15.   QUALITY ASSURANCE

15.1 Introduction

DAGP has a quality assurance framework to ensure its work is performed as efficiently and effectively as possible, and complies with International Auditing Standards as well as DAGP's own Auditing Standards. Quality in auditing means performing an audit effectively, following up all errors and deviations with a rigorous evaluation, reporting clearly on the results, while at the same time respecting the resource and time constraints established by the budget. Therefore quality assurance occurs all through the audit, not just at the end.

Elements of this quality assurance framework have been introduced throughout this Manual:

*   DAGP's Auditing Standards;

*   annual planning processes;

*   the process tools and supervision instruments with which the auditor plans, performs, evaluates, reports and follows up individual audits.

This Chapter provides a summary of the quality assurance procedures and techniques implemented by DAGP.

15.2 General quality assurance techniques described in this manual

15.2.1 Quality assurance through DAGP's stated values

DAGP's values are discussed in Chapter 2.

These values provide the auditor with guidance as to how he or she should conduct every aspect of the audit. Anytime the auditor is unsure of how to respond to a situation, reference to DAGP's values should provide the necessary direction. These values are therefore an important component of DAGP's quality assurance foundation.

15.2.2 Quality assurance through DAGP's Auditing Standards

DAGP's Auditing Standards are discussed in Chapter 4.

By following these standards, DAGP officials and staff will assure the quality of each audit.

15.2.3 Quality assurance through DAGP's annual planning process

DAGP's annual planning process is discussed in Chapter 6.

The annual planning process helps ensure that DAGP's resources are utilised in the most efficient and effective manner and that each audit is adequately resourced. This contributes to the creation of an environment where the quality of each audit can be maximised.

15.3 Quality assurance during the planning phases for individual audits

The detailed discussion of the general and detailed planning phases of an audit in Chapter 7 contains numerous quality assurance procedures. These procedures are summarised below.

15.3.1 Quality assurance through following a logical framework

The audit cycle guides auditors through the general and detailed planning processes in a logical order. This helps ensure that;

- the most critical planning decisions are made first;

- all required planning decisions are made; and

- the end result is an audit plan that, if followed, will result in an efficient and effective audit that complies fully with DAGP's Auditing Standards.

15.3.2 Quality assurance through documentation and approval of planning documents

Audit programmes, checklists and forms, all of which are contained in the Standard Audit Working Paper Kit, support many of the general and detailed planning decisions.

Most of these audit programmes, checklists and forms, together with the documentation supporting them, are maintained in an updated permanent file, an updated planning file, an updated audit planning memorandum, and updated audit programmes for staff to use during the fieldwork, evaluation and reporting phases.

Key to maintaining the quality of the planning process itself is a review of the plan, which the Deputy Auditor General (Senior) or the responsible Deputy Auditor General should supervise and approve.

15.3.3 Quality assurance through assigning appropriate staff

Proper staffing of the audit team is essential to assuring a quality audit. This includes having enough team members to perform all planned audit activities as well as ensuring that all required skills sets, including supervisory and special technical skills, are available to the audit team as needed

15.3.4 Quality assurance through budgets

DAGP encourages a formal process for each audit by which budgets are initially set, reviewed and approved. While most of the benefits of these budgets are achieved through the monitoring of the time spent and a comparison of actual hours spent to the budget, the exercise of preparing the budget itself can help to ensure an efficient and effective audit.

15.4 Quality assurance during the fieldwork phase for individual audits

There are various quality assurance measures that guide the auditor in performing and documenting the fieldwork, such as:

- revising planning decisions should unanticipated matters arise during the fieldwork phase;

- complying with documentation standards;

- supervising the audit team's work;

- reviewing audit working paper files; and

- reporting and monitoring time spent by each resource on every audit activity.

15.5 Quality assurance during the evaluation phase

Evaluation activities include an appropriately detailed review and confirmation of:

- All monetary errors, compliance with authority violations and internal control deviations found, and the assessment of their causes;

- The calculation of the most likely error and the upper error limit for each test;

- The calculation of the most likely error and the upper error limit for each component;

- The calculation of the most likely error and the upper error limit for the financial statements as a whole;

- The assessment of the overall financial statement presentation and the reasonableness of the overall results;

- The assessment of the achieved level of assurance;

- The documentation supporting the discussion of the results of the error evaluation with entity officials;

- The follow-up work performed by entity officials; and

- How unacceptable results were dealt with.

15.6 Quality assurance during the reporting phase

15.6.1 Quality assurance for financial audit opinions

The following tools are provided to ensure the quality of the auditors opinions and statements:

- Management representation letters;

- Audit completion checklists; and

- Memoranda recommending signature.

These documents, and the diligent performance of quality assurance procedures for their use, help ensure that DAGP has the audit evidence that it requires, and that the Auditor-General is signing the most appropriate opinion.

15.6.2 Quality assurance for other audit reports

A formal process governing how audit observations are developed, cleared and reported, and the most appropriate reporting style has been used. This process helps to ensure that the contents of the report are correct, and the findings, conclusions and recommendations contained in the report are easily understood and appreciated by the readers of the reports.

15.7 Quality assurance during the follow up phase

The follow up phase is a major component in assuring the quality and the positive impact of the audit process, which contributes to the quality of the audit work and the use that is made of its findings.

Follow up audits can be designed to provide either an audit level of assurance or a less rigorous review level of assurance. The work is guided by quality assurance procedures for the planning, fieldwork, evaluation and reporting phases of the work.

15.8 Other quality assurance procedures

There are a number of other procedures that contribute to the overall quality of the audit operation, as follows.

15.8.1 Ongoing supervision and review

Adequate supervision and review is important throughout all phases of the audit – general planning, detailed planning, fieldwork, evaluation, reporting and follow up.

15.8.2 Ongoing involvement by senior audit officials

Ongoing involvement by senior audit officials in the more complex and critical stages of the audit process ensures a focused, efficient and effective audit. This involvement also provides an opportunity to upgrade the skills of less senior and experienced audit staff through mentoring to transfer their knowledge.

15.8.3 Audit staff development

Since all audits are conducted by human resources, the most critical elements of quality assurance are the proper composition of the audit team (an appropriate mix of skills and experience) and the adequate preparation of each team member to fulfil their role in the team.

DAGP's General Auditing Standards include a requirement to develop and train employees, and to define the basis for their advancement.

Audit staff can be developed through a formal programme of classroom training on the concepts behind the audit work supplemented by on-the-job training and continual mentoring by audit seniors. On-the-job training involves more senior and experienced staff training and supervising less senior and experienced staff. This helps to ensure that the less senior and experienced staff acquire the skills and knowledge required to take on more senior responsibilities, and that DAGP's Auditing Standards for planning, fieldwork, evaluation and reporting are complied with.

Training and advancement should be a key factor when assigning specific staff to audits.

One way of reinforcing the on-the-job learning experience is to provide each auditor with timely feedback on their performance. Those officials doing the review of the working paper files should provide the auditor with feedback on their performance shortly after the review, as opposed to waiting until after the reporting phase.

Assignment appraisal forms are one way of documenting the performance of an auditor on an individual assignment, including strengths and areas where improvements are required. Similarly, annual appraisal forms can be used to evaluate an employee on his/her work for the year.

Upward appraisals can be used as a means by which auditors can provide constructive feedback about their superiors.

15.8.4 Information technology and audit methods specialists

Proper use of computer technology has a major positive impact on the quality of the records underlying the financial statements and the auditors ability to review them. All staff members should have a sufficient knowledge of computer-assisted auditing techniques (CAATs) to identify areas where their use would be appropriate, and to assist someone in applying them. It is normally not essential for every auditor to be able to perform every type of CAAT nor to perform some of the more sophisticated analytical procedures, such as regression analysis.

These skills should be made available to audit teams as required. Audit offices around the world deal with this by creating specialist positions and teams. For example, various audit offices have created:

- Information technology (IT) specialist groups to provide ongoing advice and assistance to audit teams in the performance of CAATs; and

- Audit methods specialists to provide ongoing advice and assistance to audit teams in the performance of analytical procedures, statistical sampling, advanced auditing techniques.

These specialists are often also responsible for keeping the audit office's methodology up to date in their areas of expertise, developing and teaching courses, etc.

15.8.5 Outside experts

Even with the creation of specialist groups, sometimes additional expertise will be required to deal with very specialised and technical matters that arise during some audits. For example, additional expertise could be needed in the areas of law, actuarial science or engineering. When audit teams require specific skills that are not available in-house, DAGP can consider contracting external resources from the private sector.

One of the functions that could be assigned to specialist groups is the development of a list of experts that audit teams could turn to as required.

15.8.6 Quality assurance reviews

DAGP's Auditing Standards contain several references to the requirement that audits are carried out in accordance with a high level of professional standards.

One way to ensure this is to review the efficiency and effectiveness of DAGP's own internal standards and procedures as called for in paragraphs 2.1.25 to 2.1.31 of DAGP's Auditing Standards. These paragraphs are reproduced below.

Table 15.1 – Quality Assurance Reviews
2.1.25 The general standards include: **The Department of the AGP shall frame policies and develop procedures to review the efficiency and effectiveness of its internal standards and procedures (see paragraph 2.1.2e).** *The following paragraphs explain quality assurance reviews as an auditing standard.*
2.1.26 Because of the importance of ensuring a high standard of work by the Department of the AGP it shall pay particular attention to quality assurance programmes in order to improve audit performance and results. The benefits to be derived from such programmes make it essential for appropriate resources to be available for this purpose. It is important that the use of these resources be matched against the benefits to be obtained.

2.1.27 The Department of the AGP shall 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.

2.1.28 As a further means of ensuring quality of performance, additional to the review of audit activity by personnel having line responsibility for the audits concerned, the Department shall establish its own quality assurance arrangements. That is, planning, conduct and reporting in relation to a sample of audits may be reviewed in depth by suitably qualified personnel of the Department not involved in those audits, in consultation with the relevant audit line management regarding the outcome of the internal quality assurance arrangements and periodic reporting to the top management of the Department.
2.1.29 It is appropriate for the Department of the AGP to institute their own internal audit function with a wide charter to assist it to achieve effective management of its own operations and sustain the quality of its performance.
2.1.30 The quality of the work of the Department shall be enhanced by strengthening internal review and by independent appraisal of its work.
2.1.31 The Department shall ensure that applicable standards are followed on all audits and that deviations from the standards which are determined to be appropriate are documented.

To fulfil these requirements, DAGP will perform, or arrange for others to perform, a regular review of its activities. These reviews should be undertaken on a periodic basis, selecting a few audits or activities each year. Each review should yield valuable practical lessons and, over time, this Manual and DAGP's other methodology documents can be updated to reflect

the body of knowledge acquired through these reviews. This should result in continuous improvement to the quality, efficiency and effectiveness of the audit work carried out by DAGP.

15.8.7 Entity feedback

A final quality assurance technique for auditors to assess and improve the quality of their audits is the use of entity feedback. This feedback could be obtained as part of the quality assurance reviews discussed in Section 15.8.6, or as a separate exercise.

Entity officials could be asked to comment on matters such as:

- The extent to which the auditors performing the work appeared to have an understanding of the entity being audited;

- The apparent qualifications of the auditors performing the work;

- The extent to which the auditors liased with, and made use of, the internal audit unit within the entity;

- The length of time and the number of hours required to perform the work;

- The extent to which the more senior and experienced DAGP officials were on-site;

- The extent to which entity input was requested on errors found, contentious issues, etc.;

- The fairness of the audit opinion and other reports – both the initial versions and the final versions;

- The readability of the various audit reports; and

- The overall extent to which they believe the audit will help them to improve their financial statements, compliance with authorities, internal controls and operations in future years.

Ultimately, the quality of the work performed by DAGP will be determined by the commitment of the organisation to fulfilling its Mission, Vision and Values, and the enthusiasm of audit staff at all levels to tackle their challenging job with integrity and pride.