodies; and
- hire external experts to periodically assess the SAI's quality control systems.

### **External reviewers**

SAIs may acquire expertise from qualified specialists, consultants and technical experts, professional associations and other organisations as needed to conduct QA reviews. The

experts may give technical advice to the SAIs at the latter's request. The SAI should ensure that the specialists and experts are qualified and have competence in their areas of specialisation, and should document such assurance.

## **2.8 Staffing the QA Function**

### **2.8.1 QA unit size**

It is a common practice to establish a separate QA unit. If the SAI adopts this approach, the size of the unit will depend on the size of the SAI and also the stage of its technical development. The QA manager may decide to have two to four auditors to assist him or her. A small SAI may have two QA reviewers appointed. A good practice that SAIs 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 so that it will compromise the timely completion of the actual audits. There could be exceptional cases which 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.

The increase in the number of QA reviewers should ensure that implementation problems during the audit process are quickly identified and rectified. The prevalence of deficiencies does not necessarily signal the need to increase the number of reviewers. It might mean that the audit manual and other guidance need revision, or that there is need for staff to be trained on certain areas.

### **2.8.2 Competencies of QA staff**

The QA team should collectively possess the following competencies:

- ✓ Analytical skills
- ✓ Ability to synthesise
- ✓ Interpersonal skills
- ✓ Communication skills

- ✓ Facilitation skills
- ✓ Audit experience in all areas
- ✓ Managerial abilities

If the SAI has a Performance Audit (PA) function, it might be necessary to have some QA reviewers who are dedicated to the PA 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 should also add value if the team is multidisciplinary, consisting of practitioners who have audit (regularity, performance, IT, etc.) and management experience.

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 experts for limited purposes should be considered.

### **2.8.3 The functions of QA team**

The team will review the adequacy of, and compliance to, quality controls 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 top 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.

### **2.8.4 Roles of QA staff**

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 or top management of the SAI, and will be responsible for overall aspects of the QA function. He or she will also formulate strategies to undertake the QA function and measure outcomes of the QA function.

### Team Leader

- The team leader for the QA review will report to the Team Manager, and should assume the overall responsibilities of the QA review. In the **planning stage** he or she will establish review objectives, scope, time and targets and formulate the review methodology. He or she will delegate the responsibilities to team members, and design the review programme.
- In the **implementation stage**, the team leader will provide advice and necessary guidance to the team members about the plan, objectives and on actually conducting the review. He or she will also monitor and assure the QAR process is in accordance with QA standards, policies and procedures. He or she will analyse the findings and articulate the conclusions and recommendations.
- In the **reporting and follow-up stage**, the team leader will write or review the audit reports and discuss and present the findings to SAI management. He or she will also follow up on any outstanding issues.

### Team Members

Team members for the QA review will be responsible to the team leader, and will conduct the review based on the plan agreed upon in the planning stage and according to standards and procedures. They will gather evidence to support findings through interviews, documentation reviews, and observations. They will also prepare and document necessary working papers to support their findings. Finally, they will prepare a draft report on the findings.

The detailed Job descriptions for Quality Assurance personnel can be found in Appendix 2B.<sup>5</sup>

## 2.9 Continuous Professional Development

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

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<sup>5</sup> NOTE: where the SAI does not have capacity for the three levels mentioned above, the requirements stated below should still be considered for the position(s) created.

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

The SAI must ensure that its entire audit staff are aware of the function and importance of QA as soon as the QA policy and QA handbook have been finalised, so that the concepts and new practices are well understood. SAIs should invest considerable resources in providing effective training for the staff. Workshops, seminars, talk programmes, 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;
- quality control system in audit;
- QA standards, procedures and best practices;
- roles and responsibilities of QA staff;
- ethical requirements;
- soft skills relating to presentation, negotiation, group leading, etc.

The particular SAI may also consider secondment of QA staff to, and from, SAIs with proven strong QA practices and traditions.

## **2.10 Ethical values**

SAI management also needs to consider how to instil the appropriate ethical values in the QA team. These values include the following:

### **Independence, objectivity and impartiality**

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 selection and appointment of the reviewers;

- it may be considered to appoint reviewers at the SAI's central level;
- the reviewer should not otherwise participate in the audit during the period of review;  
and
- the reviewer should not make decisions for the audit team.

### **Integrity**

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

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**

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

### **Professional secrecy**

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**

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 undertake work 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.

## Section 3: Institutional Level Quality Assurance Process

### Purpose

To develop a sound understanding of, and be able to apply the Quality Management System (QMS) for Supreme Audit Institutions (SAIs) that is based on international good practices.

### Summary

This chapter provides the background and then the methodology for a SAI to perform an institutional level assessment using an SAI-QMS framework.

### Roadmap

This chapter focuses on the planning, conducting and reporting on an institutional level (i.e. SAI level) QA assessment. This includes the following aspects:

- 3.1 Detailed explanation of the SAI-QMS elements and sub-elements (see **Appendices 3A and 3B**).
- 3.2 Planning an institutional level QA review (see **Appendix 3C**).
- 3.3 Conducting the review (**Appendix 3D**).
- 3.4 Guidance on evidence gathering methods (**Appendices 3E-3J**).
- 3.5 Guidance on content analysis of qualitative data (**Appendix 3K**).
- 3.6 Reporting (**Appendices 3L to 3N**).

### Key decisions

- √ provide an assessment on the SAI at the institutional level by benchmarking the SAI against the SAI-QMS;

- √ documenting and providing evidence for the review information in a systematic and professional manner; and
- √ providing feedback to management and other relevant stakeholders.



### 3.1 Key elements of the SAI level QMS Framework

#### 3.1.1. Overview

Every Supreme Audit Institution (SAI) is responsible for delivering its mandate to the satisfaction of its stakeholders' needs. A useful tool for evaluating the achievement of the goal is through the SAI establishing a quality management system designed to provide it with reasonable assurance that:

- (a) the SAI and its personnel comply with professional standards and regulatory and legal requirements; and
- (b) the reports issued by the SAI are appropriate in the circumstances.

A Quality Management System (QMS) is a broad concept that comprises the organisational structures, resources, processes and products needed to implement a quality management framework. It involves all processes in the operational life cycle of an SAI's operations that affect quality – from initial identification of stakeholders' needs to final satisfaction of requirements. It is designed to give confidence to clients and stakeholders that quality requirements will be achieved in delivered products and services.

The SAI-QMS Framework consists of structures and processes relating to certain key institutional management functions of any SAI. The derivation of the elements that are included in the SAI-QMS have been taken from various frameworks<sup>6</sup> within the INTOSAI community and other best practices such as those listed in IFAC's ISQC 1. For an SAI, these key management functions relate to the following elements:

1. Independence and legal framework
2. Human Resources
3. Audit methodology and standards
4. Internal Governance
5. Corporate Support

<sup>6</sup> Frameworks considered included AFROSAI Institutional strengthening Framework, AQMS framework of ASOSAI, NAO UK's SAI Maturity Model, and INTOSAI Capacity Building Committee's Guidance on Capacity Building in SAIs

- 6. Continuous Improvement
- 7. External Stakeholder Relations
- 8. Results.

If each of the above eight elements are functioning effectively and delivering the desired results, it can be reasonably assumed that the SAI as a whole will deliver products and services of high quality. While the above eight elements can be separated from each other and treated as standalone components, at the same time they interact and influence each other. As such, all the above eight elements with their inter-relationships constitute the quality management framework of a SAI.

Each of the overall elements has a pre-defined desired condition, which is the overall position the SAI should aim for with regard to the particular element. The eight desired conditions are summarised in **table 1** below.

**Table 1: Desired Conditions for the Eight Elements of the SAI-QMS**

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 <b>adequate number of competent and motivated staff</b> to discharge its functions effectively (ISSAI 200 Paragraph 1.3 and 1.5).
Audit Methodology and Standards	The SAI's audit processes should be based on the INTOSAI Auditing Standards and other international good practices (e.g. International Standards on Auditing) to the extent applicable to the national rules and regulations.(ISSAI 100 Paragraph 6(a), ISSAI 200 Paragraph 1.13

Element of Framework	Desired Condition
Internal Governance	The top management of the SAI should ensure that the institution's decision making and control mechanism functions economically, efficiently, and effectively, and thereby serves 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.

Each of the eight elements, in turn, consists of various components or, what we call, sub elements. The SAI-QMS framework with the key elements and sub elements of a SAI is shown in **Figure 2** (below). The sub elements are each described in detail below. The SAI should consider the sub elements level when considering changes for improvements to the performance of the SAI.

Figure 2: SAI-QMS KEY-ELEMENTS FRAMEWORK

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 & Guidance Tools	Leadership & Direction Strategic & Operational Planning Oversight & 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 Organisations Media Professional & Academic Institutions	Output (Quality, Quantity) Impact

### 3.1.2. Independence and Legal Framework

**Desired condition:** The independence and mandate of the SAI should be as comprehensive as laid down in the INTOSAI's 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 its compliance to laws, rules and regulations. Consequently, the INTOSAI's Lima Declaration on Auditing Precepts underscores that Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. 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. The details, however, 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 the SAI and officials of Supreme Audit Institutions**

The independence of Supreme Audit Institutions is inseparably linked to the independence of its head and the staff working within it. The Lima Declaration recommends that the independence of the head should be guaranteed by the

Constitution. In particular, the procedures for removal of head of SAI from office should be embodied in the Constitution in a manner that may not impair the independence of the head of the SAI.

In their professional careers, audit staff of Supreme Audit Institutions must not be influenced by the audited organisations, and must not be dependent 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 that 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 shall 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 nature, scope and timing of audits.

#### **3.1.3. 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 audit institution. Sound human resources management should provide employees a rewarding and professional environment, as well as maintaining and enhancing the capabilities of the people. As a result, a motivated and professionally competent workforce plays a

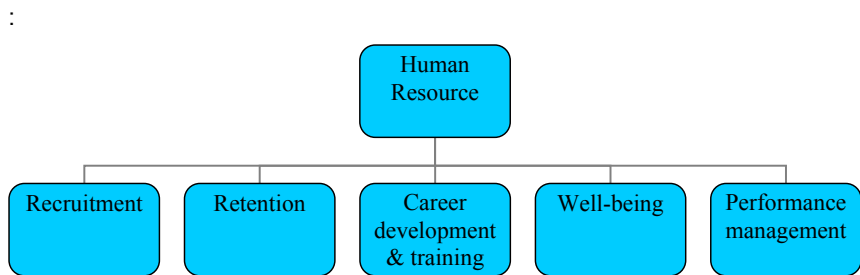
significant role in achieving the required high quality of audit processes and outputs.

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.

This human resources element, along with its sub-elements, is shown in the following flow diagram:

**Figure 3: Structure of Human Resource Development:**



The above structure is explained below:

**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 the staff members:

- Recruit multidisciplinary personnel with suitable qualifications and experience.



- Supplement internal human resource and skills by seeking outside expertise from qualified specialists, consultants and technical experts, professional associations and other organisations as needed.
- SAI should ensure that the specialists and experts are qualified and have competence in their areas of specialisation and should document such assurance.
- Outsourcing: Audits may also be contracted out to private firms, to undertake 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, and so it may not always be possible for SAIs to provide attractive salaries to retain qualified staff. Therefore, it becomes even more important that SAI management ensures that the working conditions are sufficiently attractive 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 concluded with them, placing them outside the regular wage scales.

**Career Development:**

Career development is a concept which 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 terms of approach and

training needs, which aims at 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. The training has assumed critical importance, as the SAIs need to be knowledge-centric organisations, with people being the 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 (ISSAI 200 Paragraph 1.5) state, “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.”

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 increase the use of IT as an audit tool to improve audit quality.

SAIs should have a training function with responsibility to develop, establish and monitor a training plan and conduct training needs’ assessments, as well as plan

and schedule 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 SAIs 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. A detailed list of the useful training activities is attached at **Appendix 3-A**.

**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 timing 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 the staff for further improvement. Two key aspects of the competency-based performance system are performance feedback and appraisal. While 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 the 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.

The senior management of SAI should set the overall policy on performance management and monitor its implementation *vis a vis* the appraisal standards and policies.

The system should provide the 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 to reward employees who meet or exceed clearly defined and transparent standards of high performance. In this connection, 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.

#### **3.1.4. Audit Methodology and Standards**

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

SAI top management need to steer the process of re-examining and refining the SAI's audit methodologies, processes and procedures and all other institutional factors affecting SAI's fulfilment of its mission and goals and adherence to its professional standards and core values.

The quality management system designed by the SAI 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 conducted in accordance 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 are preferably 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 (**ISSAI 200 Paragraph 1.35**) states 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."*

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 separately later in this chapter under the section 'Internal governance'.

**Manuals, Guidance and Tools:**

The audit methodology should be supported by manuals, guidance and other job aids. In addition to assisting the staff to effectively perform their duties, such

basis for planning and conducting quality assurance reviews. These manuals and guidance should, of course, be aligned to the auditing standards adopted by the SAI. SAIs should have in place detailed manuals and guidelines for two clear 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 computer assisted auditing tools (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 the staff are aware of, and have access to them, and have the capacity to use them as intended. Therefore, the 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.

### 3.1.5. Internal Governance

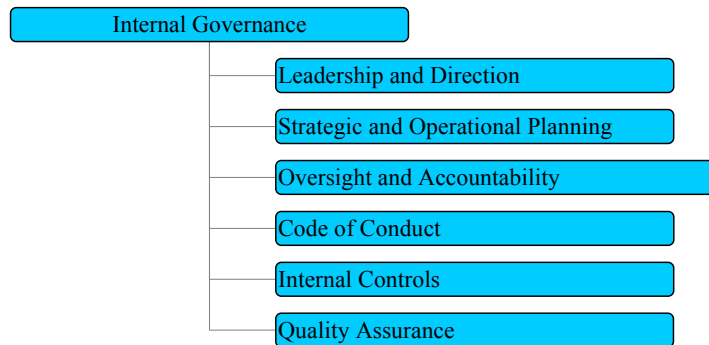
Desired condition: The top management of the SAI should ensure that the institution's decision making and control mechanism functions economically, efficiently, and effectively and thereby serve as a model organisation in promoting good governance.

Improving quality continuously through various policy measures remains the most important role for the 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)

This element of internal governance, along with its sub-elements, is shown in the following flow diagram.

**Figure 4: Internal Governance:**



**(a) Leadership and Direction:**

The head of the SAI and the SAI 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 the staff to comply with the approved standards and procedures, and make their best efforts to deliver quality services and products.

**(b) 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 audit 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, the SAI's 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 over the 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 plans to meet those needs. A mission statement highlighting the boundaries of the SAI's current scope of activities is a logical vantage point from which to look down the road, decide what the organisation's makeup and stakeholder's 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 which 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 sufficient 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 the staff are genuinely involved in its delivery and they 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 for effective remedial action to be taken. 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.

**(c) 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 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 quality assurance function of the SAI should periodically conduct institutional level quality assurance reviews and report to the top management on the SAI's

performance along with recommendations for improvements. Accountability will also be promoted if the SAI implements a system of performance measurement and reporting discussed above under strategic planning.

**(d) Code of conduct:<sup>7</sup>**

The SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI and its personnel 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 the course of their work and their relationships with the staff of the 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 employees. At the same time, there should be 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.

**(e) Internal controls:**

SAI top management should ensure the existence and implementation of appropriate structures, rules, regulations and procedures that ensure achievement of desired objectives. 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

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<sup>7</sup> This has been earlier discussed at chapter 2 (paragraph 2.10)

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:

#### **I. Control environment**

The control environment includes the governance and management functions and attitudes, awareness and actions of those charged with governance and management concerning 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.

#### **II. Risk assessment**

The 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.

#### **III. 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 threatens 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.

#### **IV. Information and communication**

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

#### **V. Monitoring**

Monitoring of controls is a process to assess 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:**

While the SAI management should put in place system of quality controls, it is important to arrange for independent assurance that the quality controls are in fact being complied with. This is where quality assurance comes in. It is the responsibility of the quality assurance 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 institutional level QAR at the beginning of each strategic planning cycle of the

SAI. That could provide useful input to the development of the SAI's strategic plan.

This handbook provides guidance on organising and managing the QA function as well as approaches to undertaking quality assurance reviews at both the institutional and individual audit levels (with specific reference to financial audits).

### 3.1.6. Corporate Support

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

Effective performance of audit work is dependent 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 sufficient 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, transportation, etc. 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:**

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

**Support services:**

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

**3.1.7. Continuous Improvement**

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 personnel to remain abreast of developments in the field of auditing and 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 the particular 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 coordinate change management processes whenever the SAI undertakes any major change initiative.

### 3.1.8. 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 sufficient 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.

SAI's stakeholders include the audited entities, parliament (or equivalent bodies), political executives, 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 the external stakeholders is found in **Appendix 3-B**.

While 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 with them. 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.

### 3.1.9 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. Towards this end, 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 its products and services.

This issue of performance measurement was also highlighted earlier in the section 'internal governance'. In order 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 that they 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:

- progress that management has made in reduction in the number of unresolved errors and irregularities identified during audits;
- percentage of audit recommendations accepted by auditees;
- percentage of audit recommendations implemented by auditees;
- percentage of Public Accounts Committee (PAC) directives to auditees that are based on audit observations; and
- extent of satisfaction of PAC and auditees with SAI's products and services

## 3.2 Planning QAR at an Institutional Level

The aspects of planning a QAR are discussed in detail in Chapter 3, which reviews the different ways to assess the current conditions prevalent at the particular SAI. The QA review at institutional level is a comprehensive review that deals with the key result areas within the SAI which affect the audit performance. Based on the observations, the purpose is to identify the gaps in relation to the desired condition for each key result area, the factors contributing to the gaps and strategies for addressing the gaps.

The purpose of the quality assurance framework is to support the management and staff to describe, maintain and further improve the quality of audits by the SAI. The SAI-QMS has a focus on management issues and on the interactions between different management levels.

### 3.2.1. Institutional level questionnaire<sup>8</sup>

For assessing the SAI, the information presented in Section 3.1 above provides a comprehensive framework. From this framework, a questionnaire has been formulated and is included in **Appendix 3C**. The questionnaire has been designed with reference to the relevant INTOSAI and IFAC standards.

Besides the survey questionnaire, other data gathering techniques used by the review team 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 the SAI or a few functional units. This is important to ensure data quality as well as to understand different perspectives on the same issues. **Appendix 3D** provides a summary of the types of information, their

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<sup>8</sup> The SAIs are requested to modify this questionnaire for their present needs and the development of the SAI in order to make it operationally relevant for them.

sources and the methods of gathering evidence with respect to each sub-element of the SAI level QMS framework.

The team should set up contact meetings with the different department heads before starting the reviews. Personnel with the relevant skills should be involved in conducting the review. These skills include, amongst others, those relating to project management, facilitation, interviewing, communication, auditing and data analysis. If these skills are not all available within the Quality Assurance function, then the SAI can consider seconding staff both internally and externally to the team. This can also assist in providing capacity building to the QA team members.

### **3.2.2 Factors to consider prior to the implementation of the SAI-QMS framework**

Before an SAI introduces the SAI-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 quality assurance 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? There is a need for an SAI to have staff with experience in quality issues.
- How should the quality assurance model be related to the existing “quality documents” such as manuals and guidelines? How should the quality control model support and be supported by manuals and guidelines?
- To develop an SAI-QMS takes a lot of effort, but it is potentially even more difficult to maintain. How is the SAI going to ensure that the SAI-QMS is kept relevant and not “shelved”, but updated as “a living thing” of interest to all?

### 3.3 Conducting the Institutional Level QA Review

Once the SAI has created its QMS (or adopted the framework provided in this handbook), then the Quality Assurance Review Team (QAR Team) is expected to conduct the review. This can be a very challenging task for several reasons, including:

- dealing with senior staff and identifying deficiencies in their practices;
- obtaining sufficient evidence on areas which can have some degree of subjectivity; and
- enquiring about processes that are not within the expertise of the reviewer.

The issue concerning sufficiency of evidence is crucial. Some information may be provided to the reviewer through, for example, interviews which may not be supported by written documentation. The reviewer has to exercise professional scepticism when faced with information. Where there may be uncertainty or inconsistency, the reviewer should undertake further work or try and only report on what he or she has reliable evidence on, and state the uncertainties when reporting.

After receiving information, the reviewer has to undertake analysis to provide information that can be used for decision making by management. The purposes of the analysis will be to (a) assess gaps in the SAI's QMS, (b) identify factors contributing to those gaps, and (c) suggest strategies for addressing those gaps.

### 3.4 Gathering Evidence

As mentioned earlier in chapter 3, there are various methods of gathering evidence (see also **Appendix 3D**). A brief discussion of different methods that can be considered for obtaining evidence is given below.

### 3.4.1. Document review

Document review is the process of gathering information from various types of documents relevant to the different elements and sub-elements of the SAI's QMS. The following principles could assist the review team in obtaining first-hand information on the SAI:

- establish contact with a coordinator at the SAI well ahead of time;
- provide a comprehensive list of documents that the QAR team would require from the coordinator;
- agree on a date with the coordinator by which the documents would be made available;
- once the documents are received, establish if they correlate to the documents requested; and
- organise the material in such a way that it is available to all members of the QAR team.

The list of documents likely to be required for the document review is included in **Appendix 3E**.<sup>9</sup>

### 3.4.2. Physical observation

Physical observation is a visual process made by the QAR team to record what they see using a checklist sheet. Observation may be on physical surroundings or of ongoing activities, processes or discussions. It is used to verify the existence and appraise sufficiency, adequacy and convenience of the SAIs infrastructure, technology and support services. It may also give an insight of the behaviours of SAIs personnel for the particular processes or activities offered at that particular time and whether these are in compliance with official

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<sup>9</sup> Note: Several methods could be used to obtain the same information and from different sources. Such an approach would help in triangulating the information.

requirements. In addition, it may provide an overview of the SAI's relationship with its stakeholders (Auditees, Parliament, Executive, etc.).

In **Appendix 3F** is a checklist that may be used for collecting information relating to the availability of infrastructure, technology and support services.

### 3.4.3. Focus group

A focus group is a process of focused discussion on a given issue with a group of people. It involves the use of a sequence of key questions. This can be a powerful technique for gathering information on the SAI's functioning, challenges and strategies. Unlike one-to-one interviews, focus groups allow participants to build on each other's comments and opinions and can, thereby, be a rich source of qualitative information. The QAR team should ensure that the focus group meetings are held for different categories of staff and management across functional units instead of engaging only a limited category of SAI personnel. Strong facilitation skills are critical for the success of focus group discussions. Facilitation is a specialised skill acquired through training and experience. Therefore, it would be appropriate to ensure that at least some members have such skills.

**Appendix 3G** provides guidance on conducting focus groups.

### 3.4.4. Interview

An interview is a data and information collection procedure in the form of a carefully planned set of questions that the QAR Team asks the SAI employees with a view to obtaining their in-depth ideas and perceptions regarding the SAI. A proper set of key questions have to be drafted in advance for this purpose.

Guidelines on conducting interviews are in **Appendix 3H**.

### 3.4.5 Survey

A survey consists of preparing a questionnaire for each individual to ask them to fill it in and to return it within a certain period. An analysis of the completed forms is made from which relevant information on the SAI can be obtained.

### 3.4.6 External Stakeholders

Although this is not an evidence gathering tool, an explanation below is provided to highlight the importance of this area. In normal circumstances, SAI stakeholders are the Head of State, Parliament, Head of the Executive, Audited Entities, Internal Audit, Public, the Media, Professional Associations and Private Sector Auditors, Peer SAIs, Aid Donors, etc.

In **Appendix 3I** is an explanation of SAI's expectations from Stakeholders, what information is required from them, how the information can be obtained, and how to deal with the information obtained.

## 3.5 Content Analysis

After gathering the evidence the reviewer is required to undertake an analysis of information. Most of the information gathered using techniques such as document review, interviews and focus groups is likely to contain qualitative data that requires analysis and classification. The QAR team may use the *content analysis* tool for this purpose. Guidance on content analysis is provided in **Appendix 3J**.

## 3.6 Reporting on SAI Level QAR

### 3.6.1 Report preparation

Based on the observations and findings at the institutional level, the quality assurance review team should prepare the Quality Assurance Review Report.



### 3.6.2 Reviewing completeness of checklist

The QAR team should review completeness of the checklist by ensuring that all information related to the checklists has been collected and reviewed. The review team should go through all the documents and analyse the responses by making sure that there is a logical flow of information. The reviewer must exercise professional judgment when completing the checklists. If information gathered is not consistent, the reviewer must seek further clarification from the working papers. If the working papers are not sufficiently clear, the reviewer should discuss it with the team leader and make a decision on how to resolve the situation.

### 3.6.3 Preparing a draft report outline

**(A):** As a first step for reporting and identifying individual findings (see **Appendix 3K**), the QAR team should consider the following information:

- **Negative observations:** All material negative observations should be recorded precisely by stating the nature and extent of the findings. While describing the findings in the draft QAR report should (a) list all findings for each sub-element of the SAI-QMS, (b) evaluate the risk of each finding, and (c) identify the main reasons underlying each finding.
- **Impact:** This attribute identifies the real or potential effect of the findings. The reviewer team should consider how the existence of problems or findings may influence the SAI's policy, independence and audit processes in future.
- **Cause:** The reason for identified findings and problems. The reasons underlying the identified problems form the basis for making appropriate recommendations.

- **Comments made by the senior manager:** The reviewer should obtain and record all comments from the senior managers on the observations made.
- **Name of reviewer:** It is necessary to state the name of the reviewer who made a particular observation.

(B): The next step is to unify individual findings in the QAR report outline recording form (**Appendix 3L**). This form records each material finding, the corresponding risk assessment, likely impact, probable causes, senior manager's comments and the QA team's recommendations.

The outline recording form can help the review team to arrange their findings logically, and prepare for effective meetings with senior management of the SAI.

#### **3.6.4 Clearing of findings and feedback from SAI management**

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 reviewing team should be corrected on the working papers.

Before the meeting, the team should:

- go through the recorded observation forms, and 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 the Senior 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.

During the meeting, the team should:

- give an opportunity to the Senior Managers to discuss issues;
- take note of all points that are clarified by the Senior Managers;
- note all disagreements between the team and the Senior Managers, and consider whether there is a need to verify such issues;
- if necessary, agree with the Senior Managers for a second round of feedback; and
- suggest recommendations for weaknesses accepted.

However, there are certain things the team should try to avoid when giving feedback to Senior 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
- generalise comments that are in fact for a specific issue or audit work.

After the meeting the team should:

- verify the issues that the Senior Managers claimed are in place; and
- finalise the observations at this point.

### **3.6.5 Preparing the draft report**

After discussion with senior management, the QAR team is required to:

- summarise the observations obtained during the discussion;
- analyse the observations with the explanations received;

- investigate further evidence to matters upon which there have been diverse opinions;
- discuss and reach a consensus about the findings to be dropped; and
- agree on the amendments to be made on the draft report. Discuss the recommendations and decide on the findings to be included in the report to be submitted to the head of SAI.

#### *Format of the QAR report*

Having recorded all the observations of the individual assignment being reviewed, the review team will be in a position to prepare the quality assurance review report.

#### **The report may include the following:**

##### **Table of Contents**

**Executive summary** - A list of the contents of the QAR 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 head of SAI, read only the executive summary. It should, therefore, briefly contain 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. The review team may need to make changes right through to the point where clearance begins. It is therefore a challenge to ensure that the Executive Summary is fully updated.

**Introduction** - May explain the background for the QAR report and it contains objectives of the quality assurance review work. The introduction gives detailed information of the purpose of the review work.

**Approach and Methodology used** - This would include the actual work done and the procedures followed by the quality assurance review team. It would cover items such as:

- the SAI-QMS framework used;
- main data gathering techniques used; and
- limitations, if any, of the approach.

**Element-wise findings and recommendations (main body of report)** - In this section, the review team should include the following items under each element of the SAI-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 of the SAI. The recommendations should be clear, meaningful and practical.
- **Annexes** – These are generally supporting information that interested readers may like to study. Examples of possible types of annexes are indicated in the last page of the sample SAI level QA report in **Appendix 3M**.

### **Discuss the summary of findings with the head of the SAI**

The QAR team leader should discuss with the head of the SAI the summary of findings and recommendations. To make the discussion effective:

- be punctual;
- start to present the good practices;
- continue to present the weaknesses;
- the presentation should be brief and to the point;
- record both the matters that are accepted and not accepted by the head of the SAI;
- when disagreement arises, do not remove or disclose any findings on which the head of the SAI disagrees without being convinced with the evidence presented during the discussion;
- note all disagreements for further clarification;
- ask whether there are any questions, recommendations or comments;
- thank the head of the SAI and staff for assistance; and
- close the meeting.

### **3.6.6 Finalising the report**

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.

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 QA Team Leader.

## Section 4: Financial Audit Level Quality Assurance Process

### Purpose

To assist the quality assurance review team to:

- Understand the audit practice as prescribed by international standards.
- Assess the methodology of the SAI against the prescribed standards.
- Conduct reviews customised to the methodology of the SAI.
- Report on the review findings in a systematic fashion.

### Summary

This chapter provides the full lifecycle from understanding the financial audit process through to reporting on quality assurance findings.

### Roadmap

The chapter covers the following elements:

#### 4.1 Financial Audit Process Overview (**Appendix 4A and 4B**)

##### 4.1.1 Pre-Engagement Phase

##### 4.1.2 Planning Phase

##### 4.1.3 Execution Phase

##### 4.1.4 Reporting Phase

#### 4.2 Gathering information (**Appendix 4C**)

#### 4.3 Analysis of the information (**Appendix 4D and 4E**)

#### 4.4 Annual report on QA

##### **Key decisions**

- ✓ To make recommendations on the audit methodology of the SAI.
- ✓ To provide insights into the audit process on an individual file review level, and to amalgamate findings for the SAI in order to consider systemic issues.



#### 4.1 Financial Audit Process Overview

In conducting QAR for financial audits, it is important to gain an understanding of the financial audit process and the SAI's specific requirements and guidelines applicable to the audit. This will serve as the benchmark by which quality assurance in the financial audit may be measured. It is also important to consider the requirements for the quality control system for the financial audit in accordance with International Standard on Auditing (ISA) 220 which INTOSAI has adopted as ISSAI 1220.

In this chapter, the different stages of the financial audit process and the detailed steps involved in each phase are explained to serve as a guide for the QAR team. The financial audit process discussed herein is based on the International Standards of Supreme Audit Institutions (ISSAI), International Standards on Auditing (ISA) and the INTOSAI Auditing Standards. The related auditing standards are discussed in each step where applicable. INTOSAI is in the process of adopting the International Standards of Auditing. Where these standards have been adopted by INTOSAI, the ISSAI reference is used, otherwise the ISA reference is used.

The steps in the audit process can be broadly grouped into: Pre-Engagement Phase; Planning Phase; Execution Phase; and Reporting Phase. A table showing the different stages and the different activities involved in each stage and the relevant auditing standard is shown in **Appendix 4A**.

##### 4.1.0 International Standard for Supreme Audit Institutions (ISSAI) 1220 "Quality Control for Audits of Historical Financial Information"

ISSAI 1220 establishes standards and provides guidance on specific responsibilities of the audit team leader or audit director and audit team members regarding quality control procedures that are applicable to the individual audit. The audit team must implement quality control procedures that are applicable to the individual audit.

In particular, the audit team leader or audit director should:

- a) Take responsibility for the overall quality on each audit to which he or she is assigned.
- b) Consider whether members of the audit team have complied with ethical requirements and document such an understanding.
- c) Form a conclusion on compliance with independence requirements, and obtain information to evaluate whether there are potential threats to independence or any identified breaches; take appropriate action to eliminate such threats and document conclusions.
- d) Be satisfied that appropriate procedures regarding the acceptance and continuance of relationships with auditees and specific audits have been followed, and that conclusions reached on this regard have been documented.
- e) Be satisfied that the audit team collectively has the appropriate capabilities, competence and time to perform the audit in accordance with professional standards and applicable regulatory requirements, and to enable the issuance of an auditor's report in the circumstances.
- f) Be responsible for the direction, supervision and performance of the audit in compliance with professional standards and regulatory and legal requirements, and that the auditor's report that is issued is appropriate in the circumstances.
- g) Review the working papers in order to be satisfied that they demonstrate that sufficient appropriate audit evidence has been obtained to support conclusions reached for the auditor's report to be issued.
- h) Be responsible for the audit team, undertaking appropriate consultation on difficult or contentious matters; be satisfied that the nature and scope of, and conclusions resulting from such consultations are documented and agreed with the party consulted; and determine that conclusions resulting from consultations have been implemented.

### **Differences of Opinion**

Where differences of opinion arise within the audit team, with those consulted and, where applicable, between the audit team leader or audit director and the audit quality control reviewer, the audit team should follow the SAI's policies and procedures for dealing with and resolving differences of opinion.

### **Audit Quality Control Review**

For audits where the SAI requires that an audit quality control review be performed for an audit, the responsible SAI official should:

- a) determine that an audit quality control reviewer has been appointed;
- b) discuss significant matters arising during the audit, including those identified during the audit quality control review, with the audit quality control reviewer; and
- c) not issue the auditor's report until the completion of the audit quality control review. An audit quality control review should include an objective evaluation of the significant judgments made by the audit team, and the conclusions reached in formulating the auditor's opinion and report.

### **Monitoring**

The audit team leader or audit director should consider the results of the SAI's quality assurance reviews to determine the impact if any, on the individual audit.

#### **4.1.1 Pre-engagement phase**

The pre-engagement phase refers to the basic considerations before starting a financial audit engagement. This has reference to the code of ethics and competency of the audit team.

- a) **Compliance with the Code of Ethics<sup>10</sup>**

<sup>10</sup> please refer to chapter 2 (paragraph 2.10) for more information.

The IFAC Code of Ethics establishes ethical requirements for professional accountants and provides a conceptual framework for all professional accountants to ensure compliance with the five core principles of professional ethics, namely:

1. Integrity
2. Independence
3. Conflicts of interest
4. Confidentiality
5. Professional competence and due care.

The INTOSAI Code of Ethics also 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.

This is discussed at length in chapter 2.

**b) Impact of institutional considerations in planning and executing the audit**

1. Organisational environmental analysis such as potential new audited entities; policy changes like decentralisation of local government functions; impact of donors and other institutional partners; changes to accounting standards(cash to accruals); delegation for signing off all audit opinions; changes to accounting and auditing regulatory framework; policy changes (centralisation / decentralisation functions); and outsourcing of functions.
2. Organisation's / SAI's engagement risk such as audit complexity is greater than the in-house competence; planned resources are not realised (personnel and budget); limitation of audit scope (audited entity not providing information requested); and increase in audit backlogs.

3. Assessment of capacity (skills and resources) such as targets for qualified personnel; and provision for continued professional development; appropriate planning, development and training (against prescribed accounting and auditing standards; availability expertise to utilise information technology (audit working papers, audit tools)).

#### **4.1.2 Planning phase**

The planning phase covers the following steps / activities:

##### ***A. Understanding the entity and its environment.***

**ISSAI 1315, “Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and its Environment”** provides that the auditor should obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. The auditor’s understanding of the entity and its environment consists of an understanding of the following aspects:

##### ***(i). Regulatory and other external factors including the applicable financial reporting framework***

Legislative and regulatory requirements often determine the applicable financial reporting framework to be used by management in preparing the entity’s financial statements. In most cases, the applicable financial reporting framework will be that of the jurisdiction in which the entity is registered or operates and in which the auditor is based, and the auditor and the entity will have a common understanding of that framework.

##### ***(ii). Nature of the entity***

The auditor should obtain an understanding of the nature of the entity. The nature of the entity refers to the entity’s operations, its ownership and governance, the types of investments that it is making and plans to make, the

way that the entity is structured and how it is financed. An understanding of the nature of an entity enables the auditor to understand the classes of transactions, account balances and disclosures to be expected in the financial statements.

***(iii). Objectives and strategies and related business risks***

The auditor should obtain an understanding of the entity's objectives and strategies, and the related business risks that may result in any material misstatement of the financial statements.

The entity conducts its business in the context of industry, regulatory and other internal and external factors. To respond to these factors, the entity's management or those charged with governance define objectives, which are the overall plans for the entity. Strategies are the operational approaches by which management intends to achieve its objectives. Business risks result from significant conditions, events, circumstances, actions or inactions that could adversely affect the entity's ability to achieve its objectives and execute its strategies, or through the setting of inappropriate objectives and strategies. Just as the external environment changes, the conduct of the entity's business is also dynamic and the entity's strategies and objectives change over time.

***(iv) Measurement and review of the entity's financial performance***

The auditor should obtain an understanding of the measurement and review of the entity's financial performance. Performance measures and the review thereof indicate to the auditor aspects of the entity's performance that management and others consider being of importance. Performance measures, whether external or internal, create pressures on the entity that, in turn, may motivate management to take action to improve the business performance or to misstate the financial statements. Obtaining an understanding of the entity's performance measures assists the auditor in considering whether such pressures result in management actions that may have increased the risks of material misstatement.

Internally-generated information used by management for this purpose may include key performance indicators (financial and non-financial), budgets, variance analysis, segment information and divisional, departmental or other level performance reports, and comparisons of an entity's performance with that of competitors.

**(v) Internal control**

**The auditor should obtain an understanding of internal control relevant to the audit.** The auditor uses the understanding of internal control to identify types of potential misstatements, to consider factors that affect the risks of material misstatement, and to design the nature, timing, and extent of further audit procedures.

Internal control is the process designed and effected 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.

Internal control, as discussed in ISSAI 1315, consists of the following components:

**(a) The control environment**

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

**(b) The entity's risk assessment process**

The auditor should obtain an understanding of the entity's process for identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks, and the results thereof. In evaluating the design and implementation of the entity's risk assessment process, the auditor determines how management identifies business risks relevant to financial reporting, estimates the significance of the risks, assesses the likelihood of their occurrence, and decides upon actions to manage them. If the entity's risk assessment process is appropriate to the circumstances, it assists the auditor in identifying risks of material misstatement.

**(c) The information system, including the related business processes, relevant to financial reporting, and communication**

The auditor should obtain an understanding of the information system, including the related business processes relevant to financial reporting, including the following areas:

- The classes of transactions in the entity's operations which are significant to the financial statements.
- The procedures, within both IT and manual systems, by which those transactions are initiated, recorded, processed and reported in the financial statements.
- The related accounting records, whether electronic or manual, supporting information, and specific accounts in the financial statements, in respect of initiating, recording, processing and reporting transactions.
- How the information system captures events and conditions, other than classes of transactions, which are significant to the financial statements.



- The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures.

**(d) Control activities**

The auditor should obtain a sufficient understanding of control activities to assess the risks of material misstatement at the assertion level, and to design further audit procedures responsive to assessed risks. 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 activities of the entity's objectives. Control activities, whether within IT or manual systems, have various objectives and are applied at various organisational and functional levels. Examples of specific control activities include those relating to: authorisation, performance reviews, information processing, physical controls and segregation of duties.

**(e) Monitoring of controls**

The auditor should obtain an understanding of the major types of activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates corrective actions to its controls.

Monitoring of controls is a process to assess 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 the monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities.

### **B. Establishing audit objective and scope**

International Standard on Auditing (**ISA**) **200**, "Objective and General Principles Governing an Audit of Financial Statements" requires that the objective of an audit of financial statements is to enable the auditor to express an opinion as to whether the financial statements are prepared in all material respects, in accordance with the applicable financial reporting framework.

The auditor should determine the characteristics of the engagement that defines its scope such as the financial reporting framework used and locations of the components of the entity and legal requirements. He or she should ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required, such as deadlines for interim and final reporting, and the key dates for expected communications with management and those charged with governance.

### **C. Determining materiality**

(i) "Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

*"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary quantitative characteristic which information must have if it is to be useful."*

(ii) The assessment of what is material is a matter of professional judgment. **ISA 320 "Audit Materiality"** provides guidance on the concept of materiality and its relationship with audit risk. The auditor should consider materiality and its relationship with audit risk when conducting an audit.

In designing the audit plan, the auditor establishes an acceptable materiality level so as to detect quantitatively material misstatements. However, both the amount (quantity) and nature (quality) of misstatements need to be considered. Examples of qualitative misstatements would be the inadequate or improper description of an accounting policy when it is likely that a user of the financial statements would be misled by the description, and failure to discuss the breach of regulatory requirements when it is likely that the consequent imposition of regulatory restrictions would significantly impair operating capability.

The auditor needs to consider the possibility of misstatements of relatively small amounts that, cumulatively, could have a material effect on the financial statements. For example, an error in a month-end procedure could be an indication of a potential material misstatement if that error is repeated each month.

The auditor considers materiality at both the overall financial statement level and in relation to classes of transactions, account balances and disclosures. Materiality may be influenced by considerations such as legal and regulatory requirements and considerations relating to classes of transactions, account balances, and disclosures and their relationships. This process may result in different materiality levels depending on the aspect of the financial statements being considered.

Materiality should be considered by the auditor when:

- determining the nature, timing and extent of audit procedures; and
- evaluating the effect of misstatements.

In addition to exercising professional judgment, a SAI should consider any legislation or regulation which may impact that assessment. Materiality is also based on the “context and nature” of an item and includes, for example, sensitivity as well as value. Sensitivity covers a variety of matters such as compliance with authorities, legislative concern or public interest. The public

interest reflects the fact that all public funds represent the taxpayers' money and therefore the accountability for spending public money is much greater than for a private business. Public interest requires an understanding that money is not simply spent and recorded in the books of account, but that the money was spent on its intended purpose in an economic, efficient and effective manner.

**D. Assessing the risks of material misstatement**

**ISSAI 1315** also requires that the auditor should identify and assess the risks of material misstatement at the financial statement level, and at the assertion level for classes of transactions, account balances, and disclosures. For this purpose, the auditor:

- identifies risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures in the financial statements;
- relates the identified risks to what can go wrong at the assertion level;
- considers whether the risks are of a magnitude that could result in a material misstatement of the financial statements; and
- considers the likelihood that the risks could result in a material misstatement of the financial statements.

The auditor uses information gathered by performing risk assessment procedures, including the audit evidence obtained in evaluating the design of controls and determining whether they have been implemented, as audit evidence to support the risk assessment to determine the nature, timing and extent of further audit procedures to be performed.

The auditor determines whether the identified risks of material misstatement relate to specific classes of transactions, account balances, and disclosures and related assertions, or whether they relate more pervasively to the financial statements as a whole and potentially affect many assertions. The latter risks

(risks at the financial statement level) may derive in particular from a weak control environment.

Such considerations, therefore, have a significant bearing on the auditor's general approach, for example, an emphasis on substantive procedures (substantive approach), or an approach that uses tests of controls as well as substantive procedures (combined approach).

***E. Considering the going concern assumption***

ISA 570 provides guidance on the auditor's responsibility in the audit of financial statements with respect to the going concern assumption used in the preparation of financial statements, including considering management's assessment of the entity's ability to continue as a going concern.

The appropriateness of the going concern assumption in the preparation of the financial statements is generally not in question when auditing either a government entity or those public sector entities having funding arrangements backed by the respective government. However, where such arrangements do not exist, or where government funding of the entity may be withdrawn and the existence of the entity may be at risk, this ISA will provide useful guidance. As governments privatise public sector entities, going concern issues will become increasingly relevant to the public sector.

Regarding going concern in the public sector entities, lack of appropriate funding may have different effects than on their private sector counterparts. A public sector entity will not necessarily go out of business, but rather it will not be able to fulfil its mandate in terms of service delivery. Usual relationships identified in the financial statements (e.g., liabilities exceeding assets, negative cash flow) will be indicative of such problems.

***F. Considering fraud in financial audit***

ISA 240 "*The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements*" provides guidance on the auditor's responsibility to consider fraud in

an audit of financial statements. In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud. The auditor should maintain an attitude of professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience with the entity about the honesty and integrity of management and those charged with governance.

An auditor conducting an audit obtains reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the evidence available to the auditor is persuasive rather than conclusive.

When obtaining reasonable assurance, an auditor maintains an attitude of professional scepticism throughout the audit, considers the potential for management override of controls, and recognises the fact that audit procedures that are effective for detecting error may not be appropriate in the context of identified risk of material misstatement due to fraud.

#### **G. *Preparing a detailed audit plan***

**ISSAI 1300**, "Planning an Audit of Financial Statements", provides guidance on the considerations and activities applicable to planning an audit of financial statements. The auditor should plan the audit so that the engagement will be performed in an efficient manner. The auditor should establish the overall audit strategy for the audit. The overall audit strategy sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.

The auditor should prepare a detailed audit plan on determining overall responses and designing and performing further audit procedures. The auditor

should identify the processes to be audited, and the key risks and controls relevant to each component, and then decide on the most suitable audit approach to obtain audit assurance e.g. whether the controls will be tested or substantive tests will be performed.

At this stage of the audit process, the high level planning is completed. The auditor should have knowledge of the following important elements:

- the components to be audited (from the lead schedule);
- high level risks and the management's response to them (other high level working papers); and
- understanding of the IT systems in operation with a preliminary risk assessment.

The auditor's responsibility at this stage is to document the operations of the organisation at the level of the components to be audited. This is critical to the remainder of the audit and determines, amongst others, the type of audit tests e.g. test of controls, as well as the nature of such procedures. The system descriptions after completion should inform anyone who reads it as to the risks and controls, as well as an assessment of those risks and controls. The risks and controls relate to the point of transaction within its lifecycle. For example, the risks relating to the procurement of an asset are specific and different to those surrounding the usage of the same asset.

#### **4.1.3 Execution phase**

**ISSAI 1330**, "The Auditor's Responses to Assessed Risks," establishes standards and provides guidance on determining overall responses and designing and performing further audit procedures to respond to the assessed risks of material misstatement at the financial statement and assertion levels in a financial statement audit.

The auditor should determine overall responses to address the risks of material misstatement at the financial assertion level. Such responses may include

emphasising to the audit team the need to maintain professional scepticism in gathering and evaluating audit evidence, assigning more experienced staff or those with special skills or using experts, providing more supervision, or incorporating additional elements of unpredictability in the selection of further audit procedures to be performed.

**a) Performing Tests of Controls**

When the auditor's assessment of risks of material misstatement at the *assertion level* includes an expectation that controls are operating effectively, the auditor should perform tests of controls to obtain sufficient appropriate audit evidence that the controls were operating effectively at relevant times during the period under audit.

The auditor's assessment of the risk of material misstatement at the assertion level may include an expectation of the operating effectiveness of controls, in which case the auditor needs to perform tests of controls to obtain audit evidence as to their operating effectiveness.

Tests of the operating effectiveness of controls are performed only on those controls that the auditor has determined are suitably designed to prevent, or detect and correct, a material misstatement in an assertion.

When the auditor has determined that it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures, the auditor should perform tests of relevant controls to obtain audit evidence about their operating effectiveness. The auditor may find it impossible to design effective substantive procedures that by themselves provide sufficient appropriate audit evidence at the assertion level when an entity conducts its business using information technology (IT) and no documentation of transactions is produced or maintained, other than through the IT system.



Testing the operating effectiveness of controls is different from obtaining audit evidence that controls have been implemented. When obtaining audit evidence of implementation by performing risk assessment procedures, the auditor determines that the relevant controls exist and that the entity is using them. When performing tests of operating effectiveness of controls, the auditor obtains audit evidence that controls operate effectively.

#### **b) Performing substantive procedures**

Substantive procedures are performed in order to detect material misstatements at the assertion level, and include tests of details of classes of transactions, account balances, and disclosures and substantive analytical procedures. The auditor plans and performs substantive procedures to be responsive to the related assessment of the risk of material misstatement.

Irrespective of the assessed risk of material misstatement, the auditor should design and perform substantive procedures for each material class of transactions, account balances and disclosure. This requirement reflects the fact that the auditor's assessment of risk is judgmental and may not be sufficiently precise to identify all risks of material misstatement. In addition, there are inherent limitations to internal controls including management override.

Accordingly, while the auditor may determine that the risk of material misstatement may be reduced to an acceptably low level by performing only tests of controls for a particular assertion related to a class of transactions, account balance or disclosure, the auditor always performs substantive procedures for each material class of transactions, account balance and disclosure.

#### **c) Performing analytical procedures**

**ISA 520** provides guidance on the application of analytical procedures during the audit. The auditor should apply analytical procedures as risk assessment procedures to obtain an understanding of the entity and its environment, and in

the overall review at the end of the audit. Analytical procedures may also be applied as substantive audit procedures.

“Analytical procedures” means evaluations of financial information made by a study of plausible relationships among financial and non-financial data. Analytical procedures also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information, or deviate significantly from predicted amounts.

The auditor designs and performs substantive procedures to be responsive to the related assessment of the risk of material misstatement at the assertion level. The auditor’s substantive procedures at the assertion level may be derived from tests of details, from substantive analytical procedures, or from a combination of both. The decision about which audit procedures to use to achieve a particular audit objective is based on the auditor’s judgement about the expected effectiveness and efficiency of the available audit procedures in reducing the assessed risk of material misstatement at an acceptably low level.

When designing and performing analytical procedures as substantive procedures, the auditor will need to consider a number of factors, such as the following:

- The suitability of using substantive analytical procedures given the assertions.
- The reliability of the data, whether internal or external, from which the expectation of recorded amounts or ratios is developed.
- Whether the expectation is sufficiently precise to identify a material misstatement at the desired level of assurance.
- The amount of any difference of recorded amounts from expected values that is acceptable.

#### d) Using audit sampling and other means of testing

ISA 530 provides guidance on the use of sampling and other means of selecting items for testing when designing audit procedures to gather audit evidence. When designing audit procedures, the auditor should determine appropriate means for selecting items for testing so as to gather sufficient appropriate audit evidence to meet the objectives of the audit procedures.

*“Audit sampling”* (sampling) involves the application of audit procedures to less than 100% of items within a class of transactions or account balance, such that all sampling units have a chance of selection. It is in effect a process at the end of which items to be tested are identified. This will enable the auditor to obtain and evaluate audit evidence about some characteristic of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn. Audit sampling can use either a statistical or non-statistical approach. The main aim of sampling is to reduce the audit risk to an acceptably low level.

When performing tests of controls, the auditor uses sampling as a means of selecting items for testing the operating effectiveness of controls. Based on the auditor’s understanding of internal control, the auditor identifies the characteristics or attributes that indicate the performance of a control, as well as possible deviation conditions that indicate departures from adequate performance. The presence or absence of attributes can then be tested by the auditor.

Substantive procedures are concerned with amounts, and are of two types: tests of details of classes of transactions, account balances, and disclosures and substantive analytical procedures. The purpose of substantive procedures is to obtain audit evidence to detect material misstatements at the assertion level. In the context of substantive procedures, audit sampling and other means of selecting items for testing relate only to tests of details.

When performing tests of details, audit sampling and other means of selecting items for testing and gathering audit evidence may be used to verify one or more assertions about a financial statement amount (for example, the existence of accounts receivable), or to make an independent estimate of some amount (for example, the value of obsolete inventories).

**e) Evaluating the sufficiency and appropriateness of audit evidence**

Based on the audit procedures performed and the audit evidence obtained, the auditor should evaluate whether the assessments of the risks of material misstatement at the assertion level is appropriate.

An audit of financial statements is a cumulative and iterative process. As the auditor performs planned audit procedures, the audit evidence obtained may cause the auditor to modify the nature, timing, or extent of other planned audit procedures. Information may come to the auditor's attention that differs significantly from the information on which the risk assessment was based. For example, the extent of misstatements that the auditor detects by performing substantive procedures may alter the auditor's judgment about the risk assessments, and may indicate a material weakness in internal control. In addition, analytical procedures performed at the overall review stage of the audit may indicate a previously unrecognised risk of material misstatement. In such circumstances, the auditor may need to re-evaluate the planned audit procedures, based on the revised consideration of assessed risk for all or some of the classes of transactions, account balances, or disclosures and related assertions.

The auditor should conclude whether sufficient appropriate evidence has been obtained to reduce to an acceptably low level the risk of material misstatement in the financial statements. In developing an opinion, the auditor considers all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.

The sufficiency and appropriateness of audit evidence to support the auditor's conclusions throughout the audit are a matter of professional judgment. The auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by such factors as the following:

- significance of the potential misstatement in the assertion and the likelihood of its having a material effect, individually or aggregated with other potential misstatements, on the financial statements;
- effectiveness of management's responses and controls to address the risks;
- experience gained during previous audits with respect to similar potential misstatements;
- results of audit procedures performed, including whether such audit procedures identified specific instances of fraud or error;
- source and reliability of the available information;
- persuasiveness of the audit evidence; and
- understanding of the entity and its environment, including its internal control.

If the auditor has not obtained sufficient appropriate evidence as to a material financial statement assertion, the auditor should attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor should express a qualified opinion or a disclaimer of opinion.

### **Audit Documentation**

**ISSAI 1230** establishes standards and provides guidance on audit documentation. This standard provides that the auditor should prepare, on a timely basis, audit documentation that provides:

- (a) a sufficient and appropriate record of the basis for the auditor's report; and
- (b) evidence that the audit was performed in accordance with ISAs and applicable legal and regulatory requirements.

In documenting the nature, timing and extent of audit procedures performed, the auditor should record:

- (a) who performed the audit work and the date such work was completed;  
and
- (b) who reviewed the audit work performed, and the date and extent of such review.

Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalised. Documentation at the time the work is performed is likely to be more accurate than documentation prepared subsequently.

#### **4.1.4 Reporting Phase**

The reporting phase includes evaluating audit conclusions, determining the significance of audit findings, communicating audit findings, and preparing the audit report.

##### **a) Evaluating audit conclusions**

**ISA 700** provides guidance on the matters the auditor considers in forming an opinion on the financial statements. The auditor should review, assess and evaluate the conclusions drawn from the audit evidence obtained as a basis for the expression of an opinion on the financial statements.

When forming an opinion on the financial statements, the auditor evaluates whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial statements taken as a whole are free from material misstatement. This involves concluding whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the financial statements, and evaluating the effects of uncorrected misstatement identified.

Forming an opinion as to whether the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework involves evaluating whether the financial statements have been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework for particular classes of transactions, account balances and disclosures.

This evaluation includes considering the following, in the context of the applicable financial reporting framework:

- a. the accounting policies selected and applied are consistent with the financial reporting framework, and are appropriate in the circumstances;
- b. the accounting estimates made by management are reasonable in the circumstances;
- c. the information presented in the financial statements, including accounting policies, is relevant, reliable, comparable and understandable; and
- d. the financial statements provide sufficient disclosures to enable users to understand the effect of material transactions and events on the information conveyed in the financial statements, for example, in the case of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), the entity's financial position, financial performance and cash flows.

**b) Determining significance of audit findings**

The auditor should determine significance of audit findings and classify them as to the severity of where and how they will be reported. The categories are as follows:

- included in management letter only;
- included in the audit report under emphasis of matter; and

- included in the audit report as a qualification issue.

The auditor uses professional judgment in determining the difference between the items. However, for the findings included under qualification issues the auditors can use the materiality calculation to guide them. In determining distinction between management letter and emphasis of matter, the following table can be used:

**Table 2: Distinction between management letter and emphasis of matter**

<b>Characteristics of Management Letter only findings</b>	<b>Characteristics of Emphasis of Matter findings</b>
Isolated finding	Common findings
Insignificant or not material	Significant
Unlikely to recur	Recurring or likely to recur (and may have been previously reported)
Matter resolved prior to issuance of audit report	Matter unresolved at the time of issuing audit report
Mistake / omission	Fraud / misappropriation of funds / corruption
Isolated legal non-compliance with no financial effect	Any legal non-compliance in particular with: <ul style="list-style-type: none"> <li>• Public Procurement Act;</li> <li>• Public Finance Act; and</li> <li>• Local Government Finance Act.</li> </ul>

### c) Communicating audit findings

ISSAI 1260, “Communication of Audit Matters with those Charged with Governance” provides guidance on communication of audit matters arising from



the audit of financial statements between the auditor and those charged with governance of an entity. These communications relate to audit matters of governance interest. The auditor's communications of matters include only those audit matters of governance interest that have come to the attention of the auditor as a result of the performance of the audit.

The auditor should communicate audit matters of governance interest on a timely basis. This enables those charged with governance to take appropriate action.

In addition to communicating with governance, auditors usually bring matters arising from the audit to the attention of management. The mechanism usually used for this process is a management letter. At this stage of the audit, the transaction testing and working papers should be completed.

The auditor should ensure that when issues arise, that they are communicated and cleared in a timely fashion. If the issues are not simply clarified, but are the result of an error or weakness in the audited department, then the information should be communicated to management. The format of the management letter should be standardised and include the following aspects:

- the problem or finding;
- the risk;
- the recommendation; and
- a space provided for management to comment on the finding.

Several management letters can be issued during the course of the audit depending on the auditors' assessment of the significance of the findings.

The management letter should provide all findings that will be included in the audit report, as well as other less significant findings.

#### **d) Preparing the audit report**

ISA 700 provides standards on the form and content of the auditor's report issued as a result of an audit performed by an independent auditor of the financial statements of an entity.

The auditor should review and assess the conclusions drawn from the audit evidence obtained as the basis for the expression of an opinion on the financial statements.

#### **e) Basic elements of the auditor's report**

While the basic elements of an auditor's report as presented in this handbook apply to the audit of financial statements in the public sector, the legislation giving rise to the audit mandate may specify the nature, content and form of the auditor's report.

The auditor's report includes the following basic elements, ordinarily in the following layout:

- title;
- addressee;
- opening or introductory paragraph:
  - identification of the financial statements audited, and
  - a statement of the responsibility of the entity's management and the responsibility of the auditor;
- scope paragraph (describing the nature of an audit):
  - a reference to the ISA's or relevant national standards or practices, and
  - a description of the work the auditor performed;
- opinion paragraph containing:
  - a reference to the financial reporting framework used to prepare the financial statements (including identifying the country of origin of the

financial reporting framework when the framework used is not International Accounting Standards), and

- an expression of opinion on the financial statements;
- date of the report;
- auditor's address; and
- auditor's signature.

*Additional elements of the auditor's report in an audit in accordance with International Standards on Auditing:*

Consistency in the auditor's report, when the audit has been conducted in accordance with the ISAs, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognised standards. It also helps to promote the reader's understanding, and to identify unusual circumstances when they occur.

*Management's responsibility for the financial statements:*

The auditor's report should state that management is responsible for the preparation and the fair presentation of the financial statements in accordance with the applicable financial reporting framework, and that this responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material statement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

**e) Auditor's responsibility**

The auditor's report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.

The auditor's report should state that the audit was conducted in accordance with International Standards on Auditing. The auditor's report should also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

The auditor's report should state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

***i. Auditor's opinion***

An unqualified opinion should be expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

When expressing an unqualified opinion, the opinion paragraph of the auditor's report should state the auditor's opinion that the financial statements give a true and fair view or present fairly, in all material respects, in accordance with the applicable financial reporting framework (unless the auditor is required by law or regulation to use different wording for the opinion, in which case the prescribed wording should be used).

When the International Financial Reporting Standards or International Public Sector Accounting Standards are not used as the financial reporting framework, the reference to the financial reporting framework in the wording of the opinion should identify the jurisdiction or country of origin of the financial reporting framework.

***ii. Modified reports***

An auditor's report is considered to be modified in the following situations:

The following matters do not affect the Auditor's Opinion:

- An emphasis of matter should be expressed when the auditor modifies the auditor's report by adding a paragraph to highlight a material matter regarding a going concern problem or a significant uncertainty of which is dependent upon future events and which may affect the financial statements.

The following do affect the Auditor's Opinion:

- A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not as material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates.
- A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.
- An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the report and, unless impracticable, a quantification of the possible effect(s) on the financial statements.

When there is a limitation on the scope of the auditor's work that requires expression of a qualified opinion or a disclaimer of opinion, the auditor's report should describe the limitation and indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed.

## 4.2 Gathering information

The purpose of gathering information through an in-depth analysis of completed analysis of the Quality Assurance questionnaires by the reviewers is to enable them to:

- (i) form an opinion on the quality of work that has been done on site by the audit team;
- (ii) identify the underlying reasons for unsatisfactory performance;
- (iii) see whether the reasons are not inherent in the SAI; and/or
- (iv) fix responsibility for any adverse situation.

Besides the Quality Assurance questionnaires, various other types of information may be required, for example:

- a) the total number of assignments under the responsibility of the SAI categorised under Ministries / Departments, Statutory Corporations, Local authorities, Donor-funded projects, etc;
- b) the total number of completed audit files under each category and their availability; or
- c) whether files identified for review and classified under the same category e.g. Local Authorities, emanate from different audit managers to ensure uniformity in approach.

As mentioned earlier, various methods are available for gathering information, namely Interview, Focus group, Document Review, Survey or Physical Observation. For QAR of individual files, the documentation of audit evidence in the file or generated by the audit is the main method of gathering information. The audit file should document all of the evidence necessary to support the audit report issued.

### 4.2.1 Selection of the appropriate audits

The main method of conducting a Quality Assurance Review at the financial audit level is through the scrutiny of files containing the working papers. As such, it is

advisable to have a representative mix of audits covering different types of financial audits as specified above, and from different audit teams or departments in order to assess consistency between the audit processes and approach adopted by each team or department as far as practicable.

The Quality Assurance Review team obtains from the Supreme Audit Institution, a list of completed audits during, for example, the last 12-month period prior to the review, showing the team responsible for the audit, and from which the files are selected on a random basis.

#### **4.2.2 Criteria for selection of financial audit files**

The Quality Assurance Review team selects a sample of files for review, and this depends on the number of quality assurance reviewers involved so as to complete the review within the allotted timeframe. A typical sample may consist of audit files which meet the following conditions, amongst others:

- audits rated as high risk by, and to the SAI;
- 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;
- audit engagements with fees exceeding a certain value;
- audits contracted out to private auditors; and
- adequate coverage of different sections and senior personnel responsible for audit within the SAI.

#### **4.2.3 Information requirements of the Quality Assurance reviewing team, sources and methods of gathering such information**

Before carrying out the Quality Assurance Review (QAR) on the working paper file of an entity, the reviewers should obtain some information on the entity. The information that the QAR team should obtain, the sources and the methods of

**Table 3: Sources and methods of gathering such information**

S.No.	Information Required	Source	Method
1	Knowledge of the entity	<ul style="list-style-type: none"> <li>➤ The Legislation governing the entity</li> <li>➤ The Strategic Plan of the entity</li> <li>➤ Media coverage of the activities of the entity</li> <li>➤ Anonymous letters on the activities of the entity</li> <li>➤ From past experience of the Reviewers</li> <li>➤ The Registry of the SAI</li> <li>➤ The Documentation unit</li> </ul>	<ul style="list-style-type: none"> <li>➤ Perusing previous Management letters</li> <li>➤ Going through previous annual Audit reports to Parliament</li> <li>➤ Reading Activity reports of the entity whose file has been earmarked for review</li> <li>➤ Perusing press cuttings</li> </ul>
2	Budgetary Allocations	The Annual Estimates or the Estimates of the Entity	Going through the Estimates
3	Financial position	Financial Report Statement of Account	Examination of the documents

#### 4.2.4 Review of files

Prior to reviewing the files, it is important that the Reviewer has a good understanding of the Supreme Audit Institution's practices and procedures in the conduct of audit assignments to-date. It is also imperative that the reviewer is familiar with, and understands the content and layout of the SAI's working paper files being reviewed. In the absence of standard working papers the reviewer should confirm all audit documentation has been provided.

Quality Assurance Review is conducted by completing the revised questionnaire included in **Appendix 4C**. The reviewer can also consider re-performance of selected audit procedures by following through the relevant extracts of the annual report pertaining to an auditee back to observations in the working paper file and vice versa.



To assist the reviewer in understanding the nature of items covered in the Checklist, **Table 4** (below) summarises the issues addressed in the questionnaire with guidance as to where to look for information and what are the potential findings.

**Table 4: Summary of QA individual file review**

S.No.	Audit requirements	To provide assurance that	Key instruments employed	Potential findings	Quality Assurance Questionnaire Reference Number
1	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	<ul style="list-style-type: none"> <li>• Financial Audit Manual</li> <li>• Audit Policy instructions and guidance</li> <li>• Laws and regulations</li> <li>• Audit Plan</li> <li>• Software support tools (sampling etc.)</li> <li>• Working Papers</li> </ul>	<p>At the Planning stage, some of the items that normally require improvement are:</p> <ul style="list-style-type: none"> <li>• Completeness/ Existence of engagement letters</li> <li>• Completeness/ Existence of permanent files</li> <li>• Inadequate Consideration of staff</li> <li>• Completeness/ Existence of audit plan</li> <li>• Directives issued by the AG and Audit Manager not implemented</li> <li>• Whether risk assessment is performed</li> <li>• Evidence of internal audit assessment</li> <li>• Whether files indicate scheduling of staff, time budget and evidence of supervision/direction</li> <li>• Insufficient information on the knowledge of the auditees</li> <li>• Documentation</li> </ul>	<ul style="list-style-type: none"> <li>A-1</li> <li>B-13</li> <li>C</li> <li>B-10-b</li> <li>C-2</li> <li>B-14</li> <li>E-1</li> <li>E-3</li> <li>C-9</li> <li>C-4</li> <li>C</li> </ul>
2	Staffing for the audit	Adequate staffing is provided for the audit to be conducted efficiently and effectively	<ul style="list-style-type: none"> <li>• Audit manuals</li> <li>• Audit Office policies, procedures &amp; guidelines</li> <li>• Audit Plan (staff scheduling &amp;</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of review due to changes in the audit team</li> <li>• Changes in staffing were not reflected in files during the course of the audit</li> </ul>	<ul style="list-style-type: none"> <li>C</li> <li>C</li> </ul>

S.No.	Audit requirements	To provide assurance that	Key instruments employed	Potential findings	Quality Assurance Questionnaire Reference Number
			time budget)		
3	IT tools	Appropriate IT tools are available in the Supreme Audit Institution as a measure of audit quality improvement	<ul style="list-style-type: none"> <li>• Software support tools</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of evidence of reconciliation between account balance and the sample populations as derived by the Computer Assisted Audit Techniques (CAATs)</li> </ul>	F8
4	Other tools and Guidance	Appropriate guidance, audit tools and techniques are in place, useful and applied consistently	<ul style="list-style-type: none"> <li>• Office intranet site</li> <li>• Audit policy instructions and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• No evidence on file of standard rates utilised from internal instructions</li> </ul>	F
5	Conducting the Audit	All audits are conducted with due regard for efficiency and economy in terms of time spent and resources utilised and in accordance with the legal mandate, policies and practices of the Supreme Audit Institution	<ul style="list-style-type: none"> <li>• Regularity (Compliance and Financial) Audit Manual</li> <li>• Approved audit plans</li> <li>• Approved Test programmes</li> <li>• Progress reports</li> <li>• Sampling guides</li> <li>• Electronic tools</li> <li>• Working papers</li> </ul>	<p>At the Fieldwork stage, some of the issues that may be included for improvement are:</p> <ul style="list-style-type: none"> <li>• Adequacy of lead schedules in the files</li> <li>• Whether the WPs show the audited period/ financial year for financial audits</li> <li>• Whether the scope of the audit was indicated</li> <li>• Whether the information system was assessed</li> <li>• Whether the index related to the WPs</li> <li>• Whether irrelevant materials were filed</li> <li>• Whether WPs were signed by the reviewers</li> <li>• Whether tick marks or work performed were explained</li> <li>• Whether the reviewer checklist was on file</li> <li>• Whether core issues are considered in the</li> </ul>	<p>H-1</p> <p>L</p> <p>C-6,7</p> <p>E-8</p> <p>L-6</p> <p>I-4</p> <p>B-14, L-6</p> <p>B-14,L-6</p> <p>B-14</p> <p>L-6</p>

S.No.	Audit requirements	To provide assurance that	Key instruments employed	Potential findings	Quality Assurance Questionnaire Reference Number
				recommendations	P
6	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.	<ul style="list-style-type: none"> <li>• Audit Manuals</li> <li>• Audit Policies, procedures and guidelines</li> <li>• Specialist reports</li> <li>• Working Papers</li> </ul>	<ul style="list-style-type: none"> <li>• Opinions provided by third party experts were not included in the files</li> <li>• Credentials of third party experts not validated</li> </ul>	B-16  P
7	Supervision and review	Personnel 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 carried out. Adequate supervision of all audit personnel is provided so as to ensure that audits	<ul style="list-style-type: none"> <li>• Audit Manuals</li> <li>• Audit Office policies, procedures and guidelines</li> <li>• Human resources policies and guidance</li> <li>• Working papers</li> </ul>	<ul style="list-style-type: none"> <li>• No evidence of review on all working papers</li> <li>• Review was not completed prior to the issuance of the report</li> </ul>	M-1  M

S.No.	Audit requirements	To provide assurance that	Key instruments employed	Potential findings	Quality Assurance Questionnaire Reference Number
		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.			
8	Evidence	Sufficient, appropriate, competent and relevant evidence is obtained to provide a reasonable basis to support the conclusion expressed in the report.	<ul style="list-style-type: none"> <li>• Audit Manuals</li> <li>• Audit Office policies, procedures and guidelines</li> <li>• Review of working papers by senior management of the SAI</li> </ul>	<p>Issues raised in reporting may include the following:</p> <ul style="list-style-type: none"> <li>• Existence of the final management letter</li> <li>• Whether matters for the attention of the reviewer were summarised</li> <li>• Suggestions for the Audit Manager on the individual audit: The review team should make suggestions to the Audit Manager/ Division being reviewed for consideration in order to improve its operations.</li> </ul>	<p>P -7</p> <p>P-10</p> <p>P</p>
9	Documentation	The system of documentation in the Supreme Audit Institution is designed to ensure that all the audit processes are duly recorded and available both for subsequent follow-up as well as for future audits.	<ul style="list-style-type: none"> <li>• Auditing standards</li> <li>• Audit Manuals</li> <li>• Audit Office policies, procedures and guidelines</li> <li>• Working papers</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of non-standards review on files</li> <li>• Working papers poorly cross referenced</li> </ul>	<p>L</p> <p>L-6</p>

### 4.3 Analysis of Information

Information obtained from an analysis of the Quality Assurance questionnaire and from other sources are analysed for the purpose of producing a report on the weaknesses noted, and addressed to the Auditor-General / Audit Managers. The information in the “Comments” column of the checklist (**Appendix 4C**) can be very useful at the analysis stage. To fill in that column, it may be necessary for the QA team to also interview some members of the audit team or even senior management, in addition to documents’ review, to be able to analyse the root causes for non-compliance to Auditing Standards.

#### 4.3.1 Recording observations

The review team should utilise the individual findings template provided in **Appendix 4D** for recording the details relating to the findings. These findings only relate to a situation where there is a negative finding as per the checklist in **Appendix 4C**. This will require consideration of the implications of the findings, including the linkages to the causal factors and the elements of the institutional level assessment. In addition, the reviewer will be required to state the category of the error using the following guide:

- ✓ High risk – signifying fundamental failures where for example, the audit opinion or key conclusions are incorrect.
- ✓ Medium risk – identifies where information provided to the reader of the audit report is omitted, or information that is not important is included.
- ✓ Low risk – other matters such as poor referencing or evidence of review.

After completing the individual audit findings, the review team then need to compile the Quality Assurance Review Recording Form, which summarises all findings (including positive findings) into the template provided in **Appendix 4E**. Below is an explanation of the Quality Assurance Review Recording Form, which can be used directly as the reporting template for the review.

### **Quality Assurance Review Recording Form**

- a) *Quality Assurance Questionnaire reference:* The Quality Assurance Questionnaire (QAQ) reference has a combined reference consisting of: i) the reference number allocated to the completed QAQ, and ii) the different items checked on the QAQ. For example, if the reference allocated to the completed questionnaire is (V) and the absence of the letter of engagement (item No. A.1 in the QAQ) on file was observed during the review, the reference which should be recorded on the Quality Assurance Review Recording Form is (V) A.1.
- b) *Positive observation:* Acknowledge the good practices of the audit team. A summary of the positive responses provided in the checklist should be given at the beginning of the report.
- c) *Negative observations:* Record all material negative observations precisely, including the nature and extent of the finding. The observation evolves from the reviewer's results against appropriate evaluation criteria, based on the requirements of quality standards defined in the checklist and using professional judgment and the Reviewer's experience.

Criteria may vary according to the area being reviewed and the audit objectives. The criteria may be the policies, procedures and standards of the Supreme Audit Institution, International Standards of Auditing and generally accepted accounting principles. Other criteria may include the requirements of laws, regulations, grants, and contracts.

- d) *Effect:* The reviewer must also answer the question "What risk does the weakness expose?" The real or potential impact of both positive and negative observations is identified. Its significance can be judged in relation to the extent of risks that the Supreme Audit Institution may be exposed to as a result of compromising on quality and continuing with the current negative practice.

e) *Clearing of findings:*

- i. *Comments by the Audit manager/Audit director:* The reviewer obtains from the audit team or audit management through fact-finding interviews and discussions, comments on the observations raised on the Quality Assurance Review Form. As far as possible, the comments should include the position title of the Supreme Audit Institution member with whom the discussions were held.
- ii. *Causal factors:* The answer to the question “Why is there a deviation from requirements?” should be explained. Through discussions with the Audit team / Management, the Reviewer should identify the underlying reasons for the satisfactory or unsatisfactory conditions or observations. The identification of the causal factors assists the reviewer in determining corrective action, and may form the basis for the recommendations for needed action by the audit team or other organisation in the audit team, or other organisation in the Supreme Audit Institution. All pertinent discussions and comments by the staff members of the Supreme Audit Institution must be recorded on the Quality Assurance Recording Review Form.

- f) *Recommendations:* The reviewer must then arrive at a conclusion as to “What should be done?” The recommendations should flow from the cause previously identified in the findings. The reviewer should come up with appropriate and practical recommendations, and record them on the Quality Assurance Review Recording Form.

The relationship between the recommendations, underlying observations and causal factors must be clear and logical. The recommendations must state what needs to be changed or rectified.

- g) *Name of reviewer:* The name of the reviewer who conducted the review and made the recommendations must be stated.

- h) *Signature and date*: The review team leader must ensure that all observations are completed, correctly stated, signed off and dated on the Form(s).

The templates provided in **Appendix 4E** can be adapted to follow the format of the standard report, e.g. including an introduction and a summary.

*Format of the QAR report at the financial audit level*

Having recorded all the observations on the QAR recording form, the review team will be in a position to prepare the brief review report.

**The report may include the following:**

**Table of contents**

**Introduction** - May explain the background for the review report, and it contains objectives of the quality assurance review work. The introduction gives detailed information of the purpose of the review work.

**Approach and methodology used** - This would include the actual work done and the procedures followed by the quality assurance review team. It would cover items such as:

- main data gathering techniques used; and
- limitations, if any, of the approach.

**Observations** - In this section, the review team should include the following items under each financial audit key area, such as terms of reference, planning, execution, reporting and general (supervision, other audit consideration, related parties and using the work of another auditor, etc.):

- **Positive observations** – a summary of the positive observations.
- **Areas for improvement** – a summary of the key findings including effects, causal factors, sub elements, and recommendations.



**Overall conclusion** – The review team’s opinion when after they have considered all the information about the observations.

**Management response** – Management’s responses to the overall conclusion and recommendations.

A possible sample of a financial audit review report template is included in **Appendix 4M**.

#### **4.3.2 Clearing of findings and feedback to the Audit Manager / Audit Director**

The review team should meet with the audit team to discuss the findings to ensure that they are clearly understood by all. If required by the SAI, the shortcomings identified by the audit team should be corrected on the working papers.

##### *Preparing to discuss the summary of findings with the Audit Manager / Director*

After feedback is given and the draft report is prepared, the next stage is to present the summary of the findings to the Audit Manager / Director. The review team should consider the following aspects before presenting the summary of findings:

- go through the recorded observation forms, or summarised form and agree on the observations;
- agree on the mode of presentation of the observations, whether in writing, verbal, or both, and decide whether visual aids are required;
- arrange logistics;
- make an appointment with the Audit Manager / Director 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 comments of the senior managers and conclusions reached;
- discuss among the team and agree whether the issues to be discussed are to be made available to the Audit Manager / Director in advance of the meeting. If so, make arrangements for distribution; and
- agree on the sequence of presenting the issues; it is advisable to start with the good practices of the audit work, before highlighting the weaknesses.

*Discuss the summary of findings with the Audit Manager / Director*

In order to finalise the QA report, it is necessary to discuss the summary of the findings and the recommendations with the Audit Manager / Audit Director. The following guidelines will definitely make the discussion more effective and acceptable:

- ✓ be punctual;
- ✓ start to present the good practices;
- ✓ continue to present the weaknesses;
- ✓ presentation must be brief and to the point;
- ✓ the responses given by the Audit Manager must be recorded;
- ✓ ask if there is any question needing clarification;
- ✓ ask for comments and recommendations;
- ✓ thank the Audit Manager and staff involved in the audit for their cooperation and assistance; and
- ✓ close the meeting with a quick summary of what was decided

In certain circumstances, where there is disagreement over findings, the process described below can be followed to resolve the findings:

- The findings should be discussed with the audit team, who should indicate for every finding whether there is agreement / disagreement on the findings.
- Where agreement was reached on a high risk matter:

- the audit team should ensure that the matters are addressed in a timely fashion, and
  - the review team should perform additional review work to corroborate 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 or other important matter, the audit team should clearly state the reason for the disagreement and ensure that the SAI's process for resolving differences of opinion is followed before the issuance of the audit report. Detail on such 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 reviewer's satisfaction, the report is not issued until the matter is resolved by Senior Management.
- Even when policies and procedures (processes) 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 the event that consensus cannot be reached, clear designation of which person 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, he or she may disassociate him/her self from the resolution of the matter, and should be offered the opportunity to document that a disagreement continues to exist.

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:* Consideration of 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 specific standards to give a precise interpretation or application of principles.
- *Research:* The matter is thoroughly researched by the research and development component 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 elsewhere 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 to help resolve the difference of opinion.

#### **4.3.3 Exit meeting with the Audit Manager or Director**

During the exit meeting, the review team leader confirms that all the shortcomings that were identified during the review process were resolved, and he provides a certificate to this effect to the audit team.

The audit team and the review team should compile a list of lessons learned and share this with other staff members doing similar audits.

#### 4.4 Annual Report on QA

The QA unit, or the staff member responsible for QA, should produce an annual report of the whole SAI on quality issues. This report should be submitted to head of the SAI. The report should contain:

- an introduction;
- statistical information on, for example, the number of reviews conducted and passed compared to previous years, to show trends;
- objectives, scope and approach of the reviews;
- periods covered, i.e. when the review was carried out;
- sample size / reviewers;
- a summary of the findings (observations), with an emphasis on common issues;
- cause;
- recommendations and action plans to address the shortcomings, including training needs; and
- conclusion.

It is good practice to submit quarterly progress reports to the head of the SAI and to bring important matters such as a breakdown of QC reviews to his attention immediately.

# Appendices

## **Appendices: Chapter 1**

### **Appendix 1A**

Normally, the Operational Plan for QA should contain, among others, the following components:

#### **CONTENTS OF QAR PLAN**

##### **Scope and approach of the review**

The scope of the review should include the terms of reference (TOR) for the review. The terms of reference for conducting the review will be different depending on the type of review to be conducted (pre-issuance or post audit, internal or external). Furthermore, the nature of the review – whether it is the institutional level or individual level – should be specified.

SAIs can also consider reviewing the audits where significant shortcomings were identified during the previous year, to ensure that all the shortcomings identified have been addressed by the audit team.

##### **Types of the review to be conducted during the year**

The reviews will include both the Institutional Level Review and the Individual Audit Level Review.

##### **Timing of the reviews**

Generally, the individual audit level review can be conducted every year depending upon the availability of resources. However, the institutional level review needs a longer timeframe, and ideally, after conducting such a review for the first time, it can be conducted at least once every five years, preferably as part of the next strategic planning cycle of the SAI.

##### **Budget for the review**

The QA function needs to have sufficient resources to conduct the reviews and so a separate budget for the reviews should be approved by the head of the SAI annually.

##### **Team leader for each review and selection of team**

Ideally, a team leader should be nominated for each review and the review team (as explained in the chapter 2), should consist of staff with suitable

qualifications and experience to conduct these reviews depending on the type of review.

**Special considerations, if any**

The period to be covered and methodologies and checklists to be used vary depending on the level (institutional level or financial audit level) at which the review is to be conducted. It would also depend on the particular area of the level which will be covered under the QAR. This will be explained in detail in chapters 4 and 6 for respective (institutional & individual) level reviews.



## Appendix 1 B

### Possible criteria for selection of audits for pre-issuance review:

All regularity audits where the auditees are classified as public interest entities (ISQC 1 Para 62) the quality control strategy of the SAI may, however, provide for lower risk audits to be subject to a review on a rotation basis – e.g. once every three years. Audits may be subject to a pre-issuance review if any of the following circumstances exists:

- the auditees changed its accounting framework;
- the audit has been classified as high risk;
- parliamentary or media interest in auditees or audit;
- the auditees face problems that may lead to contentious issues and/or difficult circumstances, and may benefit from a pre-issuance review to reduce the SAI's reputation risk;
- significant shortcomings were identified during the audit team's previous review;
- a new area of auditing; and/or
- audit was conducted by an audit firm in full, or jointly with the SAI.

### Circumstance indicators to undertake the pre-issuance review:

Circumstances may be encountered during the performance of an audit not requiring pre-issuance, which may indicate that a pre-issuance review may be necessary. The audit team should discuss this matter with the senior management. If they agree, they will appoint a pre-issuance reviewer. The following are examples of indicators which may trigger a pre-issuance review:

- where, due to unforeseen circumstances, the risk of the audit has increased;
- significant risks of misstatement were identified in complex accounting areas requiring significant judgment (e.g. valuations, 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 of the audit opinion to express, and would find benefit from an independent review.

#### **Timing of the review**

A pre-issuance review needs to be performed **before** the audit report is issued. Various factors may influence the timing of the pre-issuance review, such as:

- when the audit report is due for issue (legal requirements);
- 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;
- the availability of suitable pre-issuance reviewers; and
- the pre-issuance reviewer should be afforded sufficient time to perform the review.

## Appendix 1 C

### Peer review

A peer review is performed by an independent (normally external) entity to evaluate whether the organisation's internal quality control system is suitably designed and is operating effectively. The peer review involves testing of the entire quality control system, and the peer reviewers will have to allow the entire system to operate before reaching their conclusion. The peer review is designed to provide reasonable assurance that SAI's quality management policies and procedures are suitably designed and operating effectively.

### Scope of peer review

The scope of the peer review should cover the following:

- whether the auditing services performed are in accordance with the SAI's auditing standards, departmental manuals, and policy instructions;
- whether the standard, manuals, instructions and systems enable the SAI to fully execute the audit mandate and its duties; and
- whether the auditing methodologies and practices conform to the best international practices.

### Requirements for peer review

For the peer to be eligible to review, the following requirements need to be met:

- each member of the review team should have good **knowledge** of auditing standards, the government environment relative to the work being reviewed, and the methods and techniques of performing a peer review;
- the review team should be **independent** of the audit organisation reviewed, its staff and the audits selected for peer review; and

- separate **terms of reference** need to be drawn up for each of the areas to be reviewed, and the scope of review should be clearly defined.

### **Conducting peer review**

The peer review team will develop a plan and programme for conducting the work. The SAI will provide the review team with all necessary documentation, manuals, policy instructions, and guidelines. The peer review should be based on the SAI's audit documentation and interviews of the SAI's staff members. The peer reviewers will not interview staff of the organisations that the SAI audits, or have access to their records. In addition, they will not interview or survey readers of the SAI reports, including legislators.

The peer review team will also rely on internal quality assurance review and internal audit reports to reduce the scope of its work. The peer review team will treat the inspection report and its findings as part of the evidence for reaching its opinion. The peer review team leader will provide a briefing for SAI top management before issuing the report. The briefing will allow for discussion and suggestions to improve the SAI's quality control system and procedures.

### **Reporting the results of the Peer Review**

The review team should communicate the results of the peer review in writing. The report should indicate the scope of the review, including limitations. It should express an opinion on the organisation's system of internal quality control. When there are expressions of opinion on inadequacies of internal control, the review team should report a detailed description of the findings, recommendations and suggestions to improve SAI's quality control system, either in the peer review report or in a separate letter of comment or management letter, to enable the reviewed organisation to take appropriate action. The peer review should identify areas for improvement in the quality of the audit, including planning, evidence gathering, documentation, and

reporting, as well as overall performance of the SAI. The peer reviewers will issue their report to the SAI's top management. A senior management functionary of the SAI should be made the point of contact for the peer review, and the contact person will be responsible for disseminating the findings of the peer review within the SAI for appropriate action by the concerned groups and monitoring the progress of implementation of its recommendations. A periodic report will be placed before the top management of the SAI to this effect.

## Appendix 1D

### Terms of Reference for Quality Assurance of the Supreme Audit Institution of \_\_\_\_\_

#### 1. INTRODUCTION

The INTOSAI is increasingly emphasising the importance of quality assurance activities of SAIs. Standards, and more importantly the extent to which SAIs comply with standards, are continuously reviewed and regarded as an important component of good corporate governance practices. ASOSAI has incorporated several quality assurance activities in its work plans and is keen to support SAIs in establishing/enhancing quality assurance systems, procedures and working methods. The SAI of \_\_\_\_\_ requested arrangement of quality assurance visits and the arrangements for the visit were thereafter initiated.

#### 2. MAIN OBJECTIVE

The main objective of the visit is to assist the SAI of \_\_\_\_\_ to determine whether its audits comply with international standards and make recommendations on how the quality of audits could be improved. In addition, the resource team will assess the quality assurance system implemented at the SAI, and will make recommendations to the SAI on its functioning.

#### 3. SPECIFIC OBJECTIVES OF THE QUALITY ASSURANCE VISIT

The following aspects will be addressed during the support visit:

- quality control reviews on specific audits;
- collect findings and report back to the Auditors General;
- assess the quality assurance system at the SAI and make recommendations to the Auditors General on functionality and appropriateness;
- train quality control reviewers; and
- on-the-job training for reviewers on how to go about conducting a review.

#### 4. DATE OF THE REVIEW VISIT

The review visit will take place from \_\_\_\_\_ to \_\_\_\_\_. The review team will be on site at the Office of the head of SAI of \_\_\_\_\_ during this period and, in collaboration with staff identified for this purpose, will execute the activities agreed to in items 2 and 3 of the Terms of Reference.

#### 5. REVIEW TEAM

The review team will consist of the following members:

Team member 1 - SAI of \_\_\_\_\_

Team member 2 - SAI of \_\_\_\_\_

Team member 3 - SAI of \_\_\_\_\_

Team member 4 - SAI of \_\_\_\_\_

Team member 1 will act as the project leader and, in consultation with other team members, will focus the activities towards achieving the objectives of the review visit. The SAI of \_\_\_\_\_ will identify counterparts within the SAI to work alongside the resource team with the view to transferring skills. The SAI will also be responsible for providing the necessary logistical and administrative support to the resource team in order to fulfil their responsibility for achieving the required objectives of the visit.

#### 6. METHOD OF WORK

The resource team will conduct the quality assurance review by using the following tools, techniques or procedures:

- ASOSAI audit quality management system guidelines;
- give feedback to audit managers and audit teams;
- assess the quality assurance system of the SAI;
- conduct interviews with staff and managers of the SAI (if needed);
- deliver a presentation to the Auditor General and senior managers on findings and recommendations;
- on-the-job training for local quality control reviewers; and

- draft a report on the review visit and the course of action agreed upon with the Auditors General.

## 7. EXPECTED OUTPUTS

Upon completion of the review visit, it is expected that the resource team would have reviewed a considerable number of audit files and given feedback to the responsible audit manager and the audit team. From the review the team will:

- Collect findings and present them to the head of the SAI and management team with appropriate analysis and possible recommendations.
- Assess the quality assurance system of the SAI with recommendations made to the head of the SAI and top management.
- Ensure that quality reviewers are identified by the SAI and are trained in theory and in practice.
- Draft an action plan which is agreed upon with the Auditors General.

## 8. REPORTING

The review team will give a verbal debriefing to the head of SAI and the management at the end of the assignment. A written report will be presented to the head of SAI not later than two weeks after completion of the assignment. Team Member 1 will be responsible for compiling the report.

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**Head of SAI**



## Appendix 1E

### Checklist for monitoring and supervising Quality Assurance reviews

1. Execution of QA review is carried out in accordance with policies, standards, manuals, guidelines and practices of the SAI.
2. QA team have a sound understanding of techniques and procedures for gathering information, such as inspection, observation, and enquiry to collect evidence.
3. All phases of the QA review have been carried out as planned and approved.
4. Valid explanations are available for non-implementation of any phases of quality controls procedures.
5. Appropriate approval exists for significant deviations that have taken place from approved Quality Control procedures.
6. Staff resources used for QA are largely in line with those planned in terms of time, grade of staff, and expenses entailed.
7. Appropriate techniques and procedures are used to fulfil the QA objective in order to provide for effective evidence.
8. Ensuring that all envisaged tests for evaluation and reliability of internal controls are used during audit process;
9. The team leader should evaluate the effect of deficiencies noted as a result of the monitoring process, and should determine whether:
  - the review complies with QA standards; or
  - systemic, repetitive or other significant deficiencies during the review that require prompt corrective action.
10. Ensure that appropriate analytical procedures are used and the reliability, independence and quality of relevant supporting data is assessed during the audit process.
11. Sampling methods are used according to QA standards and manuals.

12. All tests of transactions clearly indicate QA objectives, adequately explain nature and extent of QA work, and provide an overall conclusion as to the results of QA work.
13. QA steps and procedures have been designed to obtain sufficient, reliable, and relevant evidence.
14. Full investigation is made of all queries during the QA review.
15. Existence of adequate working papers in respect of:
  - evaluation of internal controls systems; and
  - QA tests of routine procedures.
16. Tests of controls.

## Appendix 1F

Soon after receiving the Quality Assurance Review Report, the SAIs should prepare Action Plans to implement the recommendations provided in the report.

### Quality Assurance Follow-up Action Plan

All deficiencies and recommendations pointed out in the QAR report should be communicated to the respective officials, or units for taking appropriate measures and remedial actions. Thereafter, the SAI should organise a brain storming session involving people from all levels of the management, on the deficiencies and recommendations provided by the Review Team. The session could focus on, at least, the following areas;

- a) those needing improvement/recommendations;
- b) priorities;
- c) proposed action;
- d) responsible official / unit / division / department to implement the action; and/or
- e) deadline.

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 the SAI to chair the session. The final Action Plan should, however, be signed by the head of the SAI. Although Action Plans are normally prepared after receiving the Quality Assurance Review Report, they can also be prepared during the Exit Meeting of the Quality Assurance Review, and incorporated in the final QAR Report.

Depending on the level of the QAR, the recommendations or the areas needing improvements must be prioritised for their 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:

- a) the expected impact on the SAI and the individual audit that will include both the positive impact from implementing the recommendation, and negative impact from not implementing the recommendation or not taking actions;
- b) seriousness of the deficiency;
- c) the applicability in relation to the SAI mandate, overall government policy and the country's development stage; e.g. one cannot expect the SAI to use the latest auditing software when there is hardly any IT development in the country itself; and
- d) availability of resources, such as time and money.

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

### **Follow-up actions**

Based on the Action Plan, the follow-up can be undertaken to see whether the actions have been taken by the concerned person, units, divisions or departments within the given timeframe. Wherever possible, the follow-up team should also comment on the impact of the actions on the SAI or an individual audit. The team should also look for reasons for not taking the actions, and suggest alternative options wherever possible. It could be possible that although the SAI may have the will and desire to implement the actions but due to certain constraining factors like time, resource etc. the actions remain unimplemented.

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

- a) seeking explanation against those who have not taken any action / done anything to implement the proposed actions;

- b) cautioning those who are lagging behind the scheduled deadlines;
- c) looking into the alternative options and making relevant persons/s or units to study the options for their applicability and practicality; and
- d) re-prioritising and dropping certain proposed plans of action, which cannot be implemented at all.

The follow-up on QARs can also be conducted by the internal Quality Assurance Unit on a continuous basis by monitoring their implementation against the scheduled deadlines. Therefore, it is important to involve people from the internal Quality Assurance Unit during any Quality Assurance Reviews.

The results of the follow-up can be utilised as input for the next planning process.

## Appendices: Chapter 2

### Appendix 2A

#### Sample QA Policy

#### Policy for Quality Assurance Review (QAR) for the SAI of \_\_\_\_\_ with effect from 1 January 2008

##### Introduction

Due to public demand, the audit profession is currently under pressure to strengthen the quality of audits and the audit office's quality control practices over the provision of audit, assurance and related services. In this regard, the head of SAI has decided to issue this quality assurance (QA) policy in order to comply with the relevant and applicable quality control standards, thereby improving the quality of engagements performed by the Head of the SAI.

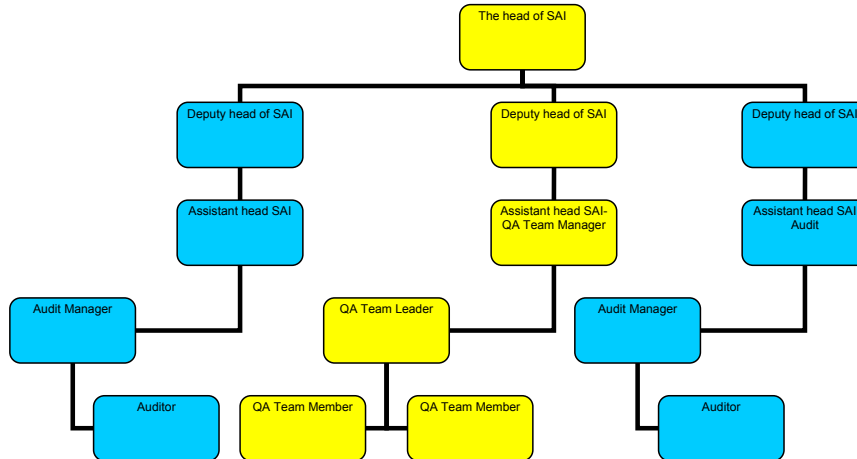
##### Purpose

To ensure that the QAR process is approved and implemented in line with the SAI's strategic imperatives and/or the head of the SAI's Directive.

#### 1. Establishment of the QAR Unit

I hereby establish the QAR unit in the SAI of Far Asia with effect from 1 January 2008. Any changes and amendments will be communicated accordingly and amendments will be made to this policy.

## 2. Reporting lines and bodies relating to the QA Unit



If committees are formed, then TOR should be prepared and included in the policy, which is included in **appendices 2B**.

## 3. Operation of QAR

Formation of the team including number of people, coverage, and frequency of the reporting as well as defining the role and responsibilities of the head of QA including competency, skills, experience is very important. The QA unit is headed by an assistant head of SAI level. This unit reports directly to the head of the SAI to ensure its independence. The QA unit will be liaising with Research and Training. The QA Manager should have at least three auditors to assist him.

## 4. Applicable Standards for QA

INTOSAI Auditing Standards will be applied to conduct the QAR of the SAI activities.

## 5. Criteria for Selecting Audits for QARs

The following are some of the criteria for the selection of audit for QAR:

- the auditees changed its accounting framework;
- the audit has been classified as high risk;
- parliamentary or media interest in auditees or audit;

- the auditees face problems that may lead to contentions and difficult circumstances, and may benefit from a pre-issuance review to reduce the Head - SAI's reputation risk;
- significant shortcomings were identified during the audit team's previous review;
- a new area of auditing; and
- audit was conducted by an audit firm in full or jointly with the SAI.

## 6. Nature and Frequency of QA Reviews

All audits determined as high risk from the selection criteria will be reviewed on an annual basis. All other audits will be reviewed on a three-year rotation basis, but ensuring all senior managers have at least one review per year conducted on their audits

## 7. Requirement for QA Follow-ups

Audit teams and the departments reviewed should compile action plans on how they are going to correct the shortcomings.

These action plans should indicate what, who, where, when, and how these are going to be corrected.

The action plans should be consulted with by the QA unit and approved by the head of the SAI, or a staff member with the required delegation.

The audit teams and the departments should report back on their progress with the implementation of the corrective actions.

The QA unit should perform tests to confirm the effectiveness of the corrective actions. The SAI should also use the results of the QA reviews to determine the training needs of its staff in general, and compile training programmes to address these issues.



**8. Reporting Requirement as well as the frequency of the reporting on the Performance of the QA unit**

Individual audit level QA reviews will be conducted annually on a sample basis. The sampling should ensure that all financial audit divisions are covered. Institutional level QA reviews will be conducted once every five years, coinciding with the beginning of the strategic plan development cycle.

**Approved by .....****Date.....**

## Appendix 2B

### 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

Key responsibilities include:

- 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 quality assurance 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.

- Liaison with senior management as and when required for among others, dispute resolution.
- Commenting on advice, guidance and documents issued within the SAI from a quality assurance perspective.
- Tracking the progress of the review.
- Considering the capabilities and competence of individual members of the team, whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance 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 requiring changes to the QA methodology.
- Communication, negotiation and interpersonal skills to motivate staff and undertake dispute resolution.
- High level of integrity to not be affected by the 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 also 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 if required. The management and the development of the reviewers is a fundamental part of the leader's role, and they need to ensure they support reviewers when dealing with the audit teams during various interactions.

### Key responsibilities

Key responsibilities include:

- 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 quality assurance as they are required.
- Providing inputs into the budget submission.
- Identifying resource requirements and training needs for the review team.
- Maintaining relevant management information to be used for reporting purposes.
- Coordinating arrangement for the reviewer's visits and liaising with the audit teams accordingly.
- Commenting on advice and guidance and documents issued within the SAI from a quality assurance perspective.

- Managing the reviewers in terms of planning and controlling.
- Undertaking reviews of the work completed by the reviewers to ensure that:
  - sufficient evidence has been gathered to support the findings;
  - work is carried out in line with prescribed methodology of quality assurance 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 the 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.
- The work has been performed in accordance with professional standards and regulatory and legal requirements.
- Significant matters have been raised for further consideration.
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented.
- There is a need to revise the nature, timing and extent of review work performed.
- The work performed supports the conclusions reached and is appropriately documented.
- The evidence obtained is sufficient and appropriate to support the reviews report.
- 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 undertake dispute resolution.
- 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 undertaken through selected reviews over a number of audits and audit teams. The reviewer will be responsible for assessing audit files and other documentation in the case of institutional reviews that 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 they require it. This can include: assistance with information

gathering, maintenance of information systems, and providing assistance with logistical arrangements such as meetings.

Key responsibilities include:

- obtaining information for supporting 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;
- undertaking preparation 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;
- undertaking reviews in line with prescribed QA function methodology in a professional manner;
- documenting findings and providing sufficient 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; and
- attempting to resolve any dispute with the audit team wherever possible, before involving the team leader.

**Desired 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 undertake dispute resolution;
- 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; and
- high level of integrity to not be affected by the 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; and
- project management experience and training is desirable.



## Appendices: Chapter 3

### Appendix 3A

#### The suggested training activities

1. In-house training courses based on individual needs, as well as SAI's core curriculum, including financial audit methodologies.
2. In-house seminars and workshops covering a wide variety of topics focusing on developing a well-rounded workforce.
3. On-the-job training by arranging for new entrants to work under the guidance of experienced staff.
4. Improving and standardising courseware to maintain training quality; if necessary, outsource development of courseware.
5. Encouraging audit personnel to become members of various professional bodies relevant to their work for continuing professional education, and to participate in the activities of professional bodies through suitable incentives given by the SAI.
6. Encouraging audit employees to enrol in academic institutions to obtain relevant professional certifications.
7. SAIs may assist in developing a certificate course in public sector auditing in collaboration with a university or any other reputed academic institution. The certificate should be designed to provide a structured development programme for performance and financial auditors.
8. Providing audit employees with the opportunity to have work experience in other public or private agencies, including other SAIs to gain insights into the operations of other peers.
9. In addition to the secondments of SAI staff to other agencies, the SAI may accept staff on secondment from other agencies and SAIs, who can share their knowledge and experiences with the SAI staff.

10. Providing opportunities to participate in training courses, seminars and workshops held by international or regional institutions, universities and other SAIs, e.g. training courses provided by ASOSAI and the IDI.
11. Equipping personnel to audit effectively in new areas such as privatisation, revenue audit, sustainable development, environment auditing, forensic auditing, and IT auditing.
12. To assist newly employed staff to assimilate into the new work environment, the SAI should develop and implement an induction programme or orientation programme, giving an overview of SAI's vision, mission, core values, audit methodologies and techniques, policies, procedures and practices and general information relating to SAI's operating environment.
13. Audit of financial statements requires training in accounting, knowledge of legislation and executive orders affecting the accountability of audited entity. Performance audit requires training in public administration, management, economics and social sciences.
14. As a part of knowledge dissemination, audit reports from different SAIs may be reviewed and discussed in presentation sessions participated by staff at all levels.
15. The SAI personnel should be encouraged to prepare individual development plans, in consultation with a designated performance manager. The approved plan should be an action-oriented plan that should focus on a few specific competencies to address individual development needs.
16. Continuing professional education should be established at each level of SAI, which should be monitored and appropriate documentation maintained. Professional development programmes should be reviewed periodically.

### Appendix 3B

The following table briefly outlines the SAI-External Stakeholders Relationships, by giving the requirement of the external stakeholders and key mechanisms to maintain it:

**Table: SAI-External Stakeholders Relationships**

Stakeholder	Requirement of the stakeholders	Key mechanism
Audited entities	To provide value added information to enhance the performance of the entity	<ul style="list-style-type: none"> <li>• Audit Reports</li> <li>• Audit committees</li> <li>• Management letters</li> <li>• Certificates</li> </ul>
Parliament / legislature	For effective oversight on the executive	Audit reports and briefing sessions
Public	Provide assurance for the performance of the executive	Web sites, media reports and direct correspondence
Peers (other SAIs )	For knowledge sharing & organisational development	<ul style="list-style-type: none"> <li>• Training assistance</li> <li>• Peer review</li> </ul>
Donors	<ul style="list-style-type: none"> <li>• Internal governance</li> <li>• assurance on the utilisation of specific donor funding</li> </ul>	<ul style="list-style-type: none"> <li>• Access to SAI practices</li> <li>• Audit reports &amp; certificates</li> </ul>
International Organisations	To fulfil the commitments with regard to organisational development	International & regional workshops, seminars, and board meetings
Media	Reliable knowledge source	Press notes, releases, and interviews
Professional & Academic Institutions	To maintain the certain standards for training and continuous development of the staff	Contracts and other agreements
Private sector auditing firms	Effective planning for allocated audit & to provide guidance for all public sector / government audits	Training interventions & contracts

### Appendix 3C

## QUALITY ASSURANCE QUESTIONNAIRE

### SAI REVIEW: INSTITUTIONAL LEVEL

<b>SECTION</b>			
<b>MANAGER</b>			
<b>DATE OF REVIEW</b>			
<b>FINDINGS DISCUSSED ON</b>			
<b>MANAGER</b>		<b>DATE</b>	

<b>REVIEWER</b>		<b>DATE</b>	
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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 remarks column. In such an instance, reference should be made to 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 (e.g. non-compliance with Office 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” column, together with an adequate explanation.

<p><b>I. INDEPENDENCE AND LEGAL FRAMEWORK (Inclusive of Ethical requirements)</b></p>	<p>The existence of the SAI and the appointment of the SAI Head should be provided for in the Constitution. All public bodies and related institutions shall be audited by the SAI. The SAI should have access to records and documents relating to financial management and be able to perform different types of audits.</p>
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	YES	NO	N/A	COMMENT
<p><b>REF: LIMA and Mexico DECLARATION</b> Sections 4, 5, 10, 17 19, 23, &amp; 24 ISCQ 1 Para 25</p>				
<b>Independence</b>				
<p>1. Is the Head of the SAI appointed by Parliament? If no, please specify _____</p>				
<p>2. Is there a fixed term of office for the head of SAI? If Yes, please specify term. _____</p>				
<p>3. Does the head of the SAI and "Members" for collegial bodies have legal immunity in the normal discharge of the duties? If No, please specify. _____</p>				
<p>4. Does the SAI submit its budget directly to Parliament without going through the treasury department, which is its auditee ?</p>				
<p>5. Is the SAI entitled to use and re-allocate the funds allotted to them under a separate budget heading do so in ways that they consider to be appropriate?</p>				
<p>6. Is the SAI's budget reviewed and approved by</p>				

	YES	NO	N/A	COMMENT
Parliament? If No, please specify _____				
7. Is the SAI free to determine the nature of its organisational structure and functional process without outside interference?				
8. Is the independence of the Head of the SAI laid out in the constitution or audit law? If not, please provide explanations regarding the basis for the independence of the Head of SAI.				
9. Is the Head of the SAI protected by Law for his/her audit report? Please provide the relevant clause of the law.				
10. Is the procedure for removal of the Head of the SAI embodied in the constitution or law?				
11. Are the Audit staff of the SAI independent from the Audited entities i.e. are they working for the audited entity?				
<b>Mandate ( Legal Framework)</b>				
12. Is there a constitutional provision regarding the appointment of the head of SAI?				
13. What is the legal basis of SAI's mandate?  1. Constitution  2. Special law other than the Constitution  3. Others (Please specify.)				
14. Does the SAI submit its Periodic / Annual report to Parliament? If no, please specify				

<p>_____</p>				
<p>15. Which body is responsible for assessing whether the SAI is achieving its mandate</p> <ol style="list-style-type: none"> <li>1. Parliament</li> <li>2. Head of State</li> <li>3. Ministry of Finance</li> <li>4. Others (specify)</li> </ol>				
<p>16. Does the SAI have audit jurisdiction to audit the following bodies? (Tick as many boxes as appropriate.)</p> <ol style="list-style-type: none"> <li>1. Federal or national government (Ministries and Government departments - Executive)</li> <li>2. Legislative</li> <li>3. Judicial organs of the state</li> <li>4. Intelligence agencies</li> <li>5. Armed forces</li> <li>6. Police department</li> <li>7. Local government units (cities, provinces, municipalities)</li> <li>8. Government-owned or controlled corporations / companies</li> <li>9. Bodies / autonomous bodies not owned but substantially</li> </ol>				

	YES	NO	N/A	COMMENT
funded by the government or from the State Budget  10. Foreign agencies and enterprises with whom the State has joint venture agreements  11. Agencies to whom performance and delivery of public services is contracted out  12. Others (Please specify.)				
17. Does the SAI have unrestricted access to the information?				
18. Is there a constitutional provision regarding the appointment of the head of Head of the SAI?				



	YES	NO	N/A	COMMENT
<p>19. Does the SAI have the legislative mandate to carry out the following types of audit? (Please tick at relevant rows.)</p> <ol style="list-style-type: none"> <li>1. Financial audits</li> <li>2. Audit of compliance with laws and regulations</li> <li>3. Performance / Value-for-Money audits</li> <li>4. Concurrent audits (for example, audit during implementation of a project)</li> <li>5. IT Audit</li> <li>6. Environment Audits</li> <li>7. Privatisation Audits</li> <li>8. Others (Please Specify)</li> </ol>				
<p>20. Are the above audits specifically mentioned in the SAI's mandate? If No, Please specify. _____</p>				
<p>21. Are there any entity/(ies) not audited by the SAI?  If yes, please specify. _____</p>				
<p>22. Do the SAI personnel have unrestricted access to information?  If No, please specify. _____</p>				

	YES	NO	N/A	COMMENT
<p><b>ETHICAL REQUIREMENTS</b></p> <p>23. Does the SAI establish policies and procedures designed to provide it with reasonable assurance that the SAI and its personnel comply with relevant ethical requirements, such as the following:</p> <p>(a) Integrity;                      (b) Objectivity;                      (c) Professional competence and due care;                      (d) Confidentiality; and                      (e) Professional behaviour?</p>				
<p>24. Does the SAI establish policies and procedures designed to provide it with reasonable assurance that the SAI, its personnel and, where applicable, others subject to independence requirements (including experts contracted by the SAI and other personnel), maintain independence where required by the Code and national ethical requirements. Such policies and procedures should enable the SAI to:</p> <p>(a) Communicate its independence requirements to its personnel and, where applicable, others subject to them.                      (b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement?</p>				
<p>25. Do the policies and procedures require:</p> <p>(a) Private auditors engaged by the SAI to provide with relevant information about client engagements, including the scope of services, to enable the SAI to evaluate the overall impact, if any, on independence requirements.                      (b) Personnel to promptly notify the SAI of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and                      (c) The accumulation and communication of relevant information to appropriate personnel so that:                      (i) the SAI and its personnel can readily determine whether they satisfy independence requirements;</p>				

	YES	NO	N/A	COMMENT
(ii) the SAI can maintain and update its records relating to independence; and (iii) the SAI can take appropriate action regarding identified threats to independence on specific changes.				
26. 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?				
27. Does the SAI obtain, at least annually written confirmation of compliances with its policies and procedures on independence from all personnel required to be independent?				
28. 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?				

<b>II. HUMAN RESOURCES</b>	<p>The SAI should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence and commitment to ethical principles necessary to perform its work.</p>
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	YES	NO	N/A	COMMENT
<i>REF: Human Resources ISQC1 par 36 – 41</i>				
<p>1. Does the SAI establish policies and procedures to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence and commitment to ethical principles necessary to perform its audits in accordance with professional standards and applicable regulatory and legal requirements, and to enable the issuance of reports that are appropriate in the circumstances?</p> <p>2. Where the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the audit, does the SAI have policies requiring that actions be taken to comply with relevant professional standards and regulatory and legal requirements?</p> <p>At least annually, does the SAI communicate the results of the monitoring of its quality control system to audit directors and other appropriate individuals within the SAI, including the head of the SAI?</p>				
3. Does the SAI have an office, section or person in charge of the human resource management?				
4. Does The SAI have Human Resource Management policies in the following areas?				

	YES	NO	N/A	COMMENT
(Please tick as many as appropriate boxes)				
1. Recruitment				
2. Retention				
3. Performance Appraisal				
4. Career Development and Training				
5. Well-being				
6. Performance management				
5. Does the SAI have an approved job description for each position of the organisational structure?				
6. Is the job description kept up-to-date?				
<b>Recruitment</b>				
7. In recruiting personnel, does the SAI specify minimum qualifications as per the job description				
8. Are position profiles being tailored to the individual requirements of all positions?				
9. Has the SAI adopted qualification requirements for different levels of staff and management?				
10. Are there adequate competencies and skills available to meet the requirement for executing SAI's mandate?				
11. 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, staff turnover, etc.				

	YES	NO	N/A	COMMENT
<p><b>Retention</b></p> <p>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 concluded with them, placing them outside the regular wage scales.</p>				
12. Is retaining qualified staff a problem?				
13. Does the SAI have a reward mechanism in place that provides incentives to staff members?				
<p>14. Which of the following incentives are provided by the SAI?</p> <ol style="list-style-type: none"> <li>1. Naming and honouring the Auditor(s) of the Year</li> <li>2. Certificate of Excellence for outstanding performance</li> <li>3. Financial remuneration / benefits</li> <li>4. Staff remuneration and promotions to be based on considered assessments of competencies, performance and experience</li> </ol> <p>Other incentives. Please specify.</p>				

	YES	NO	N/A	COMMENT
<p><b>Career Development</b></p> <p>15. Are the following methods used by the SAI for the development of capabilities and competence?</p> <ol style="list-style-type: none"> <li>1. Professional education</li> <li>2. Continuing professional education</li> <li>3. Work experience</li> <li>4. Coaching.</li> </ol>				
<p>16. Does the SAI have a mechanism in place that takes care of career planning and career development opportunities for staff members?</p>				
<p>17. Which of the following career planning and development opportunities does your SAI provide for staff members? (Tick as many boxes as appropriate.)</p> <ol style="list-style-type: none"> <li>1. Relevant workshops or seminars</li> <li>2. Professional university courses</li> <li>3. Feedback on job performance</li> <li>4. Merit-based promotions</li> <li>5. Time-based promotions</li> <li>6. Specialisation</li> <li>7. Performance feedback and coaching</li> <li>8. Planned job rotation</li> <li>9. Continuing professional education</li> </ol>				

	YES	NO	N/A	COMMENT
10. Phased retirement				
11. Career counselling about challenging assignments and possibilities for more exposure and demonstration of skills				
12. Assessment techniques and programmes to help staff members assess their interests, aptitudes and capabilities, and linking the information derived to possible careers and jobs				
13. Self-directed and self-development materials				
14. Pre-retirement and post-retirement counselling				
18. Does the SAI have a mechanism for identifying technical and management skill gaps?				
19. If yes to the above question, do you take measure to address the identified gaps?				
20. Does the SAI have criteria set for promotion and upgrading your employees?				



	YES	NO	N/A	COMMENT
<b>Well-being</b>				
21. What types of programme are in place for staff well-being?				
1. Health care programme				
2. Social activities				
3. Recreational & sporting facilities				
4. Fitness programmes				
5. Housing				
6. Conducive environment				
7. Counselling services				
8. Other. Please specify				
<b>Performance Management</b>				
22. Are performance appraisals being performed on a regular basis?				
23. Is remuneration linked to performance?				
24. Does the SAI have a mechanism for communicating job functions or areas of responsibility to your staff?				
25. Assignment of Audit Teams:				
• Does the SAI assign an audit team leader or audit director to each audit to take responsibility for that audit on behalf of the SAI?				
• Does the SAI establish policies and procedures requiring that:				
a. the identity and role of the audit team leader or audit director are communicated to key members of				

	YES	NO	N/A	COMMENT
<p>auditee management and those responsible for governance;</p> <p>b. the audit team leader or audit director has both the necessary capabilities, competence, authority and sufficient time to perform the role; and</p> <p>c. the responsibilities of the audit team leader or audit director are clearly defined and communicated to that team leader or director?</p> <ul style="list-style-type: none"> <li>Does the SAI also assign appropriate staff with the necessary capabilities, competence and time to perform audits in accordance with professional standards and applicable regulatory and legal requirements, and to enable the issuance of reports by the SAI that are appropriate in the circumstances?</li> </ul>				

<b>III. AUDIT METHODOLOGY AND STANDARDS</b>	The SAI should establish procedures designed to provide it with reasonable assurance that audits are performed in accordance with professional standards and regulatory and legal requirements, and that the SAI issues reports that are appropriate in the circumstances.
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	YES	NO	N/A	COMMENT
<b>REF: ISQC 1 – Paragraph 46 – 50</b> <b>ASOSAI AQMS para 2.28, 4.3-4.6</b> <b>Standards</b>				
1. Has the SAI formally adopted international auditing standards?				
2. Who determines audit standards <ul style="list-style-type: none"> <li>1. The head of SAI</li> <li>2. Audit Board</li> <li>3. Professional Body in the Country</li> <li>4. Ministry of Finance</li> <li>5. Others , please specify</li> </ul>				
3. Are these standards aligned to international standards such as (IFAC, INTOSAI, Country specific or Regional standards)?				

	YES	NO	N/A	COMMENT
<b>Manuals and guidelines (ASOSAI AQMS 2.29)</b>				
4. Does the SAI have audit manuals to guide staff in the different audit areas like  1. Regularity audit  2. Performance audit  3. IT Audit				
5. Are the manuals aligned to accepted standards? Please check sample manuals and compare with International Standards.				
6. Are the manuals actually used in the audit process? Please check a few samples.				
7. Do all staff have access to the manuals? Please verify among several staff members.				
8. Is the manual updated at regular intervals? Please note the last date of amendments.				
9. Do the manuals have policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of audit documents?				
10. Does the SAI have policies and procedures on the retention of audit documentation to meet the needs of the SAI and requirements of laws or regulations?				
<b>Audit Tools</b>				
11. Do staff use audit tools (e.g. Checklists, CAATS and Others)?  12. Does the SAI use audit automation Software (e.g. ACL, Team mate, Case ware & others)? Please specify.				

	YES	NO	N/A	COMMENT
<p><b>13. Audit Performance</b></p> <p>Does the SAI establish policies and procedures to provide it with reasonable assurance that audits are performed in accordance with professional standards and applicable regulatory and legal requirements, and that the reports that are issued by the SAI are appropriate in the circumstances?</p> <p>Consultation</p> <ul style="list-style-type: none"> <li>• Does the SAI establish policies and procedures to provide it with reasonable assurance that:               <ol style="list-style-type: none"> <li>a. appropriate consultation takes place on difficult or contentious items within the SAI with external experts and with the auditee;</li> <li>b. sufficient resources are available to enable appropriate consultation to take place;</li> <li>c. the nature and scope of such consultations are documented; and</li> <li>d. conclusions from consultations are documented and implemented.</li> </ol> </li> </ul> <p><b>Differences of Opinion</b></p> <ul style="list-style-type: none"> <li>• Does the SAI establish policies and procedures for dealing with and resolving differences of opinion within the audit team, with those consulted and, where applicable, between the audit team leader and/or audit director and the audit quality control reviewer?</li> <li>• Are all the conclusions reached documented and decisions implemented?</li> </ul> <p><b>Audit Quality Control Review</b></p> <ul style="list-style-type: none"> <li>• Does the SAI establish policies and procedures requiring, for appropriate audits, an audit quality control review that provides an objective evaluation of the significant judgments made by the audit team and the conclusions reached in formulating the report. Such policies and procedures should:</li> </ul>				

	YES	NO	N/A	COMMENT
<p>a. set out criteria against which all audits and reviews of historical financial information, and other assurance and related services audits should be evaluated for the purpose of determining whether an audit quality control review should be performed in each instance; and</p> <p>b. require the performance of an audit quality control review for all audits meeting the criteria established with (a) above.</p> <ul style="list-style-type: none"> <li>• Does the SAI's policies and procedures require the completion of the audit quality control review before the report is issued?</li> <li>• Does the SAI establish policies and procedures setting out:               <ol style="list-style-type: none"> <li>a. the nature, timing and extent of an audit quality control review;</li> <li>b. criteria for the eligibility of audit quality control reviewers; and</li> <li>c. documentation requirements for an audit quality control review.</li> </ol> </li> </ul> <p><b>Nature, Timing and Extent of the Audit Quality Control Review</b></p> <ul style="list-style-type: none"> <li>• Does the audit quality control review include an objective evaluation of:               <ol style="list-style-type: none"> <li>a. the significant judgments made by the audit team relating to materiality and significant risks;</li> <li>b. whether working papers selected for review reflect the work performed in relation to the significant judgments, and support the conclusion reached in formulating the report;</li> <li>c. the appropriateness of the report to be issued;</li> <li>d. other significant matters that have come to the attention of the audit quality control reviewer;</li> <li>e. significant risks identified during the audit and responses to those risks;</li> <li>f. whether the appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters;</li> <li>g. the significance and disposition of corrected and uncorrected misstatements identified during</li> </ol> </li> </ul>				

	YES	NO	N/A	COMMENT
<p>the audit; and</p> <p>h. the matters to be communicated to management and those charged with governance and other applicable parties.</p> <p><b>Criteria for the Eligibility of Audit Quality Control Reviewers</b></p> <ul style="list-style-type: none"> <li>• The SAI's policies and procedures on the eligibility of audit quality control reviewers should address:               <ul style="list-style-type: none"> <li>a. the technical qualifications required to perform the role, including the necessary experience and authority; and</li> <li>b. the degree to which the audit quality control reviewer can be consulted on the audit without compromising his or her objectivity.</li> </ul> </li> </ul> <p><b>Documentation of the Audit Quality Control Review</b></p> <p>Do the Policies and procedures on documentation of the audit quality control review include evidence that:</p> <ul style="list-style-type: none"> <li>a. the procedures required by the SAI's policies on audit quality control review have been performed;</li> <li>b. the completion of the audit quality control review before the issuance of the report; and</li> <li>c. that there are no unresolved matters that have come to the attention of the audit quality control reviewer that would cause the audit quality control reviewer to believe that the audit was not performed in accordance with professional standards and applicable regulatory and legal requirements.</li> </ul>				

<b>IV. INTERNAL GOVERNANCE</b>	The A-G and audit top managers 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 the SAI should assume ultimate responsibility for the system of quality control.			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENT</b>
<b>REF: ISQC 1 par 9 – 13</b> <b>ASOSAI AQMS- Appendix A, Chapter 4 (Audit Performance) and Chapter 6 Continuous Improvement</b>				
<b>Leadership and direction</b>				
1. Does the SAI set the appropriate tone and direction for the organisation? Such as Accountability, Integrity and Reliability				
2. Does the SAI have a stated vision and mission?				
3. Does the SAI have short- and long-term goals? Please state them here.				
4. Does the SAI emphasise and promote continuous improvements? Please verify through speech texts and minutes of meetings.				
5. Does the SAI have a Standard on Quality and Continuous Improvements?				
6. Does the SAI establish policies and procedures designed to promote an internal culture based on the recognition that quality is essential in performing engagements? Such policies and procedures should require the SAI Head (or equivalent) or SAI managing board member (or equivalent), to assume ultimate responsibility				



	YES	NO	N/A	COMMENT
for the SAI's system of quality control?				
7. Does the SAI continuously inspire its staff to comply with the approved standards and procedures and make their best efforts to deliver quality services and products?				
<b>Strategic and Operational Planning</b>				
8. Does the SAI have a strategic plan?				
9. Does the SAI have an operational plan?				
10. Are the plans meeting their objectives? Please compare a sample plans' objectives with achievements.				
11. Is there a mechanism to measure the achievement?				
12. Are the staff at various levels aware of the plans? Please test check with a sample of staff from various levels.				
13. Do the Head of SAI and other top managers have a constructive quality assurance dialogue with the heads of audit functions about audit work being done in the units/sections? Please ask for relevant minutes of meetings.				
14. Do the Head of SAI and other top managers decide what audits should be commenced? Please verify with relevant minutes of meetings.				
15. Do the top managers set important quality requirements for the audit? Examples of some important quality control requirements include timeliness and compliance to audit methodology and standards. A checklist				

	YES	NO	N/A	COMMENT
<p>of the requirements should indicate the quality expectations from the audit engagement.</p> <p>Please consider matters such as the existence of a top manager's checklist.</p>				
<p>16. Do the heads of the units/sections maintain and improve the quality of work through a quality improvement plan? Consider quality factors such as:</p> <ol style="list-style-type: none"> <li>1. Ongoing training programme</li> <li>2. Implementation of new knowledge</li> <li>3. Management of post audit projects for follow-up purposes</li> <li>4. Recruitment of new people</li> <li>5. Use of highly skilled section managers</li> <li>6. Improvement of the quality in audit recommendations</li> <li>7. Individual auditor training plan in place</li> <li>8. Competence plan for the audit function</li> <li>9. System for organisational learning in place</li> </ol>				

	YES	NO	N/A	COMMENT
<p>17. Does the SAI encourage a culture of quality through such means as:</p> <ol style="list-style-type: none"> <li>1. Formal or informal dialogue</li> <li>2. Mission statements</li> <li>3. Newsletters</li> <li>4. Briefing memoranda</li> </ol>				
<p>18. Do the heads of the units/sections have a constructive quality assurance dialogue with top managers about audit work being done?</p> <p>Consider matters such as:</p> <ol style="list-style-type: none"> <li>1. Ongoing discussions during the audit work</li> <li>2. Discussion of audit findings</li> <li>3. Audit team included in the discussions</li> </ol>				
<p>19. Are the SAI's policies and procedures addressing performance evaluation, compensation, and promotion designed to demonstrate the SAI's overriding commitment to quality?</p>				

	YES	NO	N/A	COMMENT
<p><b>Oversight and Accountability</b></p> <p>20. Are mechanisms in place to assess if the SAI has achieved its mandatory obligations?</p> <p>Such mechanisms may include:</p> <ol style="list-style-type: none"> <li>1. Survey</li> <li>2. Study</li> <li>3. Peer reviews</li> <li>4. Feedback from parliament</li> <li>5. Research</li> </ol>				
<p>21. Acceptance and Continuance of Auditees' Relationships and Specific Audits</p> <p>Does the SAI establish policies and procedures for acceptance and continuance of non-statutory auditee relationships and specific audits, designed to provide it with reasonable assurance that it undertakes or continues only those relationships and audits where it:</p> <ol style="list-style-type: none"> <li>a. has considered the integrity of the auditee and does not believe that the auditee lacks integrity</li> <li>b. is competent to perform the audit and has the resources to do so; and</li> <li>c. can comply with ethical requirements including those relating to independence where applicable?</li> </ol> <p>22. Does the SAI obtain such information as it considers necessary in the circumstances before accepting a non-mandatory audit, and when deciding whether to continue an existing audit, and when considering acceptance of a new audit with an existing auditee? Where issues have been identified, and the SAI decides to accept or continue the auditee relationship or a specific audit, it should document how the</p>				

	YES	NO	N/A	COMMENT
issues were resolved.				
<p>23. Where the SAI obtains information that would have caused it to decline a non-mandatory audit if that information had been available earlier, policies and procedures on the continuance of the audit and the auditee relationship should include considerations of:</p> <p>a. the professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the SAI to report to the person or persons who made the appointment or, in some cases, to regulatory responsibilities; and</p> <p>b. the possibility of withdrawing from the audit or from both the audit and the auditee relationship.</p>				
24. Does the SAI report on its performance?				
25. Does the SAI publish its annual report?				
26. Does the SAI make its annual report public?				
<p>27. If yes, does it use any of the means below?</p> <p>1. Through its website</p> <p>2. Newspapers</p> <p>3. Circulation of copies to stakeholders</p>				
28. Is the performance report of the SAI audited?				
29. Are the SAI's accounts externally audited?				
30. Does the SAI voluntarily participate in peer/external reviews?				
<b>Code of Conduct</b>				
31. Is there a documented Code of Ethics, adapted				

	YES	NO	N/A	COMMENT
to the SAI's environment, in place covering the issues in INTOSAI Code of Ethics?				
32. Is the above code adhered to?				
33. Are there procedures to ensure that the Code of Ethics is adhered to?				
34. Does the SAI ensure that all auditors comply with the SAI's requirements which relate to integrity, objectivity, professional competence and due care?				
<b>Complaints and Allegations</b>				
35. Does the SAI have procedures to handle complaints & allegations concerning failures to comply with professional standards and regulatory requirements of non-compliance with the SAI's system of quality control?				
36. Does the SAI do follow-ups and investigate all complaints and allegations?				
<b>Quality Assurance</b>				
37. Does the SAI evaluate the effect of deficiencies noted as a result of the monitoring process and determine whether they are either:  a. instances that do not necessarily indicate that the SAI's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and regulatory and legal requirements, and that the reports issued by the SAI are appropriate in the circumstances; or b. systemic, repetitive or other significant deficiencies that require prompt corrective action?				
38. Does the SAI communicate to relevant audit directors and team leaders and other appropriate personnel deficiencies noted as a				

	YES	NO	N/A	COMMENT
<p>result of the monitoring process, and recommendations for appropriate remedial action?</p> <p>39. Does the SAI's evaluation of each type of deficiency result in recommendations for one or more of the following:</p> <ul style="list-style-type: none"> <li>a. taking appropriate remedial action in relation to an individual audit or auditor;</li> <li>b. the communication of the findings to those responsible for training and professional development;</li> <li>c. changes to the quality control policies and procedures; and</li> <li>d. disciplinary action against those who repeatedly fail to comply with the policies and procedures of the SAI?</li> </ul>				
40. To what extent does the SAI implement effective Quality Assurance (QA) processes for the SAI's work?				
41. Is there a Quality Assurance system in place?				
42. Is there a dedicated unit responsible for QA?				
43. Is the QA system addressing all dimensions of the SAI?				
44. Are QA results used to improve performance of the SAI?				
45. Does the SAI have a QA manual?				
46. Do the QA plans get submitted on time?				
47. Does the QA plan comply with the strategy for the selection of files?				
48. Does the QA plan comply with the strategy on the identification and selection of reviewers?				

	YES	NO	N/A	COMMENT
49. Have all QA reviewers been adequately trained?				
50. Can all QA reviewers prove that they regularly undergo continuous professional development to ensure that they are technically up-to-date?				
51. Does the selection include an adequate mix of files?				
52. Was adequate care taken to keep the selection of files confidential to prevent “window-dressing”?				
53. Are the QA reviews carried out in accordance with the quality review plan?				
54. Are the QA reviews carried out using the approved questionnaires?				
55. Are the results of each of the reviews discussed with :  1. Audit management  2. The audit team				
56. And were all differences resolved?				
57. Are the outcomes of the reviews adequately addressed in action plans, which in turn feed back into the Unit’s strategic plans?				
58. Is there proof of follow-up of the action plans of the previous year?				



	YES	NO	N/A	COMMENT
<p>59. Is an annual report prepared detailing the following:</p> <ol style="list-style-type: none"> <li>1. A description of the monitoring procedures performed</li> <li>2. Conclusions drawn</li> <li>3. Description of repetitive or other significant deficiencies</li> <li>4. Action taken to resolve or amend those deficiencies.</li> </ol>				
60. Does an independent body carry out an annual evaluation of the SAI's Quality Review programme?				
<b>REF: ISQC1 par 42 – 46</b>				
<b>Is the scheduling of staff done with due regard for the required and available competencies?</b>				
61. Are all staff conversant with all new and revised audit standards?				
62. Are staff conversant / up-to-date with the latest audit methodology?				
63. Are staff conversant with all SAI guidelines?				
64. Do all staff have access to up-to-date audit standards documentation, SAI approach documentation and guidelines and other relevant documentation?				
62. Are staff complying with the requirements of Continued Training (CT)?				

	YES	NO	N/A	COMMENT
65. Do all staff possess knowledge of the relevant sectors in which the clients operate?				
66. Do the staff display knowledge of the SAI's control policies and procedures?				

<b>V. Corporate Support</b>	The SAI should optimally manage its finances to ensure timely delivery of support services and infrastructure to its departments/divisions/sections.			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENT</b>
<b>Ref: ASOSAI AQMS para 2.2</b> <b>Financial resources</b>				
1. Does the SAI have a short term financial resource planning?				
2. Is the budgeting process integrated into your annual plan?				
3. Does the SAI have regular reviews of your budget?				
4. Does the SAI financial practice lead to relatively accurate financial projections?				
5. Does the SAI have a sufficient number of qualified staff for financial management?  If not completely, then how many qualified staff for financial management does the SAI need?				
6. Does the SAI keep adequate financial records and accounts?				
7. Is the SAI financial report used for planning and review purposes?				
<b>Infrastructure</b>				
8. Does the SAI own office premises?				

	YES	NO	N/A	COMMENT
9. Does the SAI have sufficient office space?				
10. Is the lighting condition appropriate in the SAI's office?				
<b>11. Does the SAI have well-equipped meeting rooms?</b> Multimedia-PA system, Projector  1. Computer  2. Telephone  3. Chairs and table  4. White board  5. Flip Charts	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENT</b>
12. Does the SAI have well-equipped training rooms?				
13. Are the SAI Department/ Division Sections located together?				
<b>Technology</b>				
14. Is the SAI computerised?				

	YES	NO	N/A	COMMENT
<p>15. Which of the following functions are computerised in the SAI?</p> <ol style="list-style-type: none"> <li>1. Payroll</li> <li>2. Finance</li> <li>3. Audit Planning</li> <li>4. Asset Management</li> <li>5. Archiving system</li> <li>6. None of the above</li> </ol>				
<p>16. Are the Desktop Computers and Laptops used for daily work by all users?</p>				
<p>17. What type of Internet access does the SAI have?</p> <ol style="list-style-type: none"> <li>1. Broadband <input type="checkbox"/></li> <li>2. Dial-up <input type="checkbox"/></li> <li>3. Not at all <input type="checkbox"/></li> </ol>				
<p>18. Who has access to the Internet?</p> <ol style="list-style-type: none"> <li>1. Senior management only</li> <li>2. Senior and middle management</li> <li>3. All staff and management</li> </ol>				

	YES	NO	N/A	COMMENT
19. Does the SAI have internal IT support staff?				
20. Are the IT personnel professionally qualified? Please check a sample of the IT personnel background qualification.				
21. Does the SAI offer internal IT training and development programmes?				
22. Does the SAI have a Local Area Network?				
23. Does the SAI have photocopying equipment and facilities?				
24. Does the SAI have a Wide Area Network?				
25. Does the SAI's technology meet auditors' needs? Please conduct a focus group for discussion on this topic before concluding.				
<b>Support Services</b>				
26. Which of the following support services do you have in your SAI?  6.1 Security  6.1 Maintenance  6.1 Transportation  6.1 Secretarial  6.1 Others: _____				

	YES	NO	N/A	COMMENT
27. Are these Support Services provided in a timely manner?				
28. Does the SAI have adequate security measures to safeguard your facility?				

<b>VI. CONTINUOUS IMPROVEMENT</b> <b>Ref: ASOSAI AQMS Chapter 6</b>	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.			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>	<b>COMMENT</b>
<b>Professional Staff Development</b>				
1. Is there proof of detailed training needs' identification taking place on a regular basis?				
2. Are the training needs that are identified during the quality control reviews: <ul style="list-style-type: none"> <li>a. Communicated to the relevant training staff?</li> <li>b. Contained in the training business plan for the next year?</li> </ul>				
3. Is there proof of success measurement against the training business plans?				
4. Is there proof of proper manpower planning?				
5. Is there proof of proper career planning?				
6. Is there proof of development (including the scheduling of staff for audits) taking place in line with this planning?				
7. Does the SAI ensure that auditors attending training programmes or courses have applied the knowledge gained?				
8. Does the SAI ensure that the auditor's knowledge gained via different training programmes (education programmes) is being successfully used in the audit?				
9. Does the auditor receive guidance during the audit (including guidance from Head of a Unit, mentor, and team members)?				



10. Does the SAI evaluate the current level of knowledge on a regular basis to determine current and future personal and organisational needs?				
11. Does the SAI communicate the knowledge needs that are considered in the training plan for the next year?				
12. Does the SAI ensure that knowledge needs are considered in the training plan for the next year?				
13. Is the effectiveness of the training plans evaluated?				
14. Is there an annual training service agreement on individual auditor basis in place?				
15. Are there procedures for on-the-job training?				
16. Is on-the-job training provided for each auditor?				
17. Is the provided on-the-job training documented?				
18. Do the audit managers design the composition of teams and needs of the staff?				
<b>Research and Development</b>				
19. Does the SAI have a Research and Development (R&D) division?				
20. Has the SAI formulated a short and/or long term R&D plan?				
21. Have any research studies being done to enhance the effectiveness of the SAI?				
22. Does the SAI have sufficient funding for research?				

<b>Organisational Development</b>				
23. Does the SAI review and redefine organisational structure in accordance with strategy and environment?				
24. Does the SAI organisational structure clearly define lines of authority and responsibility?				
25. Does the SAI encourage staff to participate in improving the organisation?				
<b>Change Management</b>				
26. Does the SAI have a change management unit or section?				
27. Does the SAI have a change management plan?				
28. Does senior management provide sufficient support in implementing a change management plan?				
29. Does the SAI have sufficient resources to carry out change management process?				
30. Does the SAI effectively involve HR in change management?				
31. Does the SAI reinforce change with job descriptions?				
32. Does the SAI have a plan to address change management resistance?				

<b>VII. EXTERNAL STAKEHOLDER RELATIONS</b>	Sustain effective working relationships and communication with external stakeholders to ensure a higher impact of SAI's audit reports and services.
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	YES	NO	N/A	COMMENT
<b>Ref: ASOSAI AQMS Chapter 5</b>				
1. Does the SAI have a strategy for establishing and maintaining effective working relations with external stakeholders?				
2. Does SAI have a formalised mechanism to follow up on feedback on its performance received informally or formally from external stakeholder?				
<b>Parliament / Head of State / Head of Executive</b>				
3. Please circle the entity (Parliament/Head of State/Head of Executive) that the SAI primarily reports to/is affiliated with. Is the relation with the entity indicated set down in law, or some other legislation?				
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 indicated on its performance?				

<p>9. To what extent do the Executives implement Public Accounts Committee's or its equivalent's recommendations?</p> <p>1. Completely</p> <p>2. To a large extent</p> <p>3. To a little extent</p> <p>4. Not at all</p>				
<p><b>Audited Entities</b></p>				
<p>10. Is the role of the SAI appreciated by the audited entities? This can be established through a customer satisfaction survey by the SAI.</p> <p>1. Completely</p> <p>2. To a large extent</p> <p>3. To a little extent</p> <p>4. Not at all</p>				
<p>11. Does the SAI have a policy for communicating with audited entities?</p>				
<p>12. What is the extent of response of audited entities to your SAI?</p> <p>1. Completely</p> <p>2. To a large extent</p> <p>3. To a little extent</p> <p>4. Not at all</p>				
<p>13. What is the extent of the acceptance of the audit recommendations?</p> <p>1. Completely</p>				

2. To a large extent 3. To a little extent 4. Not at all				
14. What is the extent of the implementation of the audit recommendations? 1. Completely 2. To a large extent 3. To a little extent 4. Not at all				
15. Is the audited entity given a reasonable opportunity to respond to the 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 bodies on the quality of its work, staff and systems?				
19. Are SAI staff trained in communicating effectively with audited entity?				
<b>Internal Audit</b>				
20. Does the SAI have an internal audit department or equivalent?				
21. Does the internal audit department report to the head of the SAI directly?				
22. Does the internal audit department have a				

charter?				
23. Does it have qualified personnel?				
<b>The media and the public</b>				
24. Are audit products made public?				
25. Does your 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. Are professionally qualified members of the SAI encouraged to play active roles in their professional associations?				
<b>Professional associations and private sector auditors</b>				
31. Does the SAI have professional relations with other professional institutions and private sector auditors?				
32. Are there formal liaison meetings between a senior member of the SAI and the relevant professional associations on a regular basis?				
33. Are there arrangements for secondments between staff in the SAI and in private sector auditing firms?				

34. Does the SAI contract out a proportion of its audits to private sector auditors to enable it to benchmark its costs and processes?				
<b>Consultation</b>				
35. Has the SAI designed policies and procedures to ensure that appropriate consultation takes place on difficult and contentious issues?				
36. Do the audit team and management have access to experts either within the SAI or outside, pertaining to areas such as information technology, taxation, technical, etc?				
37. Is there proof of consultation with other management members in instances of high risk / uncertainty (peer reviews)?				
38. Is there a technical department responsible for research into complex technical or public sector specific matters?				
39. Are internal technical publications being prepared on a regular basis?				
40. Are all technical publications adequately circulated?				
<b>Peers (SAIs and regions)</b>				
41. Does your SAI have cooperation arrangements with other SAIs?				
<b>Aid Donors</b>				
42. Does your SAI deal with any donor agencies?				
43. Does the SAI meet regularly with donor agencies to identify what external audits need to be done and when?				
44. Are there mechanisms which a SAI can undertake such that it can become the auditor				

of first choice by donor agencies?				
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<b>VIII. RESULTS</b> <b>ISSAI 400 INTOSAI Auditing</b> <b>Standards- Reporting</b>	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 reports (and other products, if any)?				
4. Does the SAI follow up on its performance measurement results?				
<b>Outputs</b>				
5. Are the products delivered by the SAI in accordance with its audit mandate?				
6. Does the SAI have targets with regard 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 its products?				
12. To what extent is the SAI is able to meet its targeted outputs?				
<b>Impact</b>				
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 3D

### Element-wise suggested methods

#### 1. Independence and Legal Framework

	QA Element	Sources	Methods
1	Independence	<ul style="list-style-type: none"> <li>◆ The Constitution</li> <li>◆ Specific Audit Legislations</li> </ul>	Document Review, Focus Groups
2	Mandate	<ul style="list-style-type: none"> <li>◆ The Constitution and other enabling Acts</li> <li>◆ Specific Act for the SAI.</li> <li>◆ Websites</li> </ul>	Document Review, Interviews, and Browsing

#### 2. Human Resources

	QA Element	Source	Method
1	Recruitment	<ul style="list-style-type: none"> <li>◆ Auditing Standards relating to resources and recruitment</li> <li>◆ Human Resources rules, policies and guidance</li> <li>◆ Conditions of Service of Salaries Commission</li> </ul>	Document Review, Interviews, Focus Group Discussions, and Document Review
2	Retention	<ul style="list-style-type: none"> <li>◆ SAI Policy on retention of staff</li> <li>◆ The head of the SAI</li> <li>◆ SAI Staff</li> </ul>	Interview, Survey Group Discussions
3	Career Development	<ul style="list-style-type: none"> <li>◆ SAI Auditing Standards relating to Training</li> <li>◆ Strategic Plan &amp; Training Plan of the SAI</li> </ul>	Document Review Interviews Focus Group Discussions

	QA Element	Source	Method
		<ul style="list-style-type: none"> <li>◆ Human Resources Policies and Guidelines</li> <li>◆ Training Policies and Guidelines</li> </ul>	Browsing
4	Well Being	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> <li>◆ Activities of the Staff Welfare Unit/Branch</li> <li>◆ SAI Staff</li> </ul>	Interview Document Review Group Discussions
5	Performance Management	<ul style="list-style-type: none"> <li>◆ Performance Appraisal System</li> <li>◆ Human Resources Policies and Guidance</li> <li>◆ Counselling, Guidance and Monitoring Processes</li> <li>◆ Professional Development through such means as on-the-job training, self-directed studies, internal and external assignments</li> </ul>	Document Review, Interviews, Focus Group Discussions, Browsing, Physical Observation, and Survey

### 3. Audit Methodology and Standards

	QA Element	Source	Method
1	Standards	<ul style="list-style-type: none"> <li>◆ Audit Manuals and Reports</li> <li>◆ INTOSAI Standards</li> <li>◆ ISA Standards</li> </ul>	Document Review, Browsing, and Interviews
2	Manuals and Guidance	<ul style="list-style-type: none"> <li>◆ Audit Manuals</li> <li>◆ Audit Policy Instructions and Guidance</li> <li>◆ Staff</li> </ul>	Document Review, Browsing, and Focus Group Discussions

	QA Element	Source	Method
3	Tools	<ul style="list-style-type: none"> <li>◆ SAI Staff</li> <li>◆ Audit Working Papers</li> </ul>	Document Review, Interviews, and Focus Group Discussions

#### 4. Internal Governance

	QA Element	Source	Method
1	Leadership and Direction	<ul style="list-style-type: none"> <li>◆ Strategic Plan, Acts &amp; Constitution</li> <li>◆ Annual Activity/Performance Report</li> <li>◆ Auditing Standards of the SAI</li> <li>◆ Code of Corporate Governance</li> </ul>	Document Review, Interviews, and Focus Group Discussions
2	Strategic and Operational Planning	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> <li>◆ Annual Audit Plans</li> </ul>	Document Review, Browsing, and Focus Group Discussions
3	Oversight and Accountability	<ul style="list-style-type: none"> <li>◆ Office Instructions Manual</li> <li>◆ SAI Annual Audit Report</li> <li>◆ SAI Annual Activity Report</li> </ul>	Document Review, Browsing, Interviews, and Focus Group Discussions
4	Code of Conduct	<ul style="list-style-type: none"> <li>◆ Code of Ethics for Public Officers</li> <li>◆ INTOSAI Code of Ethics</li> </ul>	Document Review, Browsing, and Focus Group

	QA Element	Source	Method
			Discussions
5	Quality Assurance	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> <li>◆ Organogram</li> </ul>	Document Review, Browsing, and Interviews
6	Internal Controls	<ul style="list-style-type: none"> <li>◆ Office Instructions Manual</li> <li>◆ Organogram</li> </ul>	Document Review, Browsing, and Interviews

### 5. Corporate Support

	QA Element	Source	Method
1	Financial Resources	<ul style="list-style-type: none"> <li>◆ Annual Estimates</li> <li>◆ Procedure Manual for preparing Budget for the SAI</li> </ul>	Document Review and Focus Group Discussions
2	Infrastructure	<ul style="list-style-type: none"> <li>◆ Annual Activity Report</li> <li>◆ SAI Staff</li> </ul>	Document Review, Interviews, and Focus Group Discussions Observation
3	Technology	<ul style="list-style-type: none"> <li>◆ Annual Activity Report</li> <li>◆ SAI Staff</li> </ul>	Document Review, Browsing, Focus Group Discussions, and Observation
4	Support Services	<ul style="list-style-type: none"> <li>◆ Annual Activity Report</li> <li>◆ SAI Staff</li> </ul>	Document Review, Interviews, and

QA Element	Source	Method
		Focus Group Discussions

## 6. Continuous Improvement

	QA Element	Source	Method
1	Professional Staff Development	<ul style="list-style-type: none"> <li>◆ Annual Audit/Activity Report</li> <li>◆ Strategic Plan</li> <li>◆ Continuous Professional Development Policy Document</li> <li>◆ SAI Staff</li> </ul>	Document Review, Browsing, Interviews, Focus Group Discussions, and Observation
2	Research and Development	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> <li>◆ Organogram</li> <li>◆ Budget</li> </ul>	Same as above
3	Organisational Development	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> </ul>	Same as above
4	Change Management	<ul style="list-style-type: none"> <li>◆ Strategic Plan</li> <li>◆ Activity Report</li> <li>◆ Any Policy Document</li> </ul>	Same as above

## 7. External Stakeholder Relations

	QA Element	Source	Method
1	Audited Entities	<ul style="list-style-type: none"> <li>◆ Communication Strategy</li> </ul>	Document Review,

	QA Element	Source	Method
		<ul style="list-style-type: none"> <li>◆ Annual Audit Report</li> <li>◆ Annual Activity Report</li> <li>◆ Strategic Plan</li> </ul>	Browsing, Interviews, and Focus Group Discussions
2	Parliament/Head of State/Head of Executive	<ul style="list-style-type: none"> <li>◆ Annual Audit Report</li> <li>◆ PAC Reports</li> </ul>	Document Review, Interviews, and Focus Group Discussions
3	Public	<ul style="list-style-type: none"> <li>◆ Annual Audit Reports</li> <li>◆ The head of SAI</li> <li>◆ Media</li> </ul>	Document Review, Interviews, and Focus Group Discussions
4	Peers	<ul style="list-style-type: none"> <li>◆ Annual Audit Reports</li> <li>◆ Annual Activity Reports</li> <li>◆ Media</li> </ul>	Same as above
5	Donors	<ul style="list-style-type: none"> <li>◆ Assessment Reports conducted by Donors, Peers etc.</li> </ul>	Document Review and Interviews
6	International Organisations	<ul style="list-style-type: none"> <li>◆ Annual Audit Reports</li> <li>◆ Annual Activity Reports</li> <li>◆ Websites &amp; Media</li> </ul>	Document Review, Browsing, and Interviews
7	Media	Same as above	Same as above
8	Professional and Academic Institutions	Same as above	Same as above



## 8. Results

	QA Element	Source	Method
1	Output (Quality, Quantity)	<ul style="list-style-type: none"> <li>◆ Annual Audit Report of the SAI</li> <li>◆ Performance Report of SAI</li> <li>◆ PAC Resolutions</li> <li>◆ Parliament and Other Stakeholders</li> </ul>	Document Review, Browsing, and Interviews
2	Impact	<ul style="list-style-type: none"> <li>◆ Audit Follow Up Report</li> <li>◆ Annual Audit Report</li> <li>◆ Audit Performance Reports</li> <li>◆ Auditees, PAC Members</li> </ul>	Document Review, Browsing, Interviews, and Focus Group Discussions

## **Appendix 3E**

### **GUIDING LIST OF DOCUMENTS TO BE USED DURING THE DOCUMENT REVIEW:**

#### **INDEPENDENCE AND LEGAL FRAMEWORK**

- Constitution of the country with reference to articles referring to the external audit function
- Specific Audit Legislation
- By-laws and regulations
- Public Financial Management legislation
- Any other documents that could clarify the mandate and legal basis of the Supreme Audit Institution (SAI).

#### **HUMAN RESOURCES**

- Human Resource Management policy documents
- Conditions of service
- Minimum qualification framework for new appointments
- Scheme of Service
- Performance Appraisal manual
- Recruitment and selection procedures
- Succession planning manual
- Promotion policy, rules and regulations
- Performance assessment results of the past three years per job level
- Copy of the organisational structure of the SAI
- Staff retention policy

- Promotion policy
- Career development policy
- List of qualifications of staff
- Assessment results of staff for the last three years
- Staff well being policy.

### **AUDIT METHODOLOGY AND STANDARDS**

- Auditing standards of the SAI (all types of audits conducted)
- Audit manuals and guides of the SAI (all disciplines)
- Documents of the technical review process of the SAI
- Audit files (samples) of different types of the audit
- Audit reports (sample) of different types of the audit
- Documents relevant to audit tools used by the SAI.

### **GOVERNANCE**

- Annual report
- Strategic plan
- Operational plan
- Delegations and management framework
- Code of conduct of the SAI
- Quality Assurance manual
- Internal audit reports
- External audit report
- Report on the performance report (activity report)
- Peer review reports (if any)
- Self assessments (if any).

## **CORPORATE SUPPORT**

- Budget
- Procedure manual for preparing a budget for the SAI
- Information Communication and Technology (ICT) strategic plan
- Asset register
- IT inventory
- Management Information System (MIS) manual
- MIS reports (sample).

## **CONTINUOUS IMPROVEMENT**

- Training plan of the SAI
- Training manuals
- Training courses (sample)
- Annual training reports
- List of research projects the SAI has approved for the next year/two years
- Co-operation agreements with professional associations
- Continuous professional development (CPD) programme of the SAI
- Change management strategy of the SAI.

## **EXTERNAL STAKEHOLDER RELATIONS**

- Communication strategy
- Press release (sample)
- Public Accounts Committee (PAC) (or similar body) reports and resolutions
- Previous assessment reports conducted by donors / peers / self assessment
- Stakeholder survey results
- Media clips
- Website address of the SAI.

## RESULTS

- Performance report of the SAI
- General report of the SAI
- Activity report of the SAI
- Individual audit reports
- Benchmarks in the SAI
- Constitutional review reports
- Public Accounts Committee (PAC) resolutions
- Peer review reports (if any)
- Any sources that might indicate impact.

## Appendix 3F

### PHYSICAL OBSERVATION

#### PHYSICAL OBSERVATION CHECKLIST FOR EXISTENCE OF INFRASTRUCTURE

Name of SAI: \_\_\_\_\_

Observation by: \_\_\_\_\_

Date : \_\_\_\_\_(dd/mm/yy)

#### Instructions:

The checklist questions below refer either to the existence of material and infrastructure or the appraisal of situations, things and behaviours.

- When responding to Existence questions, please check yes or no cases (in Existence column).
- When responding to an appraisal question (sufficiency, adequacy, convenience, human behaviours) please check cases 1 to 5 in the ranking column.
- (Notes: **1** - unacceptable, **2** - poor, **3** - good, **4** - very good, **5** - excellent).
- In case you have any remark, please post it in the appropriate remark column.

No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
<b>A</b>	<b>Physical work environment</b>								
	<b>Offices' convenience</b>								
	There is sufficient room space.								
	Office rooms are well organised.								
	Work areas are clean.								
	Work areas are tidy.								
	Work areas are free from sound.								
	Room temperature is adequate.								
	Furniture is efficiently arranged.								
	Lighting condition in work areas is adequate.								
	Storage equipment exists for all staff.								
	Storage spaces for all staff are adequate.								
	<b>Common space and commodities</b>								
	Waiting areas for visitors exist.								

No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
	Waiting areas for visitors are convenient.								
	Drinking water facilities exist.								
	Drinking water facilities are convenient.								
	Rest rooms exist.								
	Rest rooms are conveniently situated.								
	Parking facilities exist.								
	Parking facilities are convenient.								
<b>Training rooms</b>									
	Training rooms exist.								
	Training rooms are well equipped.								
<b>Meeting rooms</b>									
	Meeting rooms exist.								
	Meeting rooms are well equipped.								
<b>Security</b>									
	Security checkpoint exists prior to office access.								



No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
	Fire security exists.								
<b>Location</b>									
	Departments/divisions/sections are efficiently located.								
<b>Library and Archives</b>									
	Space is sufficient.								
	Library is well organised.								
	Access to library is easy.								
	Categories and numbers of books are sufficient.								
	Library is clean.								
	Permanent files exist.								
	Audit Reports exist.								
	Courseware exists.								
	Borrowed materials are controlled and followed-up.								
	Access to confidential information is controlled.								
<b>B- Stationery, tools and equipments</b>									

No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
<b>Stationery</b>									
	Stationery supplies for all staff members are sufficient.								
<b>Technology</b>									
	Number of desktop computers and laptops is sufficient.								
	Anti-virus protection exists.								
	Internet access for all the staff exists.								
	Internet access is easy.								
	Intranet exists.								
	Printers exist.								
	Printers are sufficient.								
	Printers are effective.								
	Photocopying facilities exist.								
	Photocopying facilities are convenient.								
	Relevant software exists.								
	Fax machines exist.								
	Fax machines are effective.								

No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
	Telephones for internal communication exist.								
	Telephones for internal communication are effective.								
	Telephones for external communication exist.								
	Telephones for external communication are effective.								
	Control for minimising misuse of computers and other costly equipment (Fax, international calls, mobile phones, etc.) are effective.								
<b>C- Guidance Document</b>									
	Audit Manuals exist.								
	Audit Manuals are sufficient.								
	Audit Toolkits exist.								
	Audit Toolkits are sufficient.								
	Auditing Standards exist.								
	Audit Laws exist.								
	Office Procedures Manuals								

No	Checklist description	Existence		Ranking					Remarks
		Yes	No	1	2	3	4	5	
	exist.								
	Office Procedures Manuals are sufficient.								

## Appendix 3G

### GUIDANCE DOCUMENTS RELATING TO FOCUS GROUP

#### DEFINITION

A focus group can be defined as a group of interacting individuals having some common interest or characteristics, brought together by a moderator/facilitator, who use the group and its interaction as a way to gain information about a specific or focused issue. The moderator/facilitator is any credible person whose main task is to lead the process/discussion in order to arrive at the objective of the focus group.

Focus groups, as differentiated from interviews, are more of a discussion method where participants have more opportunities of interacting between themselves and among the groups, led by the moderator/facilitator. The discussion focuses on the key questions, usually limited in number as opposed to interviews where questions asked are significantly more in number.

#### PURPOSE

The Focus group as a technique is particularly well suited for gaining an insight into certain issues. Hence, the participants should be chosen based on their ability to provide specialised knowledge or insight into the issue under study.

For assessing the needs of a particular organisation, the purpose of the study would be to identify what the current situation is in that organisation, and its vision. The resulting information would then be compared to get a picture of what the capacity building needs of that organisation are.

## STRENGTHS

Focus groups provide several advantages and limitations over other approaches used to gather needs assessment/information. Among their advantages are the following:

- Researchers can interact directly with respondents (allows clarification, follow-up questions, probing). Can gain information from non-verbal responses to supplement (or even contradict) verbal responses.
- Data uses respondents' own words; can obtain deeper levels of meaning, make important connections, and identify subtle nuances.
- Very flexible; can be used with wide range of topics, individuals, and settings.

## LIMITATIONS

Among its limitations are the following:

- The moderator/facilitator has less control over the group; less able to control what information will be produced.
- Produces a relatively wide variety of data and information, making data analysis more difficult.
- Small numbers and convenience sampling severely limit ability to generalise to larger populations.
- Requires carefully trained moderator/facilitator who is knowledgeable about group dynamics.
- Moderator/facilitator may knowingly or unknowingly bias results by providing cues about what types of responses are desirable.
- Uncertainties about the accuracy of what participants say.
- Results may be biased by presence of a very dominant or opinionated member; more reserved members may be hesitant to talk.
- Data analysis is often complex and time-consuming.
- The quality of the conduct of the focus group and the data and information gathered are dependent on the participants' qualifications and competencies.

## WHO SHOULD CONDUCT FOCUS GROUPS?

Conducting a focus group requires a high level of competence. The facilitator must possess facilitation techniques, discussion-leading skills; knowhow to write appropriate questions, and how to analyse qualitative data. The facilitator is primarily concerned with directing the discussion, keeping the conversation flowing, and taking minimal notes. The facilitator or moderator keeps the discussion focused without discouraging the sharing of ideas, and gets all members to contribute while making sure that one or two members don't dominate.

### **Moderators / facilitators should develop qualities outlined by Kvale (1996) and Fern (2001)**

- **Knowledgeable** – must be thoroughly familiar with the topics of the focus group.
- **Enthusiastic** – must value and like his or her role in the focus group, but must remain impartial.
- **Approachable** – must be able to blend in and make sure the group can relate to him or her.
- **Sensitive** – must be able to listen attentively to what is said and how it is said; be empathic.
- **Open and flexible** – must respond to what is important to the participants.
- **Critical** – must be able to politely challenge what is said. For example, you might question inconsistencies in participants' replies.

## TARGET AUDIENCE

Focus groups are composed of people (8-15) who are similar to each other on some specified criteria of interest. Homogeneity is determined by the purpose of the study and serves as the basis of invitation of participants.

Because the idea of focus groups is to take advantage of group interactions, it is important to use the information at the group level, not the individual level. Hence, the focus group may be:

- Senior management of the SAI (or those who participate in and have influence on the decision-making process in the SAI).
- Middle and lower level management of the SAI (audit team leaders, head of Training, etc.).
- External stakeholders.

It is possible to consider the possibility of inviting 1-2 representatives of the external stakeholders to the senior management focus group.

In the case of regional focus groups, it is possible to consider the possibility of inviting 1-2 representatives of the regional secretariat.

## **HOW TO CONDUCT / USE FOCUS GROUPS?**

Before the Actual Conduct of the Focus Group:

1. Clearly define the purpose of the exercise.
2. Specify qualifications of participants as to level and experience.
3. Develop the questions. Writing good questions is crucial, so revise them until they are clear and succinct. Use the following guidelines:
  - Ask questions that encourage description and depth.
  - Use simple, clear language. Use language participants understand. Avoid asking questions that have several possible meanings or questions that are so long that they are difficult to follow.
  - Avoid biased questions or questions that lead participants to answer in a particular way.
  - One concept per question. Questions addressing more than one concept may confuse participants, leading them to answer only one part of the question or to answer neither part. The solution is to separate two ideas into two questions.



- Choose relevant subjects.
  - Consider level and capability of target participants.
  - List areas to probe to ensure a wide coverage of the specific topics in all sessions.
4. Design and develop the materials to be used. Design discussion guide questions that are complete and concise and rewrite any question that might prompt a respondent to ask for clarification.
  5. Conduct a pilot test among a pre-defined target audience whose qualifications approximate those of the intended target audience.
  6. Revise and complete the discussion guide and all visuals preferably one day before its conduct.
  7. Check up on venue. Ensure that the venue is convenient, comfortable, and relaxing. Rooms with one-way mirrors, conference tables, and microphones hanging from the ceiling may make participants feel like they are performing, so make the setting informal, because people are more likely to open up if they feel at home.

### **During the actual conduct of the Focus Group**

Dressing appropriately for the venue will improve rapport. It is acceptable to wear blue jeans for a student focus group, but better to wear more professional attire among programme managers or administrators.

1. Begin by introducing yourself as the moderator/facilitator. If you are conducting the Focus Group with a co-facilitator, ask him likewise to introduce him or herself. Ask also the Recorder to introduce self, if any. Emphasise the roles that each person plays during the Focus Group – that of facilitating the sessions.
2. After the introduction, ask the group members to introduce themselves, or use an icebreaking exercise to get them involved. To preserve confidentiality and commonality, then ask members to introduce themselves by first name only and to avoid topics that emphasise differences in status that might threaten cohesion.
3. Consider following this agenda:
  - welcome the participants to the Focus Group;
  - discuss the purpose of the Focus Group;

- present the agenda or process map of what will be done; and
  - review administrative matters with the Group, if necessary.
4. Convey to the participants the expectations in terms of what the Focus Group should produce and tell everyone that all contributions will be valued and will remain confidential.
  5. Inform participants of your plan to record the sessions, if necessary.
  6. Facilitate the session and be guided by the following principles:
    - the major goal of your facilitation is to collect useful information to meet the goal or purpose of the Focus Group, i.e., capacity building needs assessment;
    - carefully word each question to be asked;
    - allow the groups a few minutes for each member to carefully record their answers. Then facilitate discussion around the answers to each question;
    - after each question is answered, carefully reflect back a summary of what you heard. This allows the other members of the Focus Group to hear the answers if they had missed them the first time; and
    - ensure even participation. If one or two people are dominating the discussion, attempt to call on others. Consider a round-table approach, including going in one direction around the table, giving each person a minute to answer the question. In most cases, the Moderator/Facilitator should be able to “read and feel” the group pulse.
  7. Summarise at appropriate points during the discussion by reviewing with the Group what has been said.
  8. Close the session by thanking the participants and ensuring them that they will be provided with a copy of the documentation of what transpired during the Focus Group.

### **Immediately after the conduct of the Focus Group**

1. Transcribe and analyse the data. A brief summary and analysis, highlighting major themes, is sufficient when decisions must be made quickly, the results are readily apparent, or the purpose of the group is purely exploratory.

2. Focus groups generate large quantities of data. It is important, therefore, to have a clear plan for special formatting that may be needed to meet the requirements of the project.
3. Make conclusions. Evaluate the results by how well they answer the study's central questions.
4. Disseminate results. To emphasise the importance of participants' contribution in the assessment and make future participation more likely, share the results with them, describing response patterns, general impressions, and how the results will be used.

### **WHEN TO CONDUCT FOCUS GROUPS**

1. Focus Groups should be conducted when we want to optimise the results of other research tools administered. Hence, they can be held after having gathered the different data and information resulting from other tools, mainly the survey questionnaire.
2. Focus Groups can also be a tool to assist in the development of surveys by identifying issues most relevant to potential respondents.

### **PRINCIPLES FOR PLANNING FOCUS GROUP MEETINGS**

1. Define the terms used so that all respondents have the same understanding of what is being asked.
2. Prepare the Focus Group script. The script determines the content of the discussion within each group. Hence, it should contain a list of probing questions designed to elicit answers to your broader study questions. These broader study questions are rarely asked directly in the focus group sessions. Instead, composing the script involves considerable thought about what specific probes would best get at the broader questions you want answered for the project.
3. The task of designing the materials and developing the questions usually takes much longer than one would expect, and therefore you might want to estimate the time you will need, and then double it.

4. Have your facilitator, colleagues, and appropriate members of your advisory committee participate in developing, reviewing, and editing the questions and documents.
5. Condensing, organising, and making meaning of focus group content as a result of questions asked is often the most time-consuming and expensive part of an evaluation, so consider how you will analyse data early in the study design process.
6. It is not appropriate for supervisors to facilitate groups with subordinates.

## Appendix 3H

# INTERVIEW

## INTRODUCTION

Conducting interviews is a common technique used for gathering information during needs assessments. To ensure comprehensiveness of a needs assessment, interviews should be preceded by a survey and, if possible, complemented by the use of other data and information gathering tools as well. The results of the survey should feed into the interview. It is important to recognise that the quality of the needs assessment is likely to be inadequate if only the interview tool is used for obtaining data and information on capacity building needs assessment.

## WHAT IS AN INTERVIEW

An interview is a data and information collection procedure in the form of a carefully planned set of questions that an interviewer asks a respondent to obtain in-depth ideas and perceptions on a topic of interest. With regard to needs' assessments, this is conducted to promote clarity and deeper understanding of the respondent's perception of capacity building needs of SAIs, and the associated strategies and challenges. Depending on the situation, there may be more than one interviewer and, in some cases, even more than one interviewee.

## PURPOSE OF INTERVIEWS

The overall purpose of an interview during needs assessment is to gather data and information relevant for assessing the capacity building needs of the target SAIs. Interviews provide an opportunity to gather rich, qualitative descriptions in order to answer key questions relating to the capacity building needs of SAIs. That includes views and opinions of the interviewee on development needs of the SAI, such as key result areas, challenges to be addressed, capacity building strategies and support required, etc.

The following are some of the common purposes of using this tool:

- to identify causes and effects of an existing, or likely condition affecting the SAI's effectiveness;
- to obtain specific information on issues pertaining to highly specialised functions;
- to clarify information gathered through other tools; and
- to validate information gathered using other tools.

## **STRENGTHS AND WEAKNESSES OF INTERVIEWS**

### Some strengths:

- they provide information directly from people;
- they provide flexibility to explore new ideas and issues not anticipated during planning;
- facilitates expression of diverse opinions and ideas;
- allow the respondent to elaborate on his or her responses;
- allow the interviewer to probe for deeper understanding and clarity about the respondent's answers;
- facilitates arriving at a common understanding between interviewers and interviewee; and
- provide opportunity to obtain sensitive and confidential information that the interviewee may not be willing to provide in a public place/forum.

### Some limitations:

- they are generally not appropriate if quantitative data are needed;
- there is risk of gathering unreliable information if the interviewees are not carefully selected;
- information provided by the interviewee may not be representative of the population from which the interviewee is selected;
- they are susceptible to interviewer biases;
- it may be difficult to prove the validity of findings;
- information gathered through interviews are not easily quantified, and analysis can be quite challenging;

- can be tiring to conduct several interviewees over a short period of time.

## **WHO SHOULD CONDUCT INTERVIEWS**

Interviews should be conducted by members of the needs assessment team who possess skills necessary for effective interviewing. The interviewer should possess:

- fluency in the language to be used for conducting the interview;
- effective listening skills;
- good observation skills;
- effective discussion leading skills;
- time management skills;
- ability to remain neutral even if he or she is tempted to take a position in response to any comment of the interviewee;
- good writing skills;
- ability to take notes quickly without straying from the flow of the conversation;
- analytical and synthesising skills; and
- knowledge of, and experience in, auditing

## **TARGET AUDIENCE**

The interviewees may be selected from within the particular SAI as well from among external stakeholders. Within the SAI, interviews may be conducted with selected people from different levels, ranging from top management down to non-supervisory staff. Selection of the level of the interviewee would depend on the purpose of the interview. For example, if the purpose of an interview is to obtain views on strategic capacity building concerns of the SAI, then it is recommended to interview representatives of the SAI's top and senior management. On the other hand, if the purpose is to obtain information on highly specialised functions within the SAI, it might be more useful if the interviewee is an expert in that functional area. If the interview aims to gather data and information at a more operational level, then it might be more effective to select interviewees from middle and junior management level, and experienced non-supervisory

staff. If time permits, it is recommended to interview persons from different levels of the SAI's organisational structure. That will enable the interviewer to elicit information from different perspectives and thereby provide a more holistic picture. Depending on the capacity building domain being focused, it would be useful to interview representatives of external stakeholders of the SAI, for example, from some auditees, the ministry of finance, and public accounts committee.

## **WHEN TO CONDUCT INTERVIEWS**

Interviews can be conducted at different stages of a needs assessment process. However, it is recommended that interviews are conducted after obtaining a reasonably good understanding of the target SAI(s). That will enable a more effective conduct of interviews. As such, it might be better to conduct interviews after obtaining responses to a detailed survey and, to the extent possible, after some review of documents pertaining, at least, to the structure and functions of the target SAI(s).

## **HOW TO CONDUCT AN INTERVIEW**

Using the interview technique involves three stages: Planning the interview, conducting the interview and concluding and documenting the findings.

### **Planning the interview**

The effectiveness of conducting an interview is directly related to the quality of planning that precedes it. The interviewer should plan meticulously before conducting an interview. The following are some suggested steps for effective planning of an interview:

- Select the interviewer(s) possessing the requisite interviewing skills. Sometimes, a panel of interviewers may be used, with a mix of expertise. In the latter case, bear in mind the risk that an interviewee may feel uncomfortable facing many interviewers at the same time.
- Research the target SAI. Study all available back ground information on the target SAI. If the survey responses have been received, this would be right time to go through it.



- Determine the position from which the interviewee will be drawn. If it is one among several similar positions, then you may even identify the specific person to be interviewed.
- Research the position. Develop an understanding of the position to which the interviewee belongs. Where is it located in the organisational structure, how many people report to that position, what are the primary responsibilities of the position, etc?
- Identify a few key questions from Annex-1 or Annex-2, depending on the level to which the interviewee belongs. These few questions may form the basis of the interview discussions.
- Organise the questions in logical sequence. It might be helpful to start with a few simple closed questions before moving on to more challenging open questions. That will help the interviewee to relax and settle down.
- Plan your opening remarks required to establish rapport with the interviewee.
- Agree with interviewee on the time and location of interview.
- Ensure availability of all materials and equipment necessary while conducting the interview. This may include results of a survey conducted prior to the interview, any references that may be necessary during the interview, recording equipment, etc.
- Inform the interviewee in advance of the key interview questions and the capacity building framework. The former will enable the interviewee to reflect on possible responses and thereby facilitate richer discussions during the interview. Familiarity with the capacity building framework will facilitate easier linkage between the interview discussions and the domains and elements of the framework.

### **Conducting the interview**

Beginning the interview:

- Acquaint yourself with the interview guide and questions before arriving at the venue.
- If it is a long questionnaire, identify priority questions, bearing in mind the other tools already used or to be used, the position of the interviewee in the organisational hierarchy, time available for the interview, etc.
- Introduce yourself and your team members, if any.

- Establish a rapport with the interviewee. This may include thanking him or her for providing the opportunity for the interview.
- Explain the purpose of the interview.
- Indicate how much time it is likely to take.
- Address terms of confidentiality. Explain who will get access to their answers and how their answers will be analysed. If their comments are to be used as quotes, get their written permission to do so.
- One of the challenges is to capture the interviewee's responses even while paying attention to his or her responses and the process. One way is to take along a colleague to take notes. Another option is to obtain recording equipment. In such cases, obtain interviewee's consent and reiterate the confidentiality agreement mentioned above, so that the interviewee does not feel uncomfortable observing all his or her comments being meticulously recorded.

#### Discussing the topic:

- Adopt appropriate non verbal communication, e.g. facing the interviewee directly, direct eye contact with interviewee, leaning slightly towards him, open posture, nodding periodically to demonstrate attention to the flow of the interviewee's comments, etc.
- Start with factual questions. Questions requiring opinions and judgments should follow. In general, begin with the present and move to questions about the past or future.
- Listen carefully and demonstrate through verbal and non verbal means that you are attentive to what the interviewee is saying.
- Use probing techniques. Encourage informants to detail the basis for their conclusions and recommendations. For example, an informant's comment, such as "The SAI's mandate should be expanded?" can be probed for more details, such as "What specific changes in the mandate would you recommend?"
- Maintain a neutral attitude. Interviewers should be sympathetic listeners and avoid giving the impression of having strong views on the subject under discussion. That may create an atmosphere of conflict if the interviewer is perceived by the interviewee

as taking an opposing stand. Neutrality is essential also because some informants, trying to be polite, will say what they think the interviewer wants to hear.

- Control the discussion, but do so skilfully. The discussion should be directed towards obtaining the facts or other information pertinent to the purpose of the interview, and towards conserving time. A skilled interviewer will guard against the interviewee's discussing irrelevant matters to avoid answering questions or providing information on painful or disturbing topics.
- Provide clear transition between major topics, e.g., 'We've been talking about critical issues facing human resource management in your SAI. Now I'd like to move on to strategies that could be used to address these issues.'
- Get all the information needed during one interview; avoid to the greatest extent possible the necessity of a second interview, especially if the interviewee is unlikely to be available for a second round of interview.

### **Concluding and documenting**

- Ask a closing question that allows the interviewee to respond to any issue that was not covered but might be considered important by him or her, e.g., 'Are there any other issues you would like to discuss?'
- Briefly summarise the key information obtained at the conclusion of the interview.
- Do not extend the interview beyond a reasonable period of time, which should closely approximate the time agreed upon when the appointment was made.
- Thank the interviewee before closing the interview.
- Prepare a memorandum of the interview discussions as soon as possible after the interview. The memorandum should state the name of the SAI, the name and position of the interviewee, the name of the interviewer, venue of interview, date and time of interview. It should record the key data and information resulting from each key question. Please see Annex-3 for a suggested memorandum format. If possible, get the formal or informal agreement of the interviewee later.

After conducting the various interviews, conduct a content analysis of the data and information gathered and prepare a report. The analysis should link back the data and information gathered from the interviews to the domains and elements of the capacity

building framework discussed in the IDI's capacity building needs assessment guidance. Please refer to Annex-4 for guidance on content analysis. The report should outline the capacity building needs, strategies, challenges, and resource requirements as identified through the interviews. For a suggested structure of the report, please refer to the IDI's capacity building needs assessment guidance.

Interviews can be used in conjunction with other information gathering tools or as a self standing tool. However, more in-depth information is likely to be gathered if it is used in combination with other information gathering tools such as surveys, focus groups, document reviews, and physical observations.

#### **PRINCIPLES FOR FORMULATING INTERVIEW QUESTIONS**

- Keep in mind the kind of information you are looking for when formulating questions. This will help avoid irrelevant questions and wasting time.
- Allow for open questions. While the nature of questions will be influenced by the primary purpose of an interview, allowing some open questions will enable the interviewee to choose their own terms when answering questions.
- Questions should be as neutral as possible. Avoid wording that might influence answers, e.g., evocative, judgmental wording.
- Ensure questions are short rather than long.
- Avoid negatively worded questions. For example, ask 'What are the key domains of your SAI that need more attention?' instead of asking, 'what are the problems facing your SAI?'
- Questions should be asked one at a time. Avoid compound questions.
- Questions should be worded clearly. This includes knowing any terms particular to the SAI or the interviewee's culture.

Provide for a closing question that allows the interviewee to respond to any issue that was not covered but might be considered important by him or her.

## **Appendix 3I**

### **GETTING INFORMATION FROM THE SAI'S EXTERNAL STAKEHOLDERS**

#### **WHO ARE THE SAI'S EXTERNAL STAKEHOLDERS**

A SAI has many external stakeholders, some of whom will vary from country to country depending on the political system in each. The IDI's capacity building needs assessment guidance lists some of the common such stakeholders, namely, Head of State, Parliament, Head of the Executive, Audited Entities, Internal Audit, Public, Media, Professional Associations and Private Sector Auditors, Peer SAIs, and Aid donors.

#### **WHY SHOULD INFORMATION BE OBTAINED FROM THEM**

SAIs do not work for themselves. They deliver products and services to different external stakeholders who work together with the SAIs to promote public accountability and transparency. Therefore, the perception of these stakeholders of the effectiveness of the SAIs is an important element in the assessment of the latter's capacity building needs. Moreover, SAIs need the support of these stakeholders to ensure that their products and services have the desired impact of promoting public accountability and transparency in particular, and better governance in general. By gathering information directly from the stakeholders, the needs assessment team will have the opportunity to assess the external stakeholders' perception of the target SAIs' effectiveness and also whether the relationship between the SAI and those stakeholders is helping to promote the impact of the SAIs' work. Such an assessment will, in turn, enable the needs assessment team to determine capacity building needs of the target SAIs and the way forward from there.

#### **WHAT INFORMATION IS REQUIRED FROM THEM**

The following kinds of information from external stakeholders would be useful to the needs assessment team:

- What are the expectations of each external stakeholder from the SAI?
- To what extent have their expectations been met?
- What could be the reasons why some expectations have been met?
- What could be the reasons why some expectations have not been adequately met?
- What could be done to enable the SAI to better meet those expectations not met adequately?
- How could the external stakeholders cooperate with the SAI to enable the latter to better meet their expectations?

### WHO SHOULD OBTAIN THE INFORMATION

The skills required to obtain information from external stakeholders are not any different from the skills required for obtaining information from internal stakeholders. These would include the following:

- inter personal skills;
- communication skills;
- meeting facilitation skills;
- ability to remain neutral even if tempted to take a position in response to any comment of the interviewee;
- analytical and synthesising skills; and
- a good understanding of the role of the SAI in the broader political context.

If a combination of tools is used to gather information from these stakeholders, it is recommended that for each tool, the lead is taken by a member of the needs assessment team who is relatively more skilled in the use of that tool. If the needs assessment team members are not from the target SAI, it may be a good idea to include at least one member of the SAI in the team while meeting stakeholders. The position of this member in the target SAI should be appropriate for the level of the external stakeholder to be consulted. For example, if the team plans to meet the Minister of Finance of the country, it may be appropriate if the SAI representative is the head of SAI or a Deputy head of SAI. On the other hand, if the external stakeholder representative is an operational line

manager, then it may be more appropriate if his/her operational counterpart in the target SAI is included in the needs assessment team. These decisions would also be influenced by the formal protocols and culture in the target country. It may, therefore, be best to go by the advice of the top management of the target SAI.

### **WHEN SHOULD THE INFORMATION BE OBTAINED**

It is advisable to meet the external stakeholders after obtaining a good understanding of the target SAI and its perspectives on their needs. Moreover, it is important that decisions regarding meeting (or not meeting) with the target SAI's external stakeholders, which of the stakeholders to meet, the timing of the meeting, and the information gathering tools to be used are taken after close consultations with the Head of the target SAI and after having obtained his or her consent.

### **HOW SHOULD THE INFORMATION BE OBTAINED**

Some of the approaches that could be adopted to gather such information include the following:

- meet representatives of each external stakeholder separately;
- meet representatives of different external stakeholders together, say in a focus group;
- invite them to join focus groups involving internal stakeholders of the target SAI;
- survey the external stakeholders without meeting them face-to-face;
- review relevant documents belonging to the external stakeholders that are related to the work of the target SAI; and
- physically observe the interaction of SAI representatives with external stakeholders in different situations, e.g., during audits, and meetings of Public Accounts Committee.

As evident from above, all the tools relevant for gathering information from the internal stakeholders of the SAI can be used for getting information from the external stakeholders. The criteria for selection of tools would be the same as for selecting tools for gathering information from internal stakeholders, such as nature of information to be gathered (e.g., qualitative or quantitative, confidential or unclassified, specialist or

general), availability of the identified external stakeholder representatives, time and other resources of the needs assessment team.

The head of the target SAI should be updated regularly on the meetings with the stakeholders and information gathered from them, to ensure that he or she is not taken by surprise at any point. It is recommended that the needs assessment team leader reaches an agreement with the head of the target SAI on the process that should be followed in this regard.



## Appendix 3J

### Content Analysis of Qualitative Data

#### Content Analysis

This is the process of organising and summarising large volumes of qualitative information in order to reach some conclusions. Content analysis can also help in providing quantitative findings from qualitative information. Content analysis is a key tool for analysing qualitative information gathered through interviews and focus groups. It can also be used for analysing qualitative information obtained through surveys or any other tools.

The following steps are recommended for a content analysis:

**Step#1-Read:** Go through all the qualitative information gathered.

**Step#2-Categorise:** From the nature of the various items of information, identify broad categories or issues under which the different items of information can be allocated. With regard to capacity building needs assessment, the information may be categorised under the following issues:

- current situation relating to each element within each element;
- desired situation for each element within each element;
- causes for the gap between current and desired situations;
- suggested strategies for addressing the gaps;
- likely challenges in implementing the strategies;
- resources requirements for implementing the strategies.

**Step#3-Combine:** If two or more items of information under a category convey more or less the same idea, combine them with appropriate wording. For example, suppose an interviewee suggested 'Document the audit processes used by expert performance auditors' as a strategy for improving performance audit processes in the SAI, another suggested 'Prepare operational guidance on how to conduct performance audits' while a

third interviewee suggested 'Formulate performance audit guidelines based on the INTOSAI's performance audit implementation guidelines'. These three suggestions could be combined as one strategy, 'Develop performance audit manual based on best practices'.

**Step#4-Quantify:** If the qualitative information you are analysing has been obtained from more than one person, determine the number of people who provided each item. If appropriate, you may then calculate the percentage of the total number interviewed who offered that item of information. For example, suppose after combining similar items, you find that seven of ten interviewees suggested 'Development of audit manuals' as a strategy to address inadequacies in the 'Manuals and Guidance' element of the 'Audit Methodology and Standards' element. Here, 'Seven' is quantification and so is 'seven of ten'. Then we can also say that 70% of the interviewees suggested this strategy. While quantifying, you may consider different weighting being given to information from different interviewees, depending on their experience and expertise in the . area under discussion

**Step#5-Write** the report as per the key broad issues above.

## Appendix 3K

### Template for findings

Element No		Element name	
Name of reviewer		Name of senior manager	
Date		Date	
W/P Ref:		Finding No	

#### Negative observations:

{Insert the description of the finding}

#### Impact:

{What can be the effect of the risk occurring}

#### Cause:

{Reason for finding or problem}

#### Senior manager feedback:

{Insert the audit senior manager response}

**Appendix 3L**

**QUALITY ASSURANCE REVIEW REPORT OUTLINE RECORDING FORM**

Element No	Element name			Cause	Senior management feedback	Recommendation
	Negative observation	Risk level	Impact			

## Appendix 3M

### Template of draft report

#### Sample Institutional Level QAR Report

#### TABLE OF CONTENTS

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## EXECUTIVE SUMMARY

The Office of the Auditor General of Country XXX, a constitutional body, is the Supreme Audit Institution of the country. It derives its mandate from the national Constitution. Through its audit reports to the Parliament and other stakeholders on the use of public resources, it seeks to promote transparency and good governance in the public sector. The total human resource strength of the SAI is 419, including the head of SAI. The head of SAI of Country XXX is supported by 3 Deputy Auditors General, 14 Assistant Auditors General, 42 Directors, 150 Team Leaders, and 95 support staff, in performing the SAI functions. The SAI is centralised at the capital city of the country. There are no field audit offices either at regional level or at district level. During the Year 2006/07, the actual expenditure incurred by the SAI in performance of its constitutional obligations amounted to an equivalent of approximately US\$1.5 million as against recovery of approximately US\$22 million at the instance of audit observations. Thus, for every dollar spent on audit, an amount of \$15 was contributed to the national exchequer by the SAI.

An international team carried out an Institutional Level Quality Assurance review (ILQAR) for the SAI in June 2007. The team visited the SAI and used the combination of tools, namely, survey, document review, focus groups, interviews with both external and internal stakeholders and physical observation for gathering data and information.

The following are some of the significant issues that need priority attention of the SAI's management:

- The legal provisions pertaining to the SAI should be amended to strengthen its independence and mandate.
- More effective and proactive leadership is desirable to push forward reforms for strengthening the SAI, more so at this critical stage of transition from an Interim Constitution to a new Constitution. It should leverage on the strong support of the current Public Accounts Committee (PAC), Secretary, Ministry of Finance and the Task Force studying the needs for strengthening the SAI to forge ahead in this direction. In addition, there is a need for developing and implementing a strategic

roadmap for the SAI instead of functioning only on the basis of annual operating plans. Further, the head of SAI should consider delegating operational decision making to lower levels, so that the top management can focus more on strategic issues.

- The professional competence, morale and size of the SAI's staff require serious attention.
- The internal capacity for research and development of methodological guidance requires substantial strengthening.
- The SAI needs to consider regular external audits and peer reviews as a means to continuous improvement, as well as to promote accountability to its stakeholders.
- The nature and timing of the internal audit is inadequate to assist the SAI's financial and management practices.
- There is scope for improvement in the quality of field audit supervision by Directors and Assistant Auditors General.
- The existing physical infrastructure is quite insufficient for creating a conducive working environment.
- The SAI needs to change its work processes, audit methodologies and size of its audit reports to better meet the expectations of the PAC and other primary external stakeholders.

More details of the SAI's current conditions, weaknesses, factors contributing to the weaknesses and recommendations under each of the eight elements of the quality management framework used by the QA team may be seen in the main body of the report.

Country XXX is in a state of significant political and economic transition. The SAI enjoys the strong support of its primary stakeholders such as the PAC and Secretary, Ministry of Finance. Consequently, it is the most appropriate time for the top management of the SAI to act proactively and decisively to initiate measures to strengthen its independence and mandate to better meet the growing expectations of its stakeholders.

## INTRODUCTION

This report is on the Institutional Level Quality Assurance Review (ILQAR) of the SAI of Country XXX conducted by an international team of reviewers. The team initiated the process by sending a survey questionnaire to obtain preliminary information on the current condition relating to each element of the quality management framework used by the team as the basis for the review. Subsequently, the team visited Country XXX from 10-19 June 2006. The team was then expanded to include two managerial level staff of the SAI. The two local team members helped provide contextual understanding and clarification of local issues during the review process. The first two days of the visit were spent in gaining a better understanding of the SAI, through review of various documents and interaction with the local team members, and planning the needs assessment implementation strategy. This was followed by three days of in-depth data collection and analysis using the various toolkits developed as part of the IDI's Needs Assessment (NA) guidance. The team conducted focus group discussions of SAI management and staff on 12 June 2007. Structured interviews of the Chairman and two other members of the Public Accounts Committee and the Secretary, Ministry of Finance on 13 June followed by similar exercises with the Acting The head of SAI and Deputy Auditors General on 14 June. Systematic physical observation of the workings of the SAI was also conducted on 14 June 2007.



## SAI BACKGROUND AND PARTICIPANTS

### A. The Office of the head of SAI of Country XXX – A brief profile and context

The office of the head of SAI (SAI) of Country XXX was established as a Constitutional body in 1948. It recently developed its vision and mission statements. The vision of the office is to ‘Enhance Good Governance through Accountability and Transparency in the Public Sector’ while its mission is to ‘Provide trustworthy, effective and independent audit for the efficient management and utilisation of public resources’.

After a period of political turmoil during 2000 to 2003, parliamentary democracy was restored in Country XXX in February 2003. Currently, the political system is founded on the Interim Constitution of 2007. A new national Constitution was adopted in 2004. While peace and stability has returned to Country XXX, there is a sense of uncertainty amongst the people regarding the system of governance and the political scenario that will emerge as the provisions of the new Constitutions are tested in practice. The effect of this uncertainty about the political future of the country was perceived even amongst the management of the SAI of Country XXX. The country is also under substantial economic pressures, the impact of which is evident also in the infrastructure and functioning of the SAI.

The head of SAI holds a Constitutional status and is appointed for a term of six years by the Prime Minister on the advice of a Constitutional Council. The Council is composed of the Prime Minister Speaker of Parliament, Chief Justice of the Supreme Court and three Minister designated by the Prime Minister. The independence and mandate of the head of SAI are defined in Articles 122 to 124 of the Constitution of the Country XXX, 2007. The Audit Act, 1991 provides in greater detail the functions, responsibilities and powers of the head of SAI. In addition to compliance audits and audits of financial statements, the SAI also conducts a number of performance audits of various issues every year. However, the head of SAI does not certify the consolidated financial statements of the Government. The head of SAI submits an annual audit report to the Prime Minister who, in turn, tables it in the Parliament. During the above-mentioned period of political turmoil, the Parliament was dissolved and consequently none of the SAI’s audit reports received

Parliamentary scrutiny. The backlog reports have now been taken up for scrutiny by the Public Accounts Committee of the Parliament.

In the changed socio-political scenario, the primary stakeholders have high expectations from the SAI in promoting accountability and transparency in the public sector and contributing to better governance. A Task Force consisting of representatives from primary stakeholders was formed in July 2007 to specifically look into ways and means of strengthening the SAI. Given the strong support it enjoys from some of the primary stakeholders, and given that a new Constitution is expected to be drafted in the near future, it is perhaps the right time for the head of SAI to proactively take necessary steps towards amending the legal framework and move closer towards the requirements for an independent Supreme Audit Institution stated in the INTOSAI's<sup>11</sup> Lima Declaration of 1977.

### **B. Participants**

A total of 10 officials participated in the structured interviews. This group included the head of SAI and her three Deputy Auditors General, the Chairman and three other members of the Public Accounts Committee, and the Secretary of the Ministry of Finance.

Four officials participated in the unstructured interviews: one an Assistant head of SAI, two Directors, and one Team Leader.

The Focus Group Discussion had 13 participants for the senior level and 26 participants for the middle and junior levels representing different functional units of the SAI.

The list of participants of the interviews and focus group discussions can be seen in Annex 5.

## **APPROACH AND METHODOLOGY**

The team initially sent a survey questionnaire to the SAI. The questions related to the following elements of the quality management system (QMS) framework used by the review team:

---

<sup>11</sup> International Organisation of Supreme Audit Institution

- i. Independence and Legal Framework
- ii. Human Resources
- iii. Audit Methodology and Standards
- iv. Governance
- v. Corporate Support
- vi. Continuous Improvement
- vii. External Stakeholder Relations
- viii. Results

In line with standard principles of survey questionnaire development, the questionnaire mainly comprised closed questions with a limited number of open questions to provide some flexibility of response to the respondents. The purpose of the survey was to gather preliminary information on the current condition of the SAI under each of the above elements. The survey results can be seen in Annex 3.

This survey was followed by a visit to the SAI of Country XXX. The team reviewed various manuals and documents provided by the SAI pertaining to its legal mandate, vision and mission, strategic plan, audit reports, audit manuals on various topics, among others. A list of the documents reviewed for gathering information relating to each of the above elements can be seen in Annex 4. The local SAI members of the team were also interviewed to provide the appropriate contextual background to these reviews.

Two Focus Group Workshops were then conducted: one for senior management representatives and the other for the middle and lower level management and non-supervisory staff. The list of focus group participants can be seen in Annex 5. These workshops were aimed at identifying the organisation's current condition from the views of both levels of participants to ensure a comprehensive assessment of the different perspectives on quality management requirements and practices in the SAI.

Interviews with some of the SAI's important external stakeholders were also conducted to find out, among others, their perception of the role of the SAI in promoting accountability and good governance, their views about the usefulness of the SAI's audit and audit reports, and their suggestions about further improving the quality of the SAI's audits and audit reports. The stakeholders interviewed were the Chairman of Country \_\_\_\_\_'s

Public Accounts Committee, its Secretary and two other members, and the Secretary of Country \_\_\_\_\_'s Ministry of Finance. The record of the interviews can be seen in Annexes 6.C. and 6.D.

An interview of the head of SAI, held after the interviews with the above-mentioned stakeholders, was carried out to gather information and opinions about the most important challenges and opportunities facing the SAI. It also covered the initiatives adopted and those required to address current and emerging issues and her opinion about the suggestions of its stakeholders on how the SAI could further improve the quality of its audits and audit reports. The record of the interview can be seen in Annex 6.A.

A group interview was also conducted with the three Deputy Auditors General who were earlier listed as participants of the Focus Group for senior management, but were not available on the scheduled date due to unforeseen urgent developments. Their views were asked about the challenges faced by the SAI of Country XXX in achieving its Vision and Mission, what initiatives have been taken by its Office to address these challenges, and how they perceive their roles for the effective implementation of the strategies to address these challenges. The record of the interview can be seen in Annex 6.B.

Besides, wherever feasible, the team physically visited the various departments, divisions, training room and library of the SAI to assess the existing infrastructure and identify deficiencies, if any, in facilities and support equipment that could adversely affect the SAIs' performance. The team documented their physical observations using the physical observation checklist developed as part of the capacity building needs assessment project. This can be seen in Annex 7.

## FINDINGS AND RECOMMENDATIONS

The team collectively conducted a **content analysis** of the substantial amount of qualitative data and information through review of documents, focus groups of senior management representatives as well of middle and junior management and non-supervisory staff, structured interview with the head of SAI and unstructured interviews

with the local members of the needs assessment team. The following are the element-wise findings and strategies resulting from the analysis<sup>12</sup>.

## Element 1: Independence and Legal Framework

### A. Desired Condition:

The independence and mandate of the SAI of Country XXX should be as comprehensive as laid down in the INTOSAI Lima Declaration.

### B. Current Conditions and Initiatives:

Articles 96, 109, 122, 123 and 124 in the Interim Constitution, 2007 and Sections 3 - 11 of the Audit Act of Country XXX 1991 (Audit Act) are, largely aligned with the requirements of the Lima Declaration.

- The remuneration and other conditions of the service of the head of SAI cannot be altered to his disadvantage during his tenure.
- The budget of the head of SAI and the SAI is not voted in the Parliament.
- The head of SAI has a fixed tenure of six years, and is not eligible for subsequent appointment in other government services.
- The head of SAI can be removed only through impeachment proceedings approved by at least two-thirds of the membership of Parliament.
- The head of SAI can freely restructure his organisation as long as there is no financial implication.
- The number of employees provided to the SAI cannot be reduced without the head of SAI's prior approval.

<sup>12</sup> The one-to-one linkage between "Weaknesses", "Factor contributing to the weaknesses" and "Recommendations" are indicated by the numbering system adopted in this chapter.

- Although the Audit Act provides for various performance-related checks by the SAI, these checks are all referred to in connection to 'the accounts,' which tends to have a financial connotation.
- The head of SAI has full access to the information of the auditees, including information available with private contractors engaged by them. However, in revenue audits, the SAI does not have access to the books of accounts maintained by the tax payers in the private sector.

In consequence to the SAI communicating various organisational problems arising out of some of the above limitations, the PAC formed a seven-member Task Force in July 2007 to review the needs for strengthening of the SAI. The Task Force consists of the Chairman and three other members of the PAC, the head of SAI, the Secretary, Ministry of Finance, and the Financial Comptroller General. The committee work is coordinated by one of the members of the PAC.

### **C. Weaknesses:**

1. The legal provisions relating to financial and personnel independence of the SAI are inadequate in reality,
2. There is some ambiguity regarding SAI's Performance Audit mandate. In addition, there is some limitation on access to information for revenue audits.

### **D. Factors contributing to the weaknesses:**

The SAI's independence and mandate are inadequate because of the following reasons:

1. Financial and personnel independence
  - 1.1 Before submission to the Parliament, the proposed budget of the SAI can be curtailed by Ministry of Finance after consultation with the SAI, but without necessarily obtaining the latter's consent.
  - 1.2 The SAI has to approach the Ministry of Finance even for re-appropriation of funds within the overall budget of SAI already approved by the Parliament.

- 1.3 The head of SAI does not have the authority to create the number of staff positions that is considered necessary to deliver the mandate and appointment of such staff without the approval of the Government.
2. Mandate:
  - 2.1 Ambiguity regarding the mandate of performance audit has arisen due to the use of word "accounts" in Article 123 of the Interim Constitution. Incidentally, in the year 2004, the SAI was challenged by the auditees, and the performance audit planned with regard to those auditees was dropped. Though such a situation occurred only once, it reflects a potential risk of the SAI being challenged again in future.
  - 2.2 The legal provisions do not explicitly provide for access to the books of accounts of tax payers in the private sector.

## **E. Recommendations:**

The SAI should take advantage of the strong support of the Task Force initiative and draft suitable amendments, as a top priority, to the legal provisions that addresses the above limitations. In addition, the SAI may consider specifically including an audit of such issues as environment and forensic audits due to the expectations in this regard expressed by some of the primary stakeholders.

Since the new Constitution of Country XXX is expected to be drafted in the very near future by the Constituent Assembly, this is the right time for the SAI to be proactive in this regard by initiating draft amendments to legal provisions.

## Element 2: Human Resource

### A. Desired Condition:

The SAI should have an adequate number of competent and motivated staff to discharge its functions effectively.

### B. Current conditions and initiatives:

The SAI staff are guided by the service regulations which cover some of the main issues relating to human resource management –namely recruitment, selection criteria for international training, promotions, performance appraisal and post retirement benefits.

Despite several-fold increases in the volume of government transactions audited by the SAI over the last few years consequent to a doubling of government revenues and expenditure, the staff numbers has not increased since then.

To ensure staff retention, the SAI has a policy of obtaining written undertakings from employees to work in the SAI for specified periods on return from professional study courses paid for by the government.

The SAI has detailed job descriptions for all audit positions up to the level of Deputy Head of SAI. These descriptions correspond to positions in the organisational hierarchy and not to the different functional units. There is no separate documentation of the roles and responsibilities of each functional unit of the organisation.

Concerns were expressed by all levels of employees regarding the morale and motivation of the SAI staff.

The SAI has, among others, taken the following initiatives:

- The service regulation of the SAI staff has been integrated in the Civil Service Act, thereby providing them the same benefits and opportunities as those in other streams of the civil service;
- The SAI has proposed the following Human Resource (HR) related issues to the Task Force set up for strengthening the SAI:



- special financial incentives for audit staff; and
- more opportunities for exposure tours, short-term training and more study abroad.
- Annually eight SAI staff from different levels are awarded an equivalent of six months salary each for meritorious performance.
- The SAI has sent a proposal for special allowances for staff possessing chartered accountancy qualifications to motivate and retain them.
- The SAI staff is permitted to go on full time chartered accountancy courses with full salary and 25% of basic salary as special allowances. In addition, the office pays the course enrolment fees and a book allowance.
- All audit staff are expected to complete at least 18 hours of continuing education programme (CEP) every year.

### **C. Weaknesses:**

1. The number of existing audit staff may not be adequate for the workload of the SAI compared to the significant increase in the revenues and expenditure of the Government over the years.
2. The morale and motivation of the staff is relatively low.
3. The roles and responsibilities of functional units are not clearly stated and documented.

### **D. Factors contributing to the Weaknesses:**

1. The SAI has not conducted any systematic analysis of the staff requirements due to the manifold increase in the amount of revenues and expenditure covered in audit.
2. A number of factors affecting employee motivation and morale were revealed during the needs assessment such as:
  - limited career development opportunities;
  - inadequate financial incentives;

- poor physical infrastructure;
  - inadequate guidance by supervisory officers; and
  - inadequate training in the use of advanced audit techniques such as audit sampling.
3. Inadequate appreciation by SAI's management of the importance of clearly identifying roles and responsibilities of different functional units for promoting work efficiency and accountability.

#### **E. Recommendations:**

1. Propose staff requirement to Government after conducting a systematic analysis of staff requirement vis-à-vis current workload.
2. The SAI should explore ways and means to address the various factors contributing to relatively low employee morale stated in D-3 (above).
3. Document and disseminate the roles and responsibilities of each functional unit.

### **Element 3: Audit Methodology and Standards**

#### **A. Desired condition:**

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

#### **B. Current conditions and initiatives:**

The SAI revised its auditing standards in 2004, and these are now well aligned with INTOSAI Auditing Standards and other international best practices. It also approved revised operational guidelines for financial audit relating to expenditure, revenue, project financial statements and procurement. All these were developed under technical

assistance from the World Bank. However, the guide on procurement audit will be revised to align with the recent change in the government legislation on procurement. These guidelines will be implemented from audits starting from second half of 2007.

The SAI has a separate performance auditing guide developed in June 2000. This is now being updated based on feedback received from performance audit experiences.

Compliance with these guidelines is ensured through internal peer review quality assurance system of the SAI.

The SAI has received World Bank funds for developing audit tool kits to enable more effective implementation of the audit guidelines. The products are expected to be ready by September 2007.

External consultants were engaged for developing the above guidelines. The SAI staff were involved with the consultants from the draft stage in developing the performance audit guide. However, in the case of the financial audit guidelines, the initial drafts were prepared by the consultant and revised based on feedback received from the SAI.

These guides were developed in English even though that is not the working language of SAI Of country XXX. These were subsequently translated into the local language, which is also the official language of the country. Concerns were expressed by various levels of staff regarding the clarity of both versions of these guidelines.

The guidelines have been circulated to all sections. In addition, a one-day workshop was held in July 2005 to consider changes in the Annual Audit Plan format in line with the new guidelines.

Audit guidelines for some other important areas of audit, such as local government bodies and state owned enterprises have not yet been developed.

### **C. Weaknesses:**

1. There is inadequate confidence among the staff on how to implement these guidelines.
2. There is inadequate internal capacity to develop guides.

3. No comprehensive guidelines have been developed for audit of local government bodies and state owned enterprises that are being undertaken regularly by the SAI.

#### **D. Factors contributing to the weaknesses:**

1. Regarding inadequate confidence of staff:
  - 1.1. development of the guides was in English, in which most of the staff were not adequately conversant;
  - 1.2. the quality of the subsequent translation into local language is not satisfactory.
2. There has been inadequate involvement of the SAI staff in developing the financial audit related guidelines, leading to inadequate internal capacity to develop such products.
3. The SAI does not have sufficient resources and internal expertise for developing such guidelines.

#### **E. Recommendations:**

- 1.1 In future, guides should be developed concurrently in both English and local language from the draft stage.
- 1.2 The review of the local language translation should be done by teams who collectively possess adequate experience in government audit as well as fluency in English and local languages. The revision of the local language versions should be completed and circulated as soon as possible, since the audits are expected to begin in the near future.
2. In future, the development process for audit guidelines should ensure close involvement of the selected SAI staff with the external consultant from the initial stages of development and not confined to only the review stage. Reviewing draft guides cannot replace the capacity development resulting from being closely involved in developing the guides from initial stages.

3. Initiate steps for developing the required guidelines stated at C-3. While doing so, the SAI may consider the suggestions at 1.1 and 2 above.

## Element 4: Internal Governance

### A. 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 serves as a model organisation in promoting good governance.

### B. Current Conditions and Initiatives:

#### *Leadership and direction:*

- An initiative taken by the SAI led to the formation of the Task Force responsible for recommending measures to strengthen the SAI.
- As per current practice, all financial decisions as well as most operational decisions are taken at the level of the head of SAI.
- There was widespread expression of concern among various levels of SAI staff regarding the quality of leadership in the SAI.

#### *Strategic and operational planning:*

- The SAI has Vision and Mission statements, but there is no detailed strategic plan identifying the medium term directions for achieving the Vision and Mission. The non-supervisory staff were not involved at any stage in the development of these statements.
- The SAI has annual operational plans separately for audit, budget management and training, respectively.

#### *Oversight and Accountability:*

- Article 123 of the national Constitution requires the head of SAI to audit the SAI. This is being done annually by a team of SAI staff selected by the head of SAI and is being interpreted by the office as external audit.
- Internal audit is conducted annually by private sector professional chartered accountancy firms selected by the head of SAI.
- Both the above audits are, by and large, in the nature of financial audits.

*Code of conduct:*

- The conduct of the SAI staff is guided by audit service rules and internal guidelines on code of conduct. The internal guidelines are based on the INTOSAI Code of Ethics.
- Disciplinary actions against violation of code of conduct are guided by audit service regulations. In case of potential acts of corruption, action is taken as per provisions of the Anti-Corruption Act.
- Concerns were expressed in the focus group discussion of middle level staff regarding the culture of compliance to the code of conduct.

*Quality assurance:*

- In addition to normal supervision at the audit planning, implementation and reporting stages by line functionaries, all draft annual audit reports are reviewed by a committee consisting of the head of SAI, Deputy Auditors General and the concerned Assistant Auditors General (AAG), Directors and line supervisors to ensure quality and correctness.
- Concerns were raised by the members of junior staff regarding the extent and quality of field audit supervision by their senior line functionaries.
- The SAI follows a system of "post audit quality review" of their audit processes. The process is documented and implemented annually. The review tool kits were based on the earlier audit guidelines, and have not been aligned with the recently developed auditing standards and guidelines.
- Peer review of financial audit was conducted once by a neighbouring SAI in 2003. Overall grading for the four pilot audits selected for the review was good. The peer

review team observed that the audit working papers and the final reports indicated that the auditors have closely applied the guidelines approved by the SAI.

### **C. Weaknesses:**

1. More effective and proactive leadership is desirable to push forward reforms for strengthening the SAI, more so at this critical stage of transition in the political and economic environment.
2. The SAI has not prepared a strategic road-map for the medium term.
3. There is no independent external audit of the SAI to assure its accountability to the Parliament and other stakeholders.
4. The nature and timing of internal audit is inadequate to assist the SAI's financial and management practices.
5. There is scope for improvement in the quality of field audit supervision by Directors and Assistant Auditors General, particularly due to the inadequate confidence expressed by various members of staff on how to implement the new audit guidelines.
6. There is scope for improving the post audit quality review system.

### **D. Factors contributing to the Weaknesses:**

- 1.1 There is over centralisation of decision making in the head of SAI.
- 1.2 Inadequate exposure of senior management to the international community of auditors and to audit best practices.
2. There is inadequate appreciation of the concept and the need for strategic planning. Currently the annual audit plans are being accepted as strategic plans.
3. There is a conflict of interest between interpretations of Article 123 of the Constitution as a provision for external audit, since it involves the head of SAI auditing the accounts of his own Office.

- 4.1 The internal audits in the SAI, being post mortem audits, do not adequately facilitate timely action on irregularities.
- 4.2 The SAI's internal audits, being financial audits, do not look into performance aspects of business operations.
- 5.1 The minimum supervisory checks to be done by the Directors and higher level management are not documented. Consequently, there is inadequate assurance on the quality of supervision from these levels.
- 5.2 Supervision by the Directors and Higher level management are normally conducted towards the end of field audits, by which time it may be too late for the field audit teams to make necessary improvements.
- 6 The Post Audit Quality Review toolkits have not yet been aligned with the latest auditing standards and operating guidelines developed in 2005.

## **E. Recommendations:**

- 1.1 The head of SAI should review the current status of delegation of authority. Distinction should be made between operational and policy decision making, while determining the desirable extent of delegation of authority. The head of SAI should consider delegating operational decision making to lower levels as much as possible.
- 1.2 The SAI should explore possible agreements with peer SAIs and other agencies to provide greater opportunity to senior management for international interaction and knowledge sharing.
2. Develop senior management's capacity in strategic planning and management. In this connection, the suggestion 1.3 above may also be beneficial.
3. The SAI may explore ways of avoiding the conflict of interest inherent in the current system of external audit of the SAI under Article 123 of the Constitution. Since a high-level Task Force has been constituted by the Public Accounts Committee of Parliament to recommend strategies for strengthening the SAI, this may be the right time to propose, among others, inclusion of external audit of the SAI by auditors appointed independently by an appropriate body rather than by the head of SAI.



4. The responsibility of internal audit may be expanded to cover performance related issues of all units of the SAI. Moreover, it would be appropriate to carry out concurrent internal audit in addition to the audit after the close of the financial year.
- 5.1 The SAI should develop and implement guidelines identifying the nature and extent of supervisory checks of field audit teams by Directors and Higher level management.
- 5.2 The Directors should determine the timing of the field supervision based on their assessment of the importance of the audit and the capacity of the field audit teams, instead of generally visiting all teams only towards the end of the field audits.
6. The post audit quality review toolkits should be reviewed against the latest auditing standards and operating guidelines, and suitably updated.

## Element 5: Corporate Support

### A. Desired condition:

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

### B. Current conditions and initiatives:

The office is located in a very old building that was built for residential purposes rather than for office accommodation.

Concerns were expressed about inadequacy of physical infrastructure with particular reference to office space, equipment, furniture and fixtures, transportation for operational activities and communication facilities. In addition to confirming the above inadequacies, physical observation by the ILQAR team revealed other infrastructural limitations in such areas as lighting, canteen facilities, rest rooms, visitors' lounge, maintenance of building, storage space, library, internet, IT networking facilities and other IT infrastructure.

The SAI, amongst others, has taken the following initiatives:

- Obtained with World Bank assistance 100 desktop and 20 laptop computers, several laser printers and 250 USB memory sticks.
- Obtained funds for hiring of a staff bus and purchase of seven cars.
- Installed a modern conferencing system with assistance of World Bank Funds.
- Proposed additional budget for hiring of additional office space.

### **C. Weaknesses:**

1. The existing physical infrastructure is not sufficiently conducive for an efficient working environment.

### **D. Factors contributing to the Weaknesses:**

- 1.1 The architecture and age of the building along with the current physical layout of the different functional units.
- 1.2 Inefficient management of dead stock, leading to shortage of space for productive use.
- 1.3 Lack of adequate financial resources.

### **E. Recommendations:**

- 1.1 There is scope for more efficient physical rearrangement of related functional units and senior management within the existing space.
- 1.2 Implement a system of regular disposal of dead stock.
- 1.3 The SAI should continue vigorously pursuing from the Government for more financial resources. It may also continue working with external donor agencies for financial and infrastructural support.

## Element 6: Continuous Improvement

### A. Desired Condition:

The SAI should continuously upgrade its organisational capacity and competence of its personnel to remain abreast of developments in the field of auditing, and be able to address emerging issues in the rapidly changing political and economic environment of the country.

### B. Current Conditions and Initiatives:

At present, the SAI staff are permitted to go on full time chartered accountancy courses with full salary. In addition, the office pays course enrolment fees.

All audit staff, from the Deputy Auditors General (DAG) to the Audit Superintendent/Assistant, are expected to complete at least 18 hours of continuing education programme (CEP) every year. Compliance monitoring has not yet been implemented.

Concerns were expressed by staff on their understanding of how to implement the audit guidelines and to use advanced audit techniques such as sampling, risk analysis and evaluation of internal controls and of the effective use of Information Technology.

The World Bank conducted an assessment of the SAI as part of its country assessment in 2000 followed by a similar exercise in 2005 as part of its assessment of the country public sector accounting and auditing standards. While the SAI has implemented several of the recommendations that are within its powers, action is awaited from the government on other issues.

The SAI, among others, has taken the following initiatives:

- The SAI has obtained funds from World Bank for implementing twinning arrangements with other SAIs. In this regard, the SAI has approached nine SAIs for such cooperation.
- Developed a Human Resource Development Plan in 2006 and implementation started in the beginning of 2007.

- Research is one of the responsibilities of the Directorate of International Relations, Training and Research and Development (R&D). However, the current staff remain preoccupied with matters relating to international relations and training. No research work has been conducted to date;
- As mentioned in Element 4, neighbouring Malaysia conducted a peer review of SAI's financial audit. Peer reviews of performance audits and of the SAI's management practices have not been conducted, nor are there any specific plans to do so in future.

### **C. Gap:**

1. The level of competency is insufficient, particularly in certain techniques of Financial and Performance Audits (such as risk analysis, sampling, evaluation of internal controls) and effective use of Information Technology.
2. R&D in the SAI is non functional.
3. There is no system of regularly assessing and continuously improving SAI's organisational performance through such mechanisms as peer reviews by other SAIs.

### **D. Factors contributing to the Weaknesses:**

- 1.1 Training programmes not effective enough. Classroom training is largely theoretical and not adequately followed by practical on-the-job application and support.
- 1.2 Clear guidance on use of advanced audit techniques is not developed and disseminated.
2. Non-prioritisation of R&D work.
3. No institutionalised mechanism for regular peer reviews of different types of audits and of the SAI's management practices.

## **E. Recommendations:**

1. Training may be conducted based on approved HRD plan. However, classroom training should be followed by on-the-job application and other support for a minimum specified period.
2. Prioritise and prepare R&D plan and assign its implementation to staff exclusively engaged for the purpose.
3. Institutionalise the peer review of the SAI at the level of different types of audits as well as overall management practices. Towards this end, SAI should liaise with other SAIs and reach suitable agreements.

## **Element 7: External Stakeholder Relations**

### **A. Desired condition:**

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

### **B. Current conditions and initiatives:**

The SAI is receiving strong support from the present PAC and the Secretary, Ministry of Finance. At the same time, both stakeholders have expressed the need for more efficient functioning of the SAI and change in the audit approach in line with external developments.

Concerns were expressed by the various levels of SAI staff on the lack of appreciation by the auditees of the work of SAI.

The SAI, among others, has taken the following initiatives:

- In 2006/07, the SAI organised four interaction programmes in four regions for increasing mutual understanding between the auditees and the SAI. Further, such interaction programmes are planned for implementation towards end of 2007. Similar interaction programmes are held annually for Secretaries of different ministries.

- In May 2007, the SAI presented a paper in the Parliament on the challenges faced by the SAI in discharging its functions effectively,
- The SAI organised a visit programme for members of PAC to its premises to discuss its problems.
- In June 2007, the head of SAI invited the Speaker of the Parliament, Minister of Finance, Chairman of the PAC, Chief Secretary of the Government of Country XXX and Secretary of the Ministry of Finance on the occasion of the SAI's 49th Foundation Day. On that occasion, the head of SAI expressed the problems of the SAI in discharging its functions effectively.

Consequent to the above initiatives, the PAC constituted a Task Force consisting of different stakeholders to look into the capacity building needs of the SAI. The report of the Committee is expected soon.

### **C. Weaknesses:**

1. The audit reports of the SAI have not been adequately meeting the expectations of the PAC and the auditees.
2. The impact of SAI's audit observations is unsatisfactory.

### **D. Factors contributing to the Weaknesses:**

- 1.1 The practice of conducting audits only after the close of the financial year has led to delayed submission of audit reports. This, in turn, has reduced the value addition by audit.
- 1.2 Some disagreement between two primary stakeholders (PAC and Ministry of Finance) on the one hand, and the SAI on the other, regarding the prioritisation of audit issues and approach.
- 1.3 Inadequate appreciation by the auditees on the roles and responsibilities of the SAI in promoting better governance in the public sector.

- 1.4 Inadequacies mentioned with regard to Professional Staff Development have affected the professional capacity of audit staff to conduct the types of audit expected by the PAC and Ministry of Finance.
- 2.1 Delay by the auditees in taking action on audit observations.
- 2.2 Insufficient information provided by the auditees to the SAI regarding action taken on audit observations.

### **E. Recommendations:**

- 1.1 The SAI may consider conducting concurrent audits in consultation with the PAC, over and above its constitutional obligation to conduct post audits.
- 1.2 Implement mechanisms for more effective communication with the primary stakeholders on the SAI's roles and responsibilities as well as the obligations of the different stakeholders towards audit.
- 1.3 Refer to recommendations in Element 6 (above) for strengthening professional staff development.
- 2.1 Strengthen the penalty provision in the Financial Procedure Act 1998 to reduce delays in response by auditees and also to improve the quality of information provided by them to the SAI regarding actions taken on audit observations.

## **Element 8: Results**

### **A. Desired Condition:**

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.

## **B. Current Conditions and Initiatives:**

Reports relating to financial audit of 4,000 auditees units and performance audit of 33 issues were issued to the auditees in 2006. The reason for the large number of financial audit reports is 100% coverage of auditees units annually. The list of performance audit issues may be seen in Annex 10.

The annual audit reports are submitted to Parliament approximately a year after the close of the financial year. The report consists of about 2,000 pages, and is divided into five volumes, in addition to the executive summary of more than 100 pages.

The legal provisions do not require the SAI's report to be submitted to the Head of State by a prescribed date nor for the Head of State to table it in Parliament.

The head of SAI does not certify the consolidated financial statements of the government. Also, it does not conduct specialised audits such as those relating to environment, Information Technology and fraud due to absence of explicit mandate.

The PAC expressed the need to reduce the size of the report by focusing only on priority issues, conduct more performance audits, initiate specialised audits relating to environment and fraud and improve timeliness of reports by conducting concurrent audits. The Secretary, Ministry of Finance, also raised the need for concurrent audit and timeliness of SAI's reports to enhance the effectiveness of its audits.

The SAI measures the impact of its financial audits in terms of the total financial value of irregularities highlighted and recovered for every local unit of currency spent on the SAI. For example, the Audit Report 2006 mentions financial irregularities of local currency units 3,000 and actual recovery of local currency units 1,921 for every local currency units 100 spent on the SAI. The impact of performance audit is measured in terms of the number of audit recommendations implemented by the auditees.

## **C. Weaknesses:**

1. Impact of SAI's audits is less than the expectations of the primary stakeholders.



#### **D. Factors contributing to the Weaknesses:**

- 1.1 Delay in submission of the reports due to late submission of financial statements by some auditees.
- 1.2 Delay in appointment by the SAI of statutory auditors of wholly state-owned enterprises (SOEs).
- 1.3 Preparation of voluminous audit reports.
- 1.4 Absence of concurrent auditing.
- 1.5 Large number of auditees units covered vis-à-vis the staff available.
- 1.6 No prescribed timeframe for submission of audit report to the Prime Minister.

#### **E. Recommendations:**

- 1.1 Continue working with the Ministry of Finance and Financial Comptroller General to improve timeliness for submission of financial statements by the auditees.
- 1.2 Implement a system for timely appointment of statutory auditors for wholly owned SOEs, including setting of fixed target date for such appointments.
- 1.3 Consider increasing the minimum financial value of audit observations that are to be included in the head of SAI's Report. The SAI may also consider prioritisation of the nature of information to be included in the audit report, keeping in mind the needs of the primary stakeholders.
- 1.4 There appears to be no legal impediment to concurrent audit by the SAI. Given the strong support from the PAC and the Secretary, Ministry of Finance for concurrent auditing, the SAI may initiate such an approach as soon as possible.
- 1.5 Section 3(1) of the Audit Act 1991 authorises the head of SAI to determine the nature, timing and extent of audit. The SAI may avoid 100% coverage of auditees units annually. Instead it may conduct an ABC analysis of auditees units based on

risk profiling; the highest risk units (Category A) may be audited annually while B & C categories may be audited biennially and triennially, respectively.

- 1.6 The SAI may consider initiating the process for amending the legal provisions to incorporate provision for submission of audit report to the Prime Minister, by a fixed date and in turn, tabling of the report in the Parliament within a prescribed period of receipt of the report by the Prime Minister.

## ANNEXES

- Annex 1: Organisational Structure of the SAI of country XXX
- Annex 2: SAI Level Quality Management System Framework
- Annex 3. Survey Results
- Annex 4: List of Documents Reviewed
- Annex 5: List of Interviewees and Focus Group Participants
- Annex 6.A.: Interview Memorandum of The head of SAI
- Annex 6.B.: Interview Memorandum of Deputies of The head of SAI
- Annex 6.C.: Interview Memorandum of Public Accounts Committee (PAC)
- Annex 6.D.: Interview Memorandum of Secretary of Ministry of Finance
- Annex 7: Physical observation report on office infrastructure
- Annex 8: List of Agencies involved in Capacity Building of Office of the head of SAI
- Annex 9.A: Results of the Focus Group Discussion – Senior Management
- Annex 9.B: Results of the Focus Group Discussion – Middle/Junior Management and non-supervisory staff
- Annex 10: Performance Audit Topics Selection and Reported in 2006

## Appendices: Chapter 4

### Appendix 4A

#### Key financial audit process

STAGES	ACTIVITIES	AUDITING STANDARD
PRE-ENGAGEMENT	Compliance with the Code of ethics	IFAC Code of Ethics INTOSAI Auditing Standards
	Competency of audit engagement team	International Standards of Supreme Audit Institutions (ISSAI 1220)
PLANNING	Understanding the entity and its environment	ISA 315 ISSAI 1315
	Establishing audit objective and scope	ISA 200
	Determining materiality	ISA 320
	Assessing the risk of material misstatement	ISA 330 ISSAI 1330
	Considering the appropriateness of management's use of the going concern assumption	ISA 570
	Considering fraud in financial audit	ISA 240
	Preparing detailed audit plan	ISA 300 ISSAI 1300
EXECUTION	Using sampling and other means of testing	ISA 530
	Performing tests of controls	ISA 400
	Performing analytical procedures	ISA 520
	Performing substantive procedures	ISA 400
	Evaluating the sufficiency and appropriateness of audit evidence	ISA 230 ISSAI 230
REPORTING	Communicating audit findings	ISA 260 ISSAI 260
	Evaluating audit conclusions	ISA 700
	Preparing the audit report	ISA 700

## Appendix 4B

### Financial audit methodology checklist

	YES	NO	COMMENTS
<b>I. Financial / Regularity Audit Performed:</b>			
1. Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements			
2. Attestation of financial accountability of the government administration as a whole			
3. Audit of financial systems and transactions, including an evaluation of compliance statutes and regulations			
4. Audit of internal control and internal audit functions			
5. Audit of the probity and propriety of administrative decisions taken within the audited entity			
6. Reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed			
<b>II. Standards for Audit</b>			
1. International Standards on Auditing (ISA)			
2. INTOSAI Auditing Standards			
3. SAI Standards, Policies			
<b>III. Quality Control Procedures (ISSAI 1220)</b>			
1. Responsibility for quality assigned to team leader or audit director			
2. Team leader or audit director has considered ethical requirements			
3. Team leader or audit director has ensured independence of the audit team			
4. Team leader or audit director has assessed capabilities, competencies and time available to perform audits			
5. Risks of acceptance have been considered			
6. Team leader or audit director has taken responsibility for direction, supervision and performance of the audit team			

	YES	NO	COMMENTS
7. Team leader or audit director has reviewed working papers			
8. Appropriate consultation/resolution of contentious or difficult matters			
9. Differences of opinion are appropriately resolved			
10. Audit Quality Control Review has been appropriately engaged			
11. Results of Audit Quality Control Review have been considered			
<b>IV. Pre-Engagement Phase</b>			
1. Code of Ethics			
a. Integrity (adherence to high standards of behaviour)			
b. Independence (independent from audited entity and other outside interest groups)			
c. Conflicts of interest (care should be taken that services do not lead to conflict of interest)			
d. Confidentiality (information obtained in the auditing process not disclosed to third parties)			
e. Professional competence and due care			
2. Assessment of Capacity (skills and resources)			
3. Engagement letter with audited entity			
<b>V. Planning Phase</b>			
1.1 Understanding the entity and its environment consisting of the following aspects:			
a. Industry, regulatory, and other external factors including the applicable financial reporting framework			
b. Nature of the entity, including the entity's selection and application of accounting policies			
c. Objectives and strategies and the related business risks that may result in a material misstatement of the financial statements			
d. Measurement and review of the entity's financial performance			
1.2 Understanding the entity's internal control			

	YES	NO	COMMENTS
consisting of the following components:			
a. Control Environment includes the governance and management functions and attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal controls and its importance in the entity			
b. The entity's risk assessment process for identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks, and the results thereof			
c. The information system, including the related business processes, relevant to financial reporting, and communication.			
d. Control activities to assess the risks of material misstatement at the assertion level and to design further audit procedures responsive to assessed risks			
e. Monitoring of controls or activities that the entity uses to monitor internal control over financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates corrective actions to its controls			
2. Establishing Audit Objective and Scope			
a. Expressing an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework			
b. Determining the audit procedures to be performed in conducting an audit in accordance with International Standards on Auditing or other professional, legal or regulatory requirements in addition to ISAs			
3. Determining Materiality			
a. Establishing an acceptable materiality level considering both the amount (quantity) and nature(quality) of misstatements			
b. Considering audit risk in assessing the level of materiality			
4. Assessing the risk of material misstatement			

	YES	NO	COMMENTS
a. Determining overall responses to assessed risks at the financial statement level			
b. Designing further audit procedures to respond to assessed risks at the assertion level			
5. Considering Going Concern Assumption			
a. Assessing the entity's ability to continue as a going concern			
6. Considering Fraud in Financial Audit			
a. Considering risk of material misstatement arising from fraud of error			
b. Maintaining an attitude of professional scepticism throughout the audit, recognising the possibility that a misstatement due to fraud could exist			
7. Preparing detailed audit plan			
a. Establishing an overall audit strategy which sets the scope, objective, timing, appropriate materiality level, high risk areas and evaluation of internal control. Including documentation of the key systems			
b. Developing a detailed audit plan that includes the nature, timing and extent of audit procedures to be performed to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level			
<b>VI. Execution Phase</b>			
1. Using Sampling and Other Means of Testing			
a. Using audit sampling in selecting items for testing (Statistical sampling)			
b. Using other means (Non-statistical sampling)			
2. Performing Tests of Controls			
a. Performing tests of controls to obtain sufficient appropriate audit evidence that the controls are operating effectively at relevant times during the period under audit			
3. Performing Analytical Procedures			
a. Evaluating financial information made by a study of plausible relationships			



	YES	NO	COMMENTS
among financial and non-financial data.			
b. Investigating identified fluctuations and relationships that are inconsistent with other relevant information or deviate significantly from predicted amounts			
<b>4. Performing Substantive Procedures</b>			
a. Performing tests of details of classes of transactions, account balances, and disclosures and substantive analytical procedures to detect material misstatements at the assertion level			
<b>5. Evaluating the sufficiency and appropriateness of audit evidence</b>			
a. Recording in the working papers information on planning the audit, the nature, timing and extent of audit procedures performed, and the results thereof, and the conclusions drawn from the evidence obtained			
b. Evaluating the sufficiency and appropriateness of audit evidence to determine whether the audit was performed in accordance with ISAs and applicable legal and regulatory requirements			
c. Identifying the preparer and reviewer of working papers			
<b>VII. Reporting Phase</b>			
<b>1. Communicating Audit Findings</b>			
a. Communicating audit matters arising from the audit of financial statements			
b. Preparing management letter on a timely basis			
c. Follow-up of action taken on findings communicated thru management letter			
<b>2. Evaluating Audit Conclusions</b>			
a. Reviewing and assessing the conclusions drawn from the audit evidence obtained as the basis for the expression of an audit opinion			
b. Determining the significance of audit finding			
<b>3. Preparing the Audit Report</b>			
a. Preparing the audit report considering the following basic elements:			

	YES	NO	COMMENTS
- Title			
- Addressee			
- Opening or introductory paragraph:			
• Identification of the financial statements audited			
• A statement of the responsibility of the entity's management and the responsibility of the auditor			
- Scope paragraph (describing the nature of the audit)			
• A reference to the ISA's or relevant national standards or practices			
• A description of the work the auditor performed			
- Opinion paragraph containing:			
• A reference to the financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework when the framework used is not International Accounting Standards)			
• An expression of opinion on the financial statements			
- Date of the report			
- Auditor's address			
- Auditor's signature			
b. Preparing narrative report			

## Appendix 4C

### QUALITY ASSURANCE QUESTIONNAIRE FINANCIAL AUDIT

<b>AUDIT MANAGER</b>	
<b>AUDITED ENTITY</b>	
<b>FINANCIAL YEAR-END OF AUDITEE</b>	
<b>STAGE OF COMPLETION</b>	
<b>REVIEW COMMENCED ON</b>	
<b>REVIEW COMPLETED ON</b>	
<b>FINDINGS DISCUSSED ON</b>	
<b>NAME OF REVIEWER</b>	

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.

<b>CENTRE MANAGER</b>		<b>REVIEWER</b>	
<b>AUDIT MANAGER</b>		<b>TRAINING OFFICER</b>	
<b>DATE</b>			

#### INTRODUCTION:

INTOSAI Audit Standards require that an auditor should conduct an audit in accordance 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 personnel 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 personnel 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, IDI-ASOSAI QA Review has designed a programme that focuses on ensuring a high quality audit product at both the level of the SAI and the financial audits. This review document focuses on the evaluation of quality at the level of the financial audit.

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

The review document is to be used for all types of regularity audits, excluding performance and forensic auditing.

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 remarks 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 (e.g. non-compliance with Office methodology, although still within scope of ISA/INTOSAI). This should be clearly be spelt out and reported accordingly.

If a question is not applicable, a tick should be inserted in the 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 Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
<b>A</b>	<b>TERMS OF REFERENCE</b>						
1	Is a copy of the engagement letter on file? (for new and existing appointments)	Par. 3.1.4(g) & 1.0.34	ISA 210 par. 2, .10				
2	Were the terms of the engagement letter and any changes thereto agreed to by both parties?	"	ISA 210 par. 17				
<b>B</b>	<b>Quality Control Procedures</b>						
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 and 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 Pars. 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?						

<sup>13</sup> In this column on Comments, give a brief explanation of findings and link it to next template which showed the next Appendix

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
9	<p>Is there documentation of conclusions on</p> <ul style="list-style-type: none"> <li>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:</li> </ul>						
	<ul style="list-style-type: none"> <li>The integrity of key management and those charged with governance of the entity.</li> </ul>						
	<ul style="list-style-type: none"> <li>Is the audit team competent to perform the audit engagement and does it have the necessary time and resources.</li> </ul>						
	<ul style="list-style-type: none"> <li>Whether the SAI and engagement team can comply with the ethical requirements.</li> </ul>						
	<ul style="list-style-type: none"> <li>If issues arise from any of those considerations, is there documentation of how issues were resolved, in particular:                             <ul style="list-style-type: none"> <li>if the SAI has discretion to accept or continue an ongoing audit engagement, how these relationship issues affected that decision, or,</li> </ul> </li> </ul>		ISA 220 para 14 and 18.  ISSAI 1220				
	<ul style="list-style-type: none"> <li>if the SAI does not have the discretion to accept or continue an audit engagement or the ongoing relationship, what actions SAI has taken to address these issues?</li> </ul>						

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
	<ul style="list-style-type: none"> <li>Has the audit team leader/audit director ensured that the team collectively has the appropriate capabilities, competence and time to perform the audit in accordance 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?</li> </ul>		Ref. ISA 220 .19  ISSAI 1220				
	<ul style="list-style-type: none"> <li>Is the 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:                             <ul style="list-style-type: none"> <li>- their responsibilities;</li> <li>- the nature of the entity's business;</li> <li>- risk related issues;</li> <li>- problems that may arise; and</li> <li>- the detailed approach to the performance of the audit.</li> </ul> </li> </ul>		ISA 220 para 21 ISSAI 1220				
	<ul style="list-style-type: none"> <li>Has the audit team leader or audit director reviewed the working papers to ensure that there is sufficient appropriate audit evidence to support the conclusions reached and the auditor's report to be issued?</li> <li>Has the audit team leader or audit director or members of the audit identified difficult or contentious matters requiring consultation?</li> </ul>		ISA 220 para 26 ISSAI 1220				



		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
	<ul style="list-style-type: none"> <li>• If so, has the audit team leader or audit director:               <ul style="list-style-type: none"> <li>- ensured appropriate consultations have taken place;</li> <li>- been satisfied that the nature and scope of, and conclusions resulting from such consultation are documented and agreed with the party consulted, and</li> <li>- determined that conclusions resulting from consultations have been implemented.</li> </ul> </li> </ul>		ISA 220 para 30. ISSAI 1220				
	<ul style="list-style-type: none"> <li>• 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?</li> </ul>		ISA 220 para 34 ISSAI 1220				
	<ul style="list-style-type: none"> <li>• Has the audit team leader or audit director determined if the SAI has appointed a quality control reviewer for this audit?               <ul style="list-style-type: none"> <li>- 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?</li> </ul> </li> </ul>		ISA 220 36 & 38. ISSAI 1220				
	<ul style="list-style-type: none"> <li>- If AQCR has been appointed, was the audit quality control review completed before the auditor's report was issued?</li> <li>- If 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?</li> </ul>						

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
	<ul style="list-style-type: none"> <li>Has the audit team leader or director considered the results of the SAI's monitoring process?</li> </ul>		ISA 220 para 41. ISSAI 1220				
	<ul style="list-style-type: none"> <li>Independence requirements and relevant discussions with the SAI leadership to support the conclusions?</li> </ul>						
10	Where relevant, is there documentation that the audit team leader/audit director has considered issues related to the acceptance and continuation of an audit engagement:	Par. 2.2.33 to par 2.2.38  Par. 2.2.21	ISA 220 par 14 and 18.  ISSAI 1220				
a.	The integrity of key management and those changed with governance of the entity.						
b.	Is the audit team competent to perform the audit engagement and has the necessary time and resources						
c.	Whether the SAI and engagement team can comply with the ethical requirements?						
11.	If issues arise from any of those considerations, is there documentation of how issues were resolved in particular:						
a.	if the SAI has discretion to accept or continue an ongoing audit engagement, how these relationship issues affected that decision, or,						
b.	if the SAI does not have the discretion to accept or continue an audit engagement or the ongoing relationship, what actions SAI has taken to address these issues?						
12.	Has the audit team leader or audit director ensured that the team collectively has the appropriate capabilities, competence and time to perform the audit in accordance 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?	Para. 2.2.33 and Par.2.2.39 Par 3.5.3	ISA 220 par. 19 ISSAI 1220				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
13.	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:	Par. 3.2.1 to 3.2.5	ISA 220 par 21 ISSAI 1220				
a.	- their responsibilities;						
b.	- the nature of the entity's business;						
c.	- risk related issues;						
d.	- problems that may arise; and						
e.	- the detailed approach to the performance of the audit?						
14.	Has the audit team leader or director reviewed the working papers to ensure that there is sufficient, appropriate audit evidence to support the conclusions reached and the audit's report to be issued?	Par. 3.2.4 Par 3.5.1 and 3.5.2	ISA 220 par 26 ISSAI 1220				
15.	Has the audit team leader or audit director or team members identified difficult or contentious matters requiring consultation?						
16.	If so, has the audit team leader or audit director:		ISA 220 par 30 ISSAI 1220				
a.	- ensured appropriate consultations have taken place;						
b.	- been satisfied that the nature and scope of, and conclusions resulting from such consultation are documented and agreed with the party consulted; and						
c.	- determined that the conclusions resulting from the consultations have been implemented?						
17.	Have differences of opinion arisen within the team, with those consulted, or with the audit quality control reviewer? If so, have these been resolved following the SAI's policies and procedures?		ISA 220 par 34 ISSAI 1220				
18.	Has the audit team leader or audit director determined if the SAI has appointed a quality control reviewer for this audit?		ISA 220 par 36 and 38				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
a.	- 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?		ISSAI 1220				
b.	- If an AQCR has been appointed, was the audit quality control review completed before the auditor's report was issued?						
c.	- If an AQCR has been appointed, has the AQCR evaluated significant judgments made by the team and the conclusions reached in arriving at the auditor's report?						
19.	Has the audit team leader or director considered the results of the SAI's monitoring process?		ISA 220 par 41 ISSAI 1220				
<b>C</b>	<b>PLANNING</b>						
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 & 9 ISSAI 1300				
2	Is there evidence that the planning memorandum was approved in a timely way by a senior person responsible for the audit?						
3	Were all significant changes to the audit plan documented, substantiated and approved?	Par. 3.1.4	ISA 300 par. 12 ISSAI 1300				
4	Do the audit working papers indicate an appropriate level of knowledge of the auditees' business and industry in order 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 ISSAI 1300				
5	Were complex audits split into more manageable units in order to carry out the audit in the most effective and cost efficient way?	Par. 3.1.1	ISA 300 par 2, 8 & 9 ISSAI 1300				
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 ISSAI 1300				
7	Were audit objectives (assertions) correctly identified for each individual account or group of transactions?	Par. 3.1.3 (d)	ISA 500 par. 13 & 14 ISSAI 1300				
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. 3.2.4 (f)					

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
9	Does a sufficient audit timetable exist and are the planned dates reasonable? Consider the following: <ul style="list-style-type: none"> <li>Attendance of stock and assets counts?</li> <li>Receipt of certificates or audit confirmations?</li> <li>A starting date for the audit?</li> <li>A finalisation date for the detailed work for senior review?</li> <li>A planned date for issuing the financial statements and reports?</li> <li>Completion of the planning process prior to the commencement of the detailed field work phase?</li> <li>Proper supervision of junior staff by senior staff?</li> <li>Sufficient time for final review?</li> </ul>	Par. 3.1.4 (e)					
10	Do the working papers reflect time spent on the engagement by the audit staff and reasons for significant variances from the budgeted time?						
11	Were appropriate directions given to assistants to whom work is delegated?	Par. 3.2.3 (a)					
<b>D. OVERALL PLANNING MATERIALITY</b>							
1	Was an acceptable materiality level used to detect quantitative material misstatements?	Par. 3.1.3 (f) & 3.1.4 (a)	ISA 320 par. 5 ISSAI 1320				
2	Were qualitative factors considered for materiality?	"	ISA 320 par. 5 ISSAI 1320				
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 ISSAI 1320				
4	Was materiality considered during the evaluation of the results of procedures performed and were proper conclusions reached in this regard?	"	ISA 320 par. 12-16 ISSAI 1320				
<b>E. RISK ASSESSMENT AND INTERNAL CONTROL</b>							
1	Was the inherent risk 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 & 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				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
5	Are the auditees' internal controls and accounting systems sufficiently documented?	Par. 3.3.1 to 3.3.4	ISA 400 par. 12, 18 & 14				
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 & 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				
<b>F</b>	<b>INFORMATION SYSTEM ENVIRONMENT</b>						
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. 08				
2	Were the application systems that had a significant effect on the accounting & financial reporting process, identified for each cycle and concluded on?	Par. 3.3.4	ISA 401 ISSAI 1220				
3	Were the CIS general controls adequately evaluated taking the following into account: <input type="checkbox"/> Organisation and management controls <input type="checkbox"/> Application systems development and maintenance controls <input type="checkbox"/> Computer operation controls <input type="checkbox"/> System Software controls <input type="checkbox"/> Logical access controls <input type="checkbox"/> Disaster recovery controls	Par. 3.3.4	ISA 401 par. 07				
4	Were the CIS application controls adequately evaluated taking the following into account: <input type="checkbox"/> Control over input <input type="checkbox"/> Control over processing and computer data files <input type="checkbox"/> Controls over output	Par. 3.3.4	ISA 401 par. 08				
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 401 par. 09				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
6	Where no reliance could be place on general and application controls, were manual controls considered that might provide effective compensating controls at the application level?	Par. 3.3.4	ISA 401 par. 11				
7	Did the auditor consider an appropriate combination of manual and CAAT's procedures?	Par. 3.3.4	ISA 410 par. 15 ISA 4011 par. 07				
8	In determining the use of CAAT's were the following factors considered: <input type="checkbox"/> Computer knowledge, expertise and experience of the auditor. <input type="checkbox"/> Availability of CAAT's and suitable computer facilities. <input type="checkbox"/> Impracticability of manual tests. <input type="checkbox"/> Economic, effectiveness and efficiency. <input type="checkbox"/> Timing.	Par. 3.3.4	ISA 4011 par. 07				
9	Where CAAT's were used, does the working papers contain sufficient documentation to describe the CAAT application, such as the following:	Par. 3.2.3 (d)	ISA 4011 par. 22				
a.	<b>PLANNING:</b> ▪ CAAT objectives ▪ Specific CAAT to be used and exercised, ▪ Staffing, timing and cost.						
b.	<b>EXECUTION:</b> ▪ CAAT preparation and testing procedures and controls, ▪ Details of tests performed by the CAAT, ▪ Details of input, processing and output, and ▪ Relevant technical information about the entity's accounting system, such as computer file layouts.						
c.	<b>AUDIT EVIDENCE:</b> ▪ Output provided, ▪ Description of the audit work performed on the output, and ▪ Audit conclusions						
d.	<b>REPORTING:</b> ▪ Recommendations to management.						
<b>G.</b>	<b>TESTS OF CONTROL</b>						
1	Was audit evidence obtained through tests of control to support any assessment of control risk which 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 over the internal controls are appropriate in the circumstances?	Par. 3.3.1 to 3.3.4	ISA 400 par. 30 & 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				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
<b>H</b>	<b>LEAD SCHEDULE</b>						
1	Were all the account area lead schedules (for each account/component) correctly completed and cross-referenced to the financial statements of the Auditee? Taken into account: ▪ Comparative figures ▪ Opening balances		ISA 710 par. 6 ISA 510 par. 5				
<b>I</b>	<b>DEVELOPMENT OF DETAIL AUDIT PROGRAMMES</b>						
1	Is there evidence of a senior person having approved audit programmes prior to the commencement of fieldwork?	Par. 3.2.3 (d)					
2	Are audit programmes designed to support opinions furnished on financial statements?	Par. 3.2.3 (d)	ISA 500 par 2-6				
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 & 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 ISSAI 1230				
<b>J</b>	<b>ANALYTICAL PROCEDURES</b>						
1	Were analytical procedures performed during the planning phase of the audit in order 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) & 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 – 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: ▪ Prior year's results ▪ Variations from budget.	Par. 3.6	ISA 520 par. 17 & 18				



		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
<b>a.</b>	<b>Substantive analytical procedures</b>						
1	Were substantive analytical reviews designed (if designed at all) to obtain assurance regarding the reasonableness of account balances or series of transactions, and were all criteria met in this regard?	Par.3.5	ISA 520 par. 12				
2	Where any analytical reviews were performed to restrict the nature, timing and/or extent of substantive procedures, are the results from such an analysis appropriately measured against materiality? Was corroboration obtained for explanations received?	Par.3.5	ISA 520 par. 10 & 12				
3	Were appropriate substantive procedures designed and performed for each transaction, account balance and disclosure per assertion and were the sufficiency and appropriateness of the evidence considered?	Par.3.5	ISA 500R par. 12 & 17				
4	Regarding the timing of the substantive procedures, was the most efficient manner of conducting the substantive procedures taken into account?	Par.3.5	ISA 530				
5	Were the samples selected for testing reasonable and representative of the population?	Par.3.5	ISA 530 par. 35 & 40				
6	Were procedures developed to address performance dimensions (value for money assertion) to the relevant sources?	Par.3.5					
7	Were all third-party confirmations received back? Were these confirmations compared to the client's records and differences investigated?	Par.3.5	ISA 505				
<b>K</b>	<b>EVALUATION OF RESULTS</b>						
1	Are errors found when sampling appropriately considered?	Par. 3.5	ISA 530 par 54 – 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					
<b>L</b>	<b>AUDIT WORKING PAPERS:</b>						
1	Are well supported conclusions stated for each component audited?	Par. 3.5.5 to 3.5.6	ISA 230 par 11 ISSAI 1230				
2	Is there evidence of audit objectives having been met in each procedure?	Par. 3.5.5 to 3.5.6	ISA 230 par 15 ISSAI 1230				
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 ISSAI 1230				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
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 ISSAI 1230				
6	Generally do the working papers: <ul style="list-style-type: none"> <li>▪ Include indexing/signatures and dating by preparer and reviewer?</li> <li>▪ Indicate the meanings of audit tick marks?</li> <li>▪ Indicate source of information?</li> <li>▪ Indicate the purpose of photocopied documents?</li> <li>▪ Containing memoranda or other evidence covering significant and unusual accounting and reporting matters?</li> <li>▪ Indicate that all schedules, prepared by the auditees, have been cast and cross cast?</li> </ul>	Par. 3.5.5 to 3.5.6	ISA 230 par 15 ISSAI 1230				
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 ISSAI 1230				
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 ISSAI 1230				
<b>M</b>	<b>REVIEW</b>						
1	Do the audit working papers demonstrate adequate manager involvement in planning/supervision/review process of the audit?	Par. 3.2.3	ISA 220 par 21 - 27 ISSAI 1220				
<b>N</b>	<b>OTHER AUDIT CONSIDERATIONS</b>						
1	Were adequate procedures designed in respect of auditing the budgetary process of the auditees?	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 attorney's letters requested and obtained where an indication was found that the auditees are involved in any legal matter/ litigation?	Par. 3.5	ISA 500 par 15				
8	Was there adequate communication with the auditees throughout the audit (audit steering committee meetings)?	Par. 3.5	ISA 230 par 15 ISSAI 1230				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
<b>O</b>	<b>COMPLIANCE WITH LAWS AND REGULATIONS</b>						
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				
<b>P</b>	<b>REPORTING</b>						
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 accordance 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 in accordance 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 there a management letter for discussion with the management of the Auditee?	Par. 4.0.1 to 4.0.29					
8	Does the management letter set out: - The problem, its nature and possible consequences? - Practical and cost-effective recommendations? - Reference to verbal or informal queries? - Any un-finalised matters from the previous year's letters?	Par. 4.0.1 to 4.0.29					
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 accordance 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					

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
14	Had the following been confirmed prior to disclosure: <ul style="list-style-type: none"> <li>▪ That information, which is made public, is properly backed-up by supporting documentation.</li> <li>▪ That the facts, which are made public, are properly presented for the sake of the necessary transparency, openness and accessibility.</li> <li>▪ That the level of disclosure is properly defined, for example, is it an interim, final or special audit report.</li> </ul>	Par. 4.0.1 to 4.0.29					
	<ul style="list-style-type: none"> <li>▪ That the accounting officer concerned is informed in writing about the information that will be made public.</li> </ul> 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 furnished? In my opinion, based on the review performed, the audit was performed with due care.	Par. 4.0.1 to 4.0.29					
<b>Q</b>	<b>CONTRACTING OUT</b>						
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 SAI approve the audit plan after proper review thereof?						
4	Were all changes to the audit plan approved by the SAI?						
5	Was there a steering committee in place and does the SAI ensure the efficient functioning thereof?						
6	Did the SAI ensure that the auditing standards were complied with? Did the SAI perform an overall review of the work performed by the firm?						
7	Did the SAI 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 SAI ensure that copies of the relevant audit files were retained or available?						
<b>R</b>	<b>FRAUD AND ERROR</b>						
1	Where indications of fraud were discovered during the audit, were they adequately followed up?	Par. 3.4.1	ISA 240				

		INTOSAI Ref.	ISA /ISSAI Ref.	YES	NO	N/A	
<b>S</b>	<b>ACCOUNTING ESTIMATES</b>						
1	Were accounting estimates adequately assessed for reasonableness and were differences correctly followed up?		ISA 540				
<b>T</b>	<b>RELATED PARTIES</b>						
1	Were audit procedures designed to obtain sufficient 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				
<b>U</b>	<b>USING THE WORK OF ANOTHER AUDITOR</b>						
1	Was the work performed by other auditors, properly evaluated and taken into consideration during the current audit. (Computer audit, Performance audit and Forensic audit)	Par 3.1.3 (h)	ISA 600				

### Examples of substantive procedures

		INTOSAI Ref.	ISA Ref.	YES	NO	N/A	
<b>V.</b>	<b>SUBSTANTIVE PROCEDURES</b>						
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: <input type="checkbox"/> Is the sampling size and sampling approach appropriate? <input type="checkbox"/> Is the sample representative of the population?	Par. 3.5.2	ISA 530				
<b>a.</b>	<b>Long term liabilities</b>						
1.	Has third party confirmation been obtained in respect of all long-term amounts owing?	Par. 3.5	ISA 500 par 15				
2.	Are long term liabilities within the auditees permitted borrowing powers?	Par. 3.5					

		INTOSAI Ref.	ISA Ref.	YES	NO	N/A	
3.	Are the lender's terms being complied with in respect of the long term liabilities?	Par. 3.5					
<b>b. Fixed Assets</b>							
1.	Is there evidence that a fixed assets register has been properly maintained?	Par. 3.5	ISA 500 par 15				
2.	Is the nature and extent of tests in respect of fixed assets appropriate in respect of: <ul style="list-style-type: none"> <li>▪ Additions and disposals of fixed assets</li> <li>▪ Ownership and physical existence</li> <li>▪ Transactions before and after the balance sheet date to determine that a proper cut off has taken place</li> <li>▪ The balances of fixed asset and related accounts</li> </ul>	Par. 3.5	ISA 500 par 15				
3.	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				
4.	Were title deeds inspected in respect of property ownership?	Par. 3.5	ISA 500 par 15				
5.	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 with regard to the verification of material assets and liabilities?	Par. 3.5	ISA 500 par 15				
<b>c. Investments</b>							
1.	Do the working papers show that details were examined in respect of: <ol style="list-style-type: none"> <li>1. Purchase price/date</li> <li>2. Changes during the year</li> <li>3. Market Value at year end</li> </ol>	Par. 3.5	ISA 500 par 15				
2.	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				
3.	Were appropriate calculations of investment income checked and correlated with recorded income?	Par. 3.5	ISA 500 par 15				
4.	Was adequate consideration given to current vs. long-term classification of investment?	Par. 3.5	ISA 500 par 15				
<b>d. Inventories</b>							
1.	Did the client perform a year end stock take?	Par. 3.5	ISA 500 par 15				
2.	Do the audit working papers properly reflect attendance at and evaluation of the client's stock take, including: <ul style="list-style-type: none"> <li>▪ The timing and extent of stock take observations.</li> <li>▪ Test counts and related follow ups.</li> <li>▪ Conclusions as to the adequacy of the stock count procedures.</li> </ul>	Par. 3.5	ISA 500 par 15				

		INTOSAI Ref.	ISA Ref.	YES	NO	N/A	
	<ul style="list-style-type: none"> <li>▪ Consideration given to counting or confirming consignment stock or stock held by others.</li> <li>▪ Where the stock take is 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?</li> <li>▪ If perpetual stock records are maintained, are differences disclosed by the client's physical stock properly reflected in the account?</li> </ul>						
3.	Were cut off tests performed and appropriately documented?	Par. 3.5	ISA 500 par 15				
<b>e.</b>	<b>Debtors / Accounts Receivable</b>						
1.	Were tests performed to confirm the existence of debtors?	Par. 3.5	ISA 500 par 15				
2.	Were cut-off tests performed and appropriately documented as to credit notes, cash receipts and returns?	Par. 3.5	ISA 500 par 15				
3.	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				
4.	Are other accounts receivable adequately verified?	Par. 3.5	ISA 500 par 15				
<b>f.</b>	<b>Bank and Cash</b>						
1.	Were bank request confirmations obtained in respect of all banking accounts?	Par. 3.5	ISA 500 par 15				
2.	Were the bank certificates agreed to the bank reconciliation statements?	Par. 3.5	ISA 500 par 15				
<b>g.</b>	<b>Creditors / Accounts Payable</b>						
1.	Do the audit working papers indicate that source documents were examined?	Par. 3.5	ISA 500 par 15				
3.	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				
4.	Were cut-off tests performed and appropriately documented as to purchases and disbursements, including a search for unrecorded liabilities?	Par. 3.5	ISA 500 par 15				
5.	Were the tests of balances of the accrued liabilities adequate?	Par. 3.5	ISA 500 par 15				
6.	Are other current liabilities adequately verified?	Par. 3.5	ISA 500 par 15				
<b>h.</b>	<b>VAT / PAYEE</b>						
1.	Was VAT adequately audited?	Par. 3.5	ISA 500 par 15				
2.	Was PAYEE adequately audited?	Par. 3.5	ISA 500 par 15				

		INTOSAI Ref.	ISA Ref.	YES	NO	N/A	
i.	<b>Cash flow information</b>						
2.	Is there evidence on the file that the cash flow statement was audited?	Par. 3.5	ISA 500 par 15				
3.	Was other information, included in the financial statements, verified to determine if any inconsistencies exist?	Par. 3.5					



## Appendix 4D

### INDIVIDUAL FINDING RECORDING FORM AT THE FINANCIAL AUDIT LEVEL

Name of Reviewer	Signature	Date
Financial year	QAQ reference	
Reviewing object name		
Name of audit manager/ Director	Signature	Date
Financial Audit phase	Planning/ Conducting/ Reporting (circle please)	
WP No	WP ref No	

**Observation:**

Insert the observation here

**Cause**

Write the reason of observation, including the sub element reference

**Effects:**

Write down impact of observation

**Feedback from the Audit manager/ Audit director**

Insert the feedback here

**Recommendation**

Insert recommendation

**SAMPLE COMPLETED INDIVIDUAL FINDING RECORDING FORM AT THE FINANCIAL AUDIT LEVEL**

Name of Reviewer	Himanshu	Signature		Date	31.10.2008
Financial year	2007	QAQ reference	C1		
Reviewing object name	Agency of secondary education				
Name of audit manager/ Director	Gautam	Signature		Date	01.11.2008
Conducting Financial audit phase (circle please)	<input checked="" type="radio"/> Planning/ <input type="radio"/> Conducting/ <input type="radio"/> Reporting				
WP No	RW08-1	WP ref No	R – 3		

**Observation:**

INTOSAI Standards paragraph 3.1.3 (k), International Auditing standards 300 paragraph 2, 8 & 9 and International Standards of Supreme Audit Institution 1300 require working papers to include a planning memorandum. Although the SAI methodology requires the preparation of planning memorandum, there was no planning memorandum on file. There was no indication that a plan was prepared before the execution of the audit.

**Cause**

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.

**Effects:**

Objectives of the audits may not be achieved due to lack of planning, and this may result in wastage of resources.

**Feedback from the Audit manager/ Audit director**

The observation is noted and we make all the necessary effort to prepare audit plans and place them on file.

**Recommendation**

The SAI should develop an operational plan that considers all resource requirements and allocates sufficient resources to enable audit teams to conduct their audits efficiently and effectively. Adherence to the operational needs should be monitored by the supervisors.

**Appendix 4E**  
**QUALITY ASSURANCE REVIEW RECORDING FORM (QARRF)**

**1. TERMS OF REFERENCE**

**A. Positive observation**

Summary of the Key Positive Aspects from the Review

**B. Areas for improvement**

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments

**2. PLANNING**

**A. Positive observation**

Summary of the Key Positive Aspects from the Review

**B. Areas for improvement**

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments

**3. EXECUTION PHASE**

**A. Positive observation**

Summary of the Key Positive Aspects from the Review

**B. Areas for improvement**

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments


**4. REPORTING PHASE**

**A. Positive observation**

Summary of the Key Positive Aspects from the Review

**B. Areas for improvement**

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments

Signed by .....

Date .....

## Appendix 4F

### SAMPLE: QUALITY ASSURANCE REVIEW RECORDING FORM

## Appendix 4F

### SAMPLE: QUALITY ASSURANCE REVIEW RECORDING FORM

#### 1. TERMS OF REFERENCE

##### A. Positive observation

Copy of audit engagement letter was attached in audit file and it confirmed the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the client and the form of reports.

##### B. Areas for improvement

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments
A1	There are no documents demonstrating compliance with the Code of Ethics and assessment of the audit team competency.	Office does not have specific policy to assess the competency of staff before assigning the audit engagement and system of evaluating the compliance of Code of Ethics. No any guidance was given in this regard.  <i>Internal Governance</i>	The audit management did not know whether they had assigned a competent team to the audit.	The SAI needs to establish the policy of objective assessment of the competency of the available manpower in the Directorate before assigning audit. There should be proper documentation of competency assessment and competency. SAI should create a roster of its manpower considering the expertise based on each sector and nature of audit. The assessment and monitoring	The policy of objective assessment of the competency of the available manpower within the respective Directorate will be formulated

						policy needs to be formulated recognising the requirement of the Code of Conduct.
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## 2. PLANNING

### A. Positive observation

Materiality logically determined and well documented according to the IAS.

### B. Areas for improvement

QAQ reference	Observation	Causal Factors Sub-element	Effects	Recommendations	Audit manager/ Audit director Comments
C.1	There was no planning memorandum on file. There was no indication that a plan was prepared before the execution of the audit.	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. <i>Internal governance</i> There is no manual or technical guidance related to risk assessment. <i>Audit methodology and</i>	Objectives of the audits may not be achieved due to lack of planning and this may result in wastage of resources.	INTOSAI Standards paragraph 3.1.3 (k) and International Auditing standards 300 paragraph 2, 8 & 9 and International Standards of Supreme Audit Institution 1300 require working papers to include a planning memorandum. It would be good for the SAI to come with 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.	The observation is noted and we make all the necessary effort to prepare audit plans and place them on file.
H.5	The risk assessment did not evaluate the significance of the risks identified and the audit procedures did not clearly respond to the	<i>Audit methodology and</i>	The audit programmes might lead to ineffective audit execution.	The SAI should prepare a manual for the implementation of the risk assessment concept of the guidelines. Process, toolkit and checklist for risk assessment need to be defined in the manual;	The SAI has felt the necessity of developing a manual, format and toolkit for risk and internal control assessment.

D-6	risks identified. Audit procedures in audit programme appear to be inadequate to attain the audit objective.	<i>standard (Manual and Guidance)</i> The audit programmes were not updated in case additional or alternative audit procedures were undertaken during and upon completion of the audit. <i>Audit Methodology (Tools)</i> <i>Human Resource (Training)</i>	The audit procedures may not attain the audit objectives.	As audit progresses, changes due to additional audit procedures should be reflected in the audit programme.	Due to resources constraints, the SAI has yet to develop such document. The audit team leader will ensure that such changes are fully demonstrated in the future.
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Signed by .....

Date .....



## Appendix 4G

### Sample Template of draft report

#### FINANCIAL AUDIT REVIEW REPORT

##### TABLE OF CONTENTS

##### INTRODUCTION

..... 1

##### APPROACH AND METHODOLOGY

..... 1

##### OBSERVATIONS

.....1

##### 1. Terms of reference

..... 1

##### 2. Planning

.....1

##### 3. Execution

.....1

##### 4. Reporting

..... 1

##### 5. General

##### Overall conclusion

##### Management response

## INTRODUCTION

Please insert the background information

## APPROACH AND METHODOLOGY

Please insert the main data gathering techniques

Limitations, if any, of the approach

## OBSERVATIONS

### 1. *Terms of reference*

#### Positive observation

#### Areas for improvement

Observation:

Effects:

Casual factors sub elements:

**Recommendation:**

## ***2. Planning***

### **Positive observation**

### **Areas for improvement**

**Observation:**

**Effects:**

**Casual factors sub elements:**

**Recommendation:**

## ***3. Execution***

### **Positive observation**

### **Areas for improvement**

**Observation:**

Effects:

Casual factors sub elements:

Recommendation:

**4. Reporting**

**Positive observation**

**Areas for improvement**

Observation:

Effects:

Casual factors sub elements:

Recommendation:

**5. General**

**Positive observation**

**Areas for improvement**

**Observation:**

**Effects:**

**Casual factors sub elements:**

**Recommendation:**

**OVERALL CONCLUSION**

[Redacted area]

**MANAGEMENT RESPONSE**

[Redacted area]

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## References

1. Guidelines on Audit Quality, Revised version for the consideration of Contact Committee of the Heads of the SAIs of the European Union December, 2004.
2. Public Financial Management Performance Measurement Framework, World Bank, June 2005
3. Achieving High Quality in the Work of Supreme Audit Institutions, SIGMA Paper No. 34, 2004
4. Audit Quality Management System Guidelines, ASOSAI, 2006
5. Capacity Building Needs Assessment (CBNA) Guidance, INTOSAI Development Initiative (IDI), 2007
6. Quality Assurance Handbook, IDI-AFROSAI-E, 2007
7. Handbook of International Auditing, Assurance, and Ethics Pronouncements, International Federation of Accountants, March 2008
8. International Standards for Supreme Audit Institutions ([www.issai.org](http://www.issai.org))
9. Quality Assurance Framework for Ensuring Compliance with Generally Accepted Government Auditing Standards, General Accounting Office, USA, March 8, 2004
10. Strategic Plan of the National Audit Office of New South Wales 2006-2009

## Acronyms

AQMS	Audit Quality Management System
ASOSAI	Asian Organisation of Supreme Audit Institutions
CAATs	Computer Assisted Audit Techniques
IDI	INTOSAI Development Initiative
IFAC	International Federation of Accountants
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standards of Auditing (issued by IFAC)
ISQC 1	International Standard on Quality Control (issued by IFAC)
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
PAC	Public Accounts Committee
QAR	Quality Assurance Review
QARRF	Quality Assurance Review Recording Form
QC	Quality Control
QMS	Quality Management System
SAI	Supreme Audit Institution
TOR	Terms of Reference
WP	Working Paper