Summary of the First-Place Winning Research
of the ARABOSAI 12th Contest

Developing Audit Functions and Accomplishing Added-Value

State Audit Bureau-Qatar

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Introduction:

The economic environment in the State of Qatar has witnessed a remarkable development in the last decade, which has led to the development of business both quantitatively and qualitatively, particularly in various sectors. This constituted an audit challenge in terms of using the latest technical and technological methods to develop and improve the audit work in the State Audit Bureau of Qatar, in order to ensure increasing audit effectiveness and achieving the added value desired therefrom.

This research aims to demonstrate the impact of the methods and means that have recently been used by the national audit institution in improving the audit work and increasing the value-added. These methods varied from legal, technical, technological, to human cadres' development. Whereby the research placed the experience of the State Audit Bureau in a research framework that constitutes a beacon to determine the methods of developing the audit work in the Supreme Audit Institutions and summarizes the challenges they face, methods and means of overcoming them, and a future vision of what the Audit Institutions should head for.

Chapter I

Increasing Audit Added-Value in Accordance with Generally Accepted Standards

1- The Institute of Internal Auditors (IIA):

During November 2015, the Institute of Internal Auditors issued a report as part of the Publications of the Common Body of Knowledge (CBOK) under the name of Measuring the Value and Performance of Internal Audit. The report dealt with the concept of the added value of auditing, which consists of three elements, as shown in the following illustration:
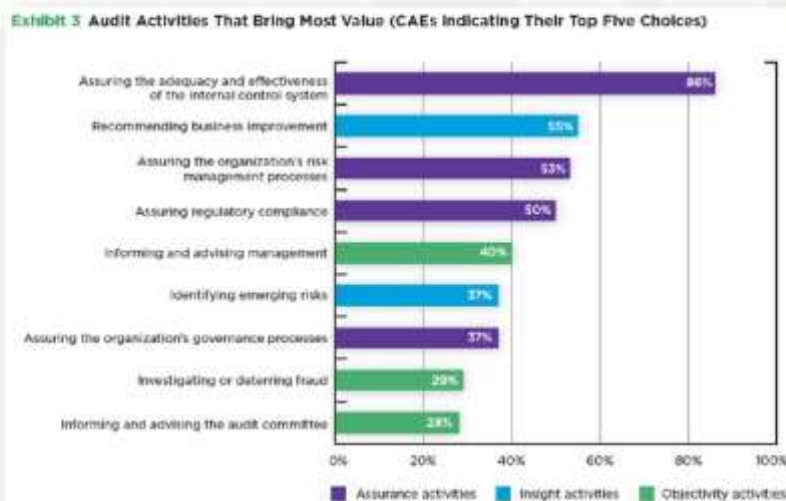

Added Value Elements

- **Assurance**: Providing assurance regarding governance, risk management and auditing in the organization.

- **Objectivity**: The audit commitment to integrity and accountability through which value is provided to senior management in an independent subject matter for praise and advice.

- **Insight**: The role of auditing as a catalyst to improve the effectiveness and efficiency of the organization by providing insight and recommendations based on the analysis and evaluation of both data and processes.

The most value-adding activities:

Based on a survey conducted during 2015 by the Institute of Internal Auditors during which the opinion of the executive directors of internal

A Closer Look at Value-Adding Activities

Exhibit 3 Audit Activities That Bring Most Value (CAEs Indicating Their Top Five Choices)

Activity	%
Assuring the adequacy and effectiveness of the internal control system	86%
Recommending business improvement	55%
Assuring the organization's risk management processes	53%
Assuring regulatory compliance	50%
Informing and advising management	40%
Identifying emerging risks	37%
Assuring the organization's governance processes	37%
Investigating or deterring fraud	29%
Informing and advising the audit committee	28%

Legend: ■ Assurance activities ■ Insight activities ■ Objectivity activities

Note: Q89: In your opinion, which are the five internal audit activities that bring the most value to your organization? (Choose up to five.) CAEs only. Purple bars are assurance activities, royal are insight, and green are objectivity, as related to The IIA's Internal Audit Value Proposition. n = 2,641.

IIA — The IIA Research Foundation | CBOK — The Global Internal Audit Common Body of Knowledge

audit was taken, whereby 9 activities out of 14 activities included in the opinion survey showed that these provided added value to the organization, specifically:

The most Value-adding Activities		
Insightful Activities	Objective Advice Activities	Assurance Activities
Recommending business development.	Informing and advising management.	Providing assurance on the adequacy and effectiveness of the internal control system.
Identifying emerging risks.	Investigating or deterring fraud.	Providing assurance on the organization's risk management processes.
	Informing and advising the audit committee.	Providing assurance regarding compliance with legislations.
		Providing assurance regarding governance of the organization.

2. Aspects of intersection with INTOSAI standards and Sarbanes-Oxley-Act (SOX):

The previous study intersected in many points with the INTOSAI standards and with the provisions of the Sarbanes–Oxley Act related to external auditing in the United States of America. These intersection aspects included the following:

SOX	INTOSAI Standards	IIA Study
Expressing an opinion on adequacy and effectiveness of the internal control system.	ISSAI 1265: Communicating deficiencies in internal control to those charged with governance and management auditing.	Adequacy and effectiveness of the internal control system.
	ISSAI 400 – Fundamental Principles of Compliance Auditing.	Providing assurance regarding compliance with legislations.
	ISSAI 300 - Fundamental Principles of Performance Audit.	Recommending business development.

The function and responsibility of senior management include providing assurance regarding the validity and integrity of the financial statements with the imposition of fines.	INTOSAI Guidance for Good Governance	Providing assurance regarding governance of the organization.

The focus of the research will be on those points in addition to the main function of auditors, which is auditing.

3. Audit of internal control elements according to COSO:

According to Committee of Sponsoring Organizations of the Treadway Commission (COSO), internal controls are designed to provide reasonable assurance about:

- Operational efficiency and effectiveness
- The reasonableness of the financial reports
- Compliance with laws and regulations

Components of internal control according to COSO

4. The role of the government auditor in auditing the internal control components in accordance with the standards of the

International Organization of Supreme Audit Institutions (INTOSAI):

INTOSAI Standard No. (315) deals with additional considerations in the International Standard on Auditing (315). The International Standard on Auditing in Article No. (A50) includes that there are four important considerations in audit controls (ISA, 2013):

• The general characteristics and nature of controls.

• The controls related to the audit process.

• The nature and scope of understanding the relevant controls.

• Controls components.

5. The role of the government auditor in compliance auditing:
ISSAI 400 includes the fundamental principles of compliance audit, and article No. (12) of the standard defines the objective of compliance audit as:
"The Compliance auditing is the independent assessment of whether a given subject matter is in compliance with applicable authorities identified as criteria. Compliance audits are carried out by assessing whether activities, financial transactions and information comply, in all material respects, with the authorities which govern the audited entity".

According to the Articles from 21 to 26, the types of compliance audit are divided into three types:

1. Compliance audit related to audit of financial statements: these are compliance audits related to public-sector income and expenditures in accordance with applicable legal provisions.
2. Separate compliance audit: Here, it is implemented as a separately audit process in accordance with ISSAI 4100 related to this regard.
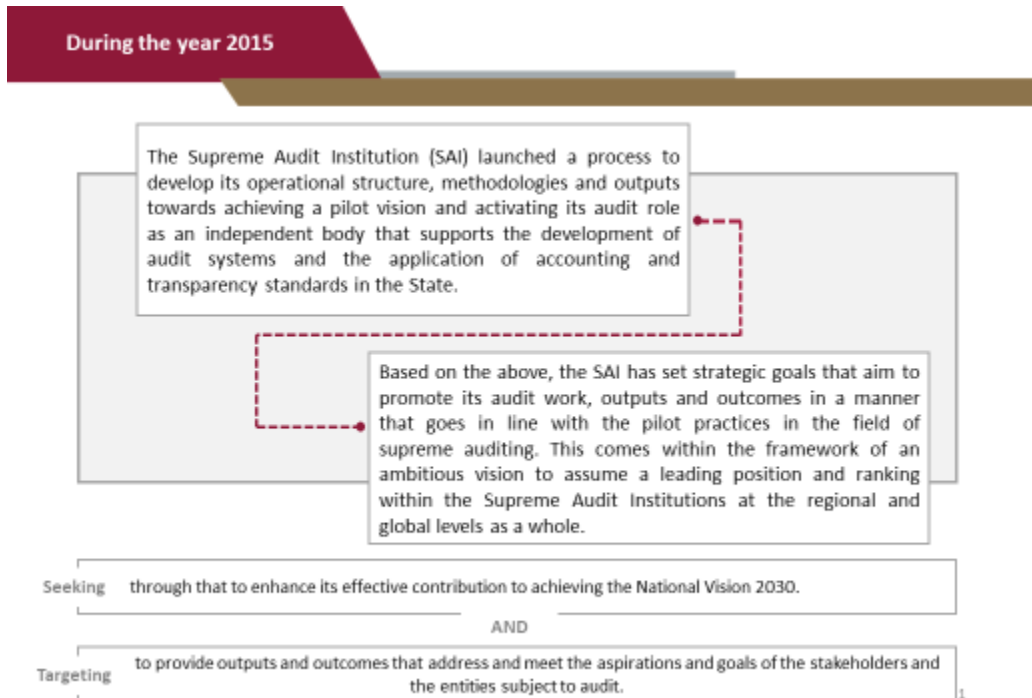
3. Compliance audit in combination with performance audit: Here, compliance is viewed as one of the aspects of economy, efficiency and effectiveness.

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Chapter II
The Experience of the National Audit Institution in Meeting the Requirements of Improving Audit Work and Increasing the Added Value

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Section 1: Road Map

The State Audit Bureau of Qatar began charting a path to develop its work mechanisms and approaches, or the so-called Road Map, with the aim of improving audit work and increasing its value-added in order to serve the National Vision 2030 and the requirements and aspirations of users of audit reports, and as follows:

During the year 2015

The Supreme Audit Institution (SAI) launched a process to develop its operational structure, methodologies and outputs towards achieving a pilot vision and activating its audit role as an independent body that supports the development of audit systems and the application of accounting and transparency standards in the State.

Based on the above, the SAI has set strategic goals that aim to promote its audit work, outputs and outcomes in a manner that goes in line with the pilot practices in the field of supreme auditing. This comes within the framework of an ambitious vision to assume a leading position and ranking within the Supreme Audit Institutions at the regional and global levels as a whole.

Seeking   through that to enhance its effective contribution to achieving the National Vision 2030.

AND

Targeting   to provide outputs and outcomes that address and meet the aspirations and goals of the stakeholders and the entities subject to audit.

Development process objectives of the Audit Institution

In order to launch a development path of any audit work, it was essential to build a strong legal ground, on which the audit institution relies to define its work and mandates of government audit work. To this effect, the Law No. (11) of 2016 concerning the State Audit Bureau was issued, which strengthened the audit mandates that ensure the safeguarding of public funds and raise efficiency of government work, accounting principles and transparency. The types of audits included in its work have been varied to include:

a. Financial audit.
b. Compliance audit.
c. Performance audit.
d. Information technology audit.
e. Review of the internal control, governance and risk management systems.
f. Evaluating the internal audit units.

Accordingly, the audit institution launched its development path as follows:

The Development Path

Stemming from the SAI vision and objectives

The SAI has laid the cornerstone of its development path by implementing the following:

1- Assessing the SAI Current State and issuing the Gap Analysis Report.

2- Developing a Benchmark Analysis based on leading SAIs in developed countries.

3- Developing the SAI future state based on the results of the Current State Assessment and the Benchmark Analysis.

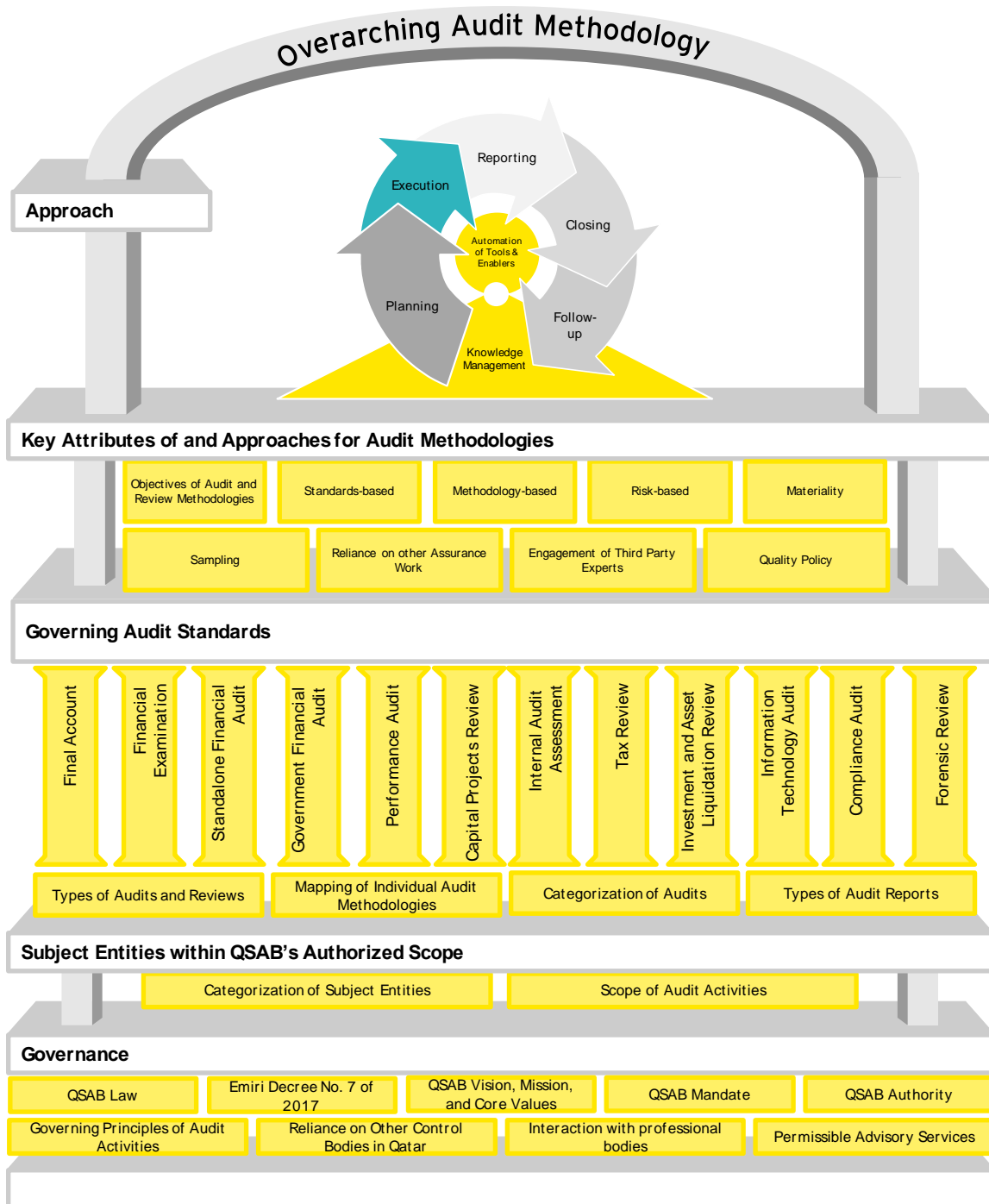4- Determining the basic development initiatives that will achieve the future state and laying down the road map.
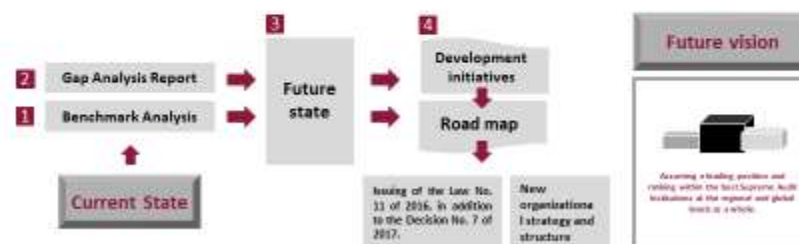
Based on this legal umbrella, the State Audit Bureau established a roadmap consistent with the strategic vision of the State, and launched several initiatives, the most important of which is the establishment of four working groups concerned with the following aspects:
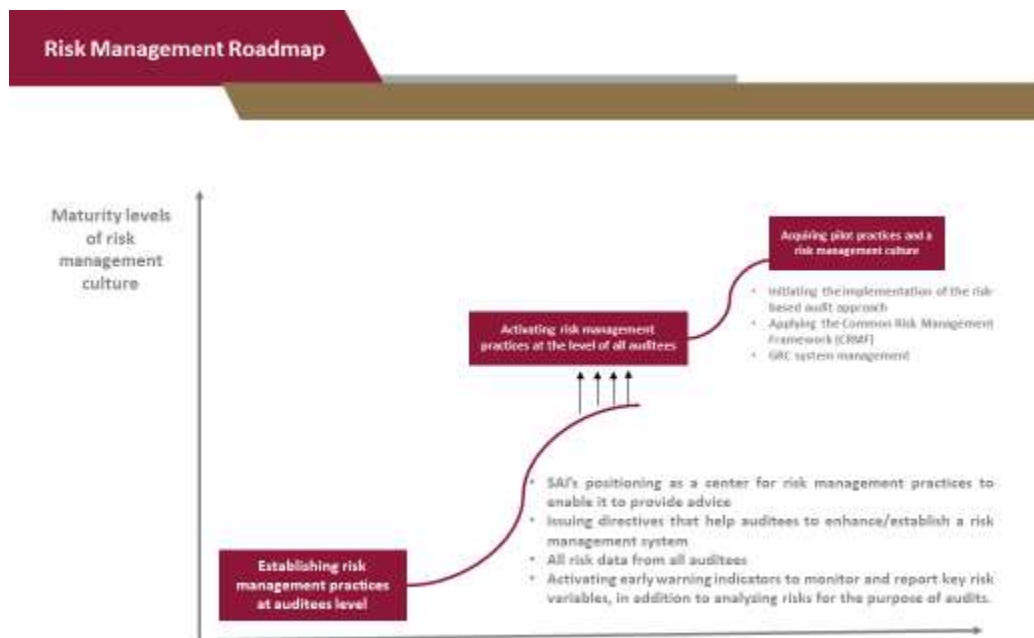
a. Development and improvement of human resources (Human Empowerment Working Group).
b. Utilizing the latest means of technical and technological development and using them to raise the effectiveness of auditing (Technology Empowerment Working Group).
c. Development of work methodologies to cover all types of audit work defined by the law (Methodologies Working Group).
d. Reliance on risk-based auditing as a basis for planning and implementing audit work. (Risk Management Working Group).

The State Audit Bureau has adopted INTOSAI standards as a basis for audit methodologies within the context of the law. To this effect, the following scheme establishes the basis for the work of the various methodologies.

Overarching Audit Methodology

Approach

- Reporting
- Execution
- Closing
- Automation of Tools & Enablers
- Planning
- Follow-up
- Knowledge Management

Key Attributes of and Approaches for Audit Methodologies

Objectives of Audit and Review Methodologies	Standards-based	Methodology-based	Risk-based	Materiality
Sampling	Reliance on other Assurance Work	Engagement of Third Party Experts	Quality Policy	

Governing Audit Standards

- Final Account
- Financial Examination
- Standalone Financial Audit
- Government Financial Audit
- Performance Audit
- Capital Projects Review
- Internal Audit Assessment
- Tax Review
- Investment and Asset Liquidation Review
- Information Technology Audit
- Compliance Audit
- Forensic Review

Types of Audits and Reviews	Mapping of Individual Audit Methodologies	Categorization of Audits	Types of Audit Reports

Subject Entities within QSAB's Authorized Scope

Categorization of Subject Entities	Scope of Audit Activities

Governance

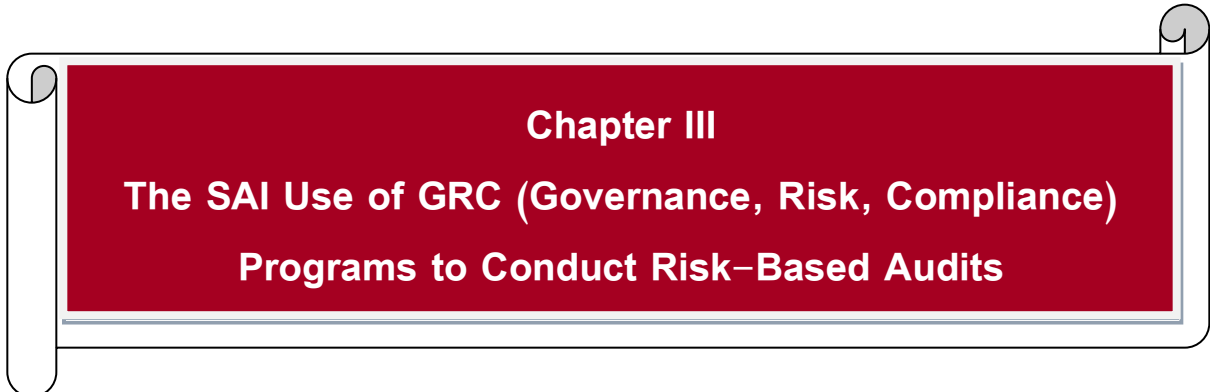|				
QSAB Law	Emiri Decree No. 7 of 2017	QSAB Vision, Mission, and Core Values	QSAB Mandate	QSAB Authority
Governing Principles of Audit Activities	Reliance on Other Control Bodies in Qatar	Interaction with professional bodies	Permissible Advisory Services	

A roadmap has also been established to develop the concept and culture of risk management at the level of the entities subject to the audit of the State Audit Bureau, so that it may begin with the establishment of risk

management practices and end with acquiring pilot practices and a risk management culture, and as follows:

Risk Management Roadmap

Maturity levels of risk management culture

Acquiring pilot practices and a risk management culture
- Initiating the implementation of the risk-based audit approach
- Applying the Common Risk Management Framework (CRMF)
- GRC system management

Activating risk management practices at the level of all auditees

- SAI's positioning as a center for risk management practices to enable it to provide advice
- Issuing directives that help auditees to enhance/establish a risk management system
- All risk data from all auditees
- Activating early warning indicators to monitor and report key risk variables, in addition to analyzing risks for the purpose of audits.

Establishing risk management practices at auditees level

Modern technical and technological means have been used to implement these strategies, including the use of audit programs, such as (governance, risk, compliance "GRC") to develop an effective and systematic integration between auditing, control and risk survey functions, by establishing a link between the different stages of audit work and levels of risk. This enables the permanent exchange of information between both audit practices and risk survey practices.

Chapter III
The SAI Use of GRC (Governance, Risk, Compliance) Programs to Conduct Risk-Based Audits

The automated system (GRC) enabled to develop an effective and systematic integration between auditing, control and risk survey functions, by establishing a link between the various stages of the audit work and the levels of risk, which allows the permanent exchange of information between both audit practices and risk survey practices.

Combining Auditing and Risks:

Risks and audits are combined at all levels of review process and the levels of the audit process. When performing the annual planning of the SAI, the results of the survey and risk assessment are used at the sectoral level (the second level that was previously mentioned with respects to the levels of risk management in the SAI). However, when planning at the level of the single audit mission, the risks are surveyed at the level of the entity subject to the audit (the third level that was previously mentioned in the risk management levels in the SAI), while upon closing the mission, the risk register is updated based on the data of the audit process, as illustrated below:

Combining Auditing and Risks

Results:

1. The improvement of the audit work in the SAI required a number of requirements, namely:

a. Building a SAI general strategy based on the State's general strategy and national vision.

b. Legal requirements: This is done by issuing laws and relevant decisions that grant the SAI the competences required to carry out its work or add additional competences that achieve the desired added value.

c. A road map to translate the general strategy and the laws issued into actual reality.

d. Human cadre requirements: to be based on building an organizational structure commensurate with the previous points and defining the competences and responsibilities of employees and departments in addition to providing human resources in terms of quantity and quality, training and developing them in line with the general strategy of the SAI.

e. Technical requirements: These are divided into two parts, developing comprehensive and detailed methodologies for each type of audit in

accordance with the generally accepted standards, and conducting a risk survey for the entities subject to audit.

f. Technological requirements: These consist of building an integrated program that combines all administrative levels in the SAI and all types of auditing with risks and compliance, which increases the effectiveness and adequacy of auditing and at the same time be subject to quality control.

All the previous requirements must be put into place simultaneously, except for the first three requirements, which must be completed in an earlier stage. At the same time, the technological requirements must be carried out in an integrated manner with all the elements, as it will constitute the culmination of improvement process in the audit work and value-added accomplishment.

Suggestions and Recommendations:

1. Building a general strategy for the SAI that goes in line with the future vision and strategy of the State, and that realizes related laws, legislation and standards as a first step to improving the audit work and achieving added value.

2. Seeking to proposing amendment of laws and legislations related to the SAI's mandates in the event that the provisions of the law do not include the powers required to achieve the added value within the audit framework.

3. Building a complete roadmap as an essential step when embarking on any developmental work to improve the audit work in the SAIs in a way that ensures building a time plan, determining improvement frameworks and requirements, and most importantly, ensuring integration of its elements, whereby amending one component will lead to amending the other components.

4. Recruiting the qualified human cadres necessary for the process of improvement and development in the audit work, which must be compatible with the types of audit that the SAI undertakes, and at the same time, to develop and train them to match the latest developments in the profession.

5. Building an effective employee evaluation and motivation plan to ensure fairness and motivation for distinguished employees who play a fundamental role in improving audit work in the SAI, given that human cadres are one of the most important elements of audit quality according to the INTOSAI standards.

6. Conducting a general survey of the risks of the entities subject to the audit of the SAI, whether at the level of the entities or at the level of sectors, and ensuring its continuous updating so that it forms the basis for building the annual plans of the SAI and determining the risk criteria during an audit mission and at the level of the sector and the State as a whole. Although this is a long-term goal, it will bear great results for the SAI upon its achievement, in a way that helps achieving added value in accountability and transparency and accomplishing the goals of government units, whether economic or administrative.

7. Building audit methodologies related to improving audit work and achieving added value, to include all types of audit related thereto: financial audit, performance audit, compliance audit, information technology audit, internal control systems, internal audit units, etc. These methodologies must be compatible with the strategy of the SAI and the relevant laws on the one hand, and internationally applicable standards on the other hand.

8. Continuing constant development of work systems and workflow and the formation of work groups related to this development to outfit the needs of auditing and the development of relevant standards.

9. Establishing cooperation between the national SAIs and other counterparts at the regional level and the level of the world as a whole, to benefit from previous experiences, whether in terms of strengths or weaknesses, in a way that serves the process of improvement in the audit work and achieving added value.

10. Focusing on the outcome more than on the means, as the goal of the SAIs according to INTOSAI standards in general is to protect public funds and achieve accountability. Accordingly, improving the audit work must result in increased protection of public funds and increased accountability processes for those in charge of government units in order to achieve their goals. This is the key criterion that shows the success of any improvement in the audit work, and is considered in itself the added value achieved through the audit.

The Proposed Model for Handling the Entity's Risk Register:

This risk assessment model has been proposed and delivered in the form of a risk matrix to the auditor. The auditor of the SAI evaluates the risks. Below is a proposed model for this assessment, in addition to the self-assessment. Note that, in principle, this model is based on the research merits and is treated as per the

needs of the auditor, and at the same time, taking advantage of the benefits of the audit systems.

We include each risk contained in the risk matrix in this model, which is divided into three groups of risk assessment factors. Calculations are conducted in accordance with the following steps:

1. We import the risks from the risk register into the audit program where each risk will be subject to the proposed evaluation model.
2. We select for each of the evaluation factors a basis for evaluating it (evaluation basis from 1 to 5).
3. We add the weighting factor, which comes in three degrees $(1,2,3)$ that the researcher suggested in the model.
4. We multiply each assessed risk by the weight factor (assessed risk * weighted factor suggested in the proposed model).
5. We arrive at the outcome by addition of the result in each of the three groups.
6. We calculate the maximum risk for each group, which is the biggest value of the assessed risk multiplied by the proposed weighted factor, which is as follows according to the proposed model:
   a. The first group = 5 * 2 + 5 * 1 + 5 * 3 + 5 * 1 = 35
   b. The second group = 5 * 2 + 5 * 1 + 5 * 3 + 5 * 3 = 45
   c. The third group = 5 * 1 + 5 * 2 + 5 * 2 + 5 * 2 = 35
7. We divide the addition outcome of each group by the maxima, so we have three values, each ranging between 0 and 1.
8. We multiply the value in each group by 100, which is the final estimated value of each risk.
9. The assessed risks are automatically arranged according to priorities in the audit system and migrated to the audit plan through the system's integrated programs according to the following basis:
   - Greater than 80 subjects with highest priority.
   - $60 - 79$ critical subjects for review.
   - $40 - 59$ significant subjects.
   - $20 - 39$ subjects are of low priority but remain subject to review.
   - Less than 20 insignificant subjects.

Weighting factor	Evaluation basis	Review evaluation factors	Factors groups	Code
2	1: The smallest comparison ratio 5: The greatest comparison ratio 2,3,4 for what in between them	The value of the element in relation to the size of the annual income, expense or the percentage of its size within the budget.		a
1	1: The smallest number of employees in the area subject to audit 5: The greatest number of employees for the area subject to audit 2,3,4 for what in between them	Number of employees engaged in the activity	Size of risk	b
3	To be taken from the risk matrix provided by the organization: 1: Nearly zero risk 2: Low risk 3: Significant risks 3: Serious risks 3: Catastrophic risks.	Impact number in the risk matrix		c
1	1: For the smallest number of operations in one of the Organization's audited areas.	Number of operations		d

			Applied audit controls	
	5: For the greatest number of operations in an area under audit in the organization. 2,3,4 for what in between them			
2	Numbered according to the percentage of labor turnover and quality of management from 1 to 5	Quality of Management and cadre		e
1	1: In the event that no external parties are affected by it. 5: In the event that it is affected by external parties. 2,3,4 for what in between them	Sensitivity of the audit work for third parties: such as taxes, compliance with laws and joint ventures		f
3	1: For the excellent evaluation of these standards, as there is high flexibility in modifying any control and the deep knowledge of the staff thereof. 5: For the poorest evaluation and misunderstanding of these standards. 2,3,4 for what in between them	Standards of internal controls.		g
3	1: Rare	Probability of occurrence		h

	2: unlikely to happen 3: could happen 4: likely to happen 5: Happens frequently.	within the risk matrix.		
2	1: For excellent evaluation of the internal audit. 5: For poor evaluation of internal audit. 2,3,4 For what in between them.	Extent of efficiency of the internal audit	degree of efficiency of the audit process	i
3	1: Used for the longest period of time ever required for audit work, in relation to the number of audit team members. 5: Used for the minimum period of time required for the audit work in relation to the number of members of the audit team. 2,3,4 For what in between them.	Duration of the review		
3	1: Used for the longest period of time ever required for audit work, in relation to the number of audit team members. 5: Used for the minimum period of time required for	The time taken by the latest audit.		j

	the audit work in relation to the number of members of the audit team.

2,3,4 For what in between them. | | | |
| 3 | 1: For full legal compliance by them with quality standards.

5: For the reason that their operations consistently contain major problems.

2,3,4 For what in between them. | Efficiency in the work of external audit providers (such as the external auditor). | | k |