EUROSAI Seminar on Audit Quality
Budapest (Hungary), 1-2 March 2007

<u>DAY 1</u>

Introduction

- Applying audit quality requires a systematic, institution-wide approach;

- Most quality problems are due to poor management either at the audit team level or at the SAI level.

Guidelines on Audit Quality

- Presentation covered a synopsis of the Guidelines on Audit Quality;

- Guidelines are fairly generic as intended to be suitable for Audit Office and Court of Audit models and for Financial and Performance Audits;

- Clear focus on the importance of recruitment, training and performance appraisal system;

- Include a discursive section on managing the relationships with key stakeholders;

- Interesting and useful discussion about the differing meanings of assurance and control in different languages;

- Discussion about the differing importance of quality control (i.e. hot reviews) and quality assurance (i.e. cold reviews).

Hungarian Experiences in Implementing IFAC Standards on Audit Quality

- Overview of the decision and process for introducing IFAC standards for the Hungarian private sector;

- The regulations for quality control are freely available on the Hungarian Chamber's website;

- Quality assurance takes the form of peer review by members with at least six years of experience;

- There are clear sanctions for poor quality audits and non-compliance with review teams;

- The Chamber has needed to convince members that reviews are in its own interest;

- Discussion highlighted point that should be little difference between quality assurance processes in public and private sector;

Quality Assurance System in the State Audit Office of Hungary

- The SAO of Hungary researched systems developed by other SAIs, ISO standards and systems used by private sector accountancy firms when developing its QA system

- The aim is to produce a total quality management system; the current system covers audit and HR (but not other support services)

- The Quality Assurance Unit is under the direct supervision of the President of the SAO

- There was a discussion about letting clients see audit work as a driver for quality; conclusion that they should see report and have ability to comment but not working papers

- Discussion about how to win staff over to new quality systems – some complain makes more work

Audit Quality Management System in the Russian Federation

- Quality Assurance is now seen as a high priority for the Russian Federation Accounts Chamber

- The role of the Chamber is developing and the influence of the Chamber is increasing all the time

- The Accounts Chamber has the following stages of the forming quality management system: quality planning, quality assurance, quality control, quality improvement.

- Some elements of control management are in place, but this is not yet systematic

- At present the organization of quality control in the Accounts Chamber has the following structure:

  o Chairman of the Accounts Chamber, Directors of audit units conduct expert meetings before the Board meetings (every week) where results and quality of conducted audits are discussed
  o Auditors of the Accounts Chamber (Members of Board) as Heads of corresponding Audit departments discuss results and quality of conducted audits before presenting reports to the Board

- Russian law requires formal retraining for all audit staff at least once every five years

- The Chamber sees quality control and quality assurance equally important in the audit quality management system.

- The Chamber plans to use quality assurance questionnaires that can be completed by any appropriate person external to the audit team

- Query on how quality assurance criteria should be set; suggestions included:

  o Timeliness of reports
  o Usefulness of reports
  o Whether recommendations are accepted by clients
  o Feedback from stakeholders seems very important to assess the audit quality: (audited organizations, superior bodies of audited organizations and ministries; the Parliament and its committees, media and general public; scientific institutions)

Adding Quality to the Audit Process – A Practical Example

- Run through a practical example of how the EU Court of Audit added quality to a specific process to draw out lessons of how it might be more widely applicable

- The Commission receives about 150 evaluation reports from external contractors each year and about 30 Performance Audit reports

- The methodology is a process to provide quality assurance for Evaluations. However, the lessons are as useful for Performance Audits

- As evaluations can look very different a standard checklist is not appropriate

- Need to ensure that stakeholders understand the limitations of audit

- Use a mixture of stick, carrot and education to get EU Divisions to co-operate with audit teams

- Vital to make the link between audit work and decision making clear to auditees to increase chance of co-operation

- Feedback loop seen as very important to improve audit quality

DAY 2

Performance Audit Quality Assurance Model - Sweden

- There is a Quality Assurance Department which aims to ensure overall quality

- Performance audits have three key stages; planning, half-way review and when the draft goes to the auditee

- The quality assurance reviewer gives a written opinion at the end of each stage

- Each review is discussion-based as well as document based

- There are mandatory quality assurance criteria at each stage but the key aim is to provide advice on quality matters rather than to hold the audit team to account

- Quality assurance reviewers are experienced audit staff given extra training in making constructive suggestions

- There is an Information and Communication department which aims to ensure that key messages are picked up by the media

Quality Control for Financial Audit – UK

- Having high quality staff is key for delivering quality audit work

- Have contract with private sector accountancy firms to buy-in expertise; also allows SAI to benchmark performance

- In the UK Quality Control is based on the IFAC standards and includes quality assurance

- Internal procedures include:
  - Mandatory audit procedures directly linked to the relevant IFAC standards
  - Detailed review by Audit Manager – must be evidenced for every procedure, but level of review depends on professional judgement
  - High level review by Audit Director – also must be evidenced and focuses on key risks to giving incorrect audit opinion
  - Standards Assurance Review for 'high risk' audits (either politically sensitive or technically complex)
  - Cold review of completed audits

- Line auditors conduct cold reviews but this can make staffing difficult

- Effort put into selling procedures to staff so they won't complain about extra work too much

- External procedures include:
  - Review by Quality Assurance Directorate of ICAEW
  - Client Feedback Questionnaires

- External procedures mainly used to publicly demonstrate commitment to audit quality rather than really improving audit quality

- Results of quality assurance procedures communicated to auditors through changes to office policy and key lessons included in future training

Financial Audit Experiences in Quality Control - Estonia

- Strategic goal is to comply with IFAC standards

- Five heads of department who sign audit reports and are personally responsible for audit quality

- Supporting services with responsibility to harmonise audit methodology

- Quality management focussed round professional competence (which is defined as a mixture of knowledge and experience)

- The methodology team reviews audit plans to confirm that they are of an appropriate standard

- The Estonian SAI uses documentation software to make it easier to evidence review – there was a discussion about the usefulness of software such as Teammate

- It has proved impossible to learn all the IFAC standards in a short time, but the SAI is getting better all the time.

- There was a discussion about who should set audit plans and about to what extent standardised audit procedures are beneficial