



Audit Quality Management Framework for the Public Sector in Pakistan

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List of Abbreviations

Addl. AGP	Additional Auditor General of Pakistan	HRM	Human Resource Management
AGP	Auditor General of Pakistan	HRMIS	Human Resource Management Information System
AIR	Audit Inspection Report	IDI	INTOSAI Development Initiative
AMIS	Audit Management Information System	ISQC 1	International Standard on Quality Control
AO	Audit Officer	INTOSA I	International Organisation of Supreme Audit Institutions
AQMF	Audit Quality Management Framework	ISA	International Standards on Auditing
CBC	Capacity Building Committee	ISSAI	International Standards of Supreme Audit Institutions
CCCECR	Criteria, Condition, Cause, Effect, Conclusion and Recommendation	IT	Information Technology
CPD	Continuing Professional Development	KPI	Key Performance Indicator
DAC	Departmental Accounts Committee	MSO	Manual of Standing Orders
DAG	Deputy Auditor General	PAC	Public Accounts Committee
DAGP	Department of the Auditor General of Pakistan	PAM	Performance Audit Manual
DD	Deputy Director	PER	Performance Evaluation Report
DG	Director General	PMF	Performance Measurement Framework
ECL	Exit Control List	QCC	Quality Control Committee
FAM	Financial Audit Manual	QCR	Quality Control Reviewer

FAO	Field Audit Office	QAI&M	Quality Assurance, Inspection and Monitoring
FAP	Foreign Aided Projects	QMF	Quality Management Framework
FPSC	Federal Public Service Commission	SAI	Supreme Audit Institution
GUID	The INTOSAI Guidance	SC	Steering Committee
HR	Human Resource	TOR	Terms of Reference
HO	Head Office		

1. Introduction

1.1 Historical Developments

1. The auditing profession requires the development of a structured approach for quality management, both in the public and private sector. In the past, the Supreme Audit Institution (SAI) of Pakistan, the Department of the Auditor General of Pakistan (DAGP), utilised Quality Control Committees (QCCs) as mechanisms for quality review of audit reports. The QCCs played a limited role. This Committee acted once the reports have been prepared. Several years' experience with this mechanism revealed that quality control checks on audit reports could not prevent the same deficiencies from recurring in subsequent reports. Upon apprehension of the flaws of this mechanism, it became clear that improvement in audit quality required more than just testing and correcting audit reports.
2. In 2011, the DAGP developed the Quality Management Framework (QMF) keeping in view applicable International Standards of Supreme Audit Institutions (ISSAI) and other guidelines on INTOSAI ((details of applicable standards are explained in Section A.5 "Basis of the AQMF and Overview of Applicable Standards related to Audit Quality of SAIs" below). The goal of these measures was improving the quality of audit outputs (i.e., audit reports) and promoting and strengthening accountability, transparency, good governance, and parliamentary oversight of public spending.
3. As a member of INTOSAI, the DAGP adopted the "ISSAI 130 - Code of Ethics" and also developed DAGP audit procedures followed by various manuals, i.e., Financial Audit Manual (FAM), Performance Audit Manual (PAM), Audit Manual for Foreign Aided Projects (FAP), and various Sectoral Guidelines to improve the quality of audit reports.
4. In 2019, the DAGP established a quality management unit, known as "Quality Assurance, Inspection and Monitoring (QAI&M) Wing". QAI&M Wing is headed by a Deputy Auditor General (DAG) and it is responsible to implement the AGP's vision for a quality-centric audits through the performance of quality assurance procedures. These procedures primarily review whether FAOs are complying with applicable quality control requirements at every stage of audit cycle, identify gaps therein, and take remedial measures to improve compliance. The AQMF—in essence, recognizes that audit quality will improve when FAOs comply with quality control requirements at every stage in the audit process. As such, QAI&M Wing plays a vital role in assessing and improving the systems of quality control within the DAGP. The mandate of QAI&M Wing is laid out in *Annexure A "QAI&M Mandate"*.
5. The DAGP will need to implement the AQMF effectively to deliver high quality audit reports as per its vision and mandate. Equally relevant is the challenge to implement the SAI Performance Management Framework (PMF)—that requires not implementing the measures envisaged under the AQMF but additional actions to strengthen the institutional environment

in which the DAGP operates¹. The AQMF provides a broad framework to respond to these challenges.

1.2 Key Definitions

- a) **Analytical procedures:** Analytical procedures consist of evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. They also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information, or that differ from expected values by a significant amount.
- b) **Assertions:** Assertions are representations by management, explicit or otherwise, that are embodied in the financial statements, and used to consider the different types of potential misstatements that may occur. The auditor shall use relevant assertions in considering the different types of potential misstatements that may occur. These will be used to provide context when the auditor designs and performs audit procedures in order to obtain sufficient and appropriate audit evidence.
- c) **Audit evidence:** Audit evidence is information used by the auditor in arriving at the conclusions on which their opinion(s) is / are based. Most of the auditor's work in forming opinion(s) consists of obtaining and evaluating audit evidence, which may be obtained internally (from the audited entity) or externally (from third parties).
- d) **Audit execution:** A phase that follows planning, entailing the fieldwork to obtain appropriate, sufficient audit evidence. This evidence is used to form the basis of audit opinions, conclusions and recommendations. The results of the audit are evaluated during this phase.
- e) **Audit officer (AO):** The AO is typically the Field Team Lead, though in some cases it can be the Director or Deputy Director (DD), and is mainly responsible for the audit execution. AOs are supported by Assistant AOs, and Senior and Junior Auditors for carrying out audits.
- f) **Audit plan:** An audit plan is a record of the planned nature, timing, and extent of risk assessment procedures, further audit procedures at the assertion level in response to the assessed risks, and other audit procedures.
- g) **Audit planning:** The initial phase of an audit cycle, which involves procedures to establish audit objectives and scope. This phase also includes understanding an audit entity and its operations for risk assessment. It further assesses materiality, planned precision, and audit risk. Planning requires gaining an understanding of the audit entity's internal control structure, and determining components as well as audit objectives with error/irregularity conditions. Audit planning also involves assessing risks and determining a mix of tests of internal control, analytical procedures, and substantive tests of details.

¹ www.idi.no/elibrary/well-governed-sais/sai-pmf/426-sai-pmf-2016-english/file

- h) **Audit programmes:** Audit programmes contain audit procedures designed to obtain sufficient and appropriate audit evidence. These procedures are commensurate with the audit risk determined by the auditor during the assessment of the risk of material misstatement, performed as part of the audit planning.
- i) **Audit risk:** Audit risk is the risk that the auditor expresses an inappropriate audit opinion when financial statements are materially misstated. Audit risk is a function of the risk of material misstatement (i.e., the risk that the financial statements are materially misstated prior to audit) and the risk that the auditor will not detect such misstatement (i.e., detection risk).
- j) **Audited entity:** The organisation or individuals whose subject matter are audited by auditors of the DAGP. The audited entity is responsible for the subject matter information, for managing the subject matter, and for addressing recommendations established by the auditors.
- k) **Quality Control Reviewer (QCR):** An official designated by Deputy Auditor General (DAG) to continuously review and improve compliance with applicable quality control requirements at FAOs level.
- l) **Field Audit Offices (FAOs):** FAOs that carry out the work of the DAGP by conducting field audits of audited entities and their formations.
- m) **Formations:** Units under the administration of the audited entity that shall be audited by field auditors dispatched from field offices of the DAGP.
- n) **Head of the SAI:** In public-sector auditing, the role of the auditor is fulfilled by the Head of the SAI and by persons to whom the task of conducting the audits is delegated. The overall responsibility for public-sector auditing remains as defined by the SAI's mandate. In the context of the Government of Pakistan, the Head of the SAI is the AGP.
- o) **Head Office (HO):** The HO of the DAGP consists of various Wings established by the AGP to tackle particular functions deemed required to enable FAOs to perform their duties effectively.
- p) **Independence:** Independence is a situation where individuals are able to perform activities without being affected by relationships that can influence and compromise professional judgment, allowing them to act with integrity, and exercise objectivity, as well as professional scepticism.
- q) **Internal controls:** Internal controls are the process designed, implemented, and maintained by those charged with governance, and management etc. Said process is aimed at providing reasonable assurance that the audited entity is achieving its objectives regarding reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- r) **Objectivity:** Objectivity is the mental attitude where individuals are able to act in an impartial and unbiased manner, presenting or assessing things on the basis of facts rather than their own impressions and interests, without subordinating judgment to others.
- s) **Quality:** Quality is a property of the product that is achieved through effective controls and assurance. Quality itself, in the context of the DAGP, is the certification, with reasonable assurance procedures, that the audit reports issued are appropriate under the circumstances. It also guarantees and that those responsible for preparing the audit

reports comply with professional standards and applicable legal and regulatory requirements.

- t) **Quality assurance:** Quality assurance is the identification of errors and defects after the audit product passes through the quality control system. Quality assurance is further defined, in the context of the DAGP, at the end of Section A.3 below.
- u) **Quality Control Committee (QCCs):** QCCs are committees responsible for the final quality assurance review of the audit report. The DAGP has two types of committees i.e. Internal QCC, and External QCC.
- v) **Quality assurance implications:** Quality assurance implications indicate any required action or impact on the quality assurance system at QAI&M Wing which may arise as a result of aligning DAGP processes, policies, or procedures with applicable international standards regarding quality assurance procedures.
- w) **Quality control:** Quality control is the prevention of errors, and the assuring of compliance with professional standards by putting control systems in place. Quality control is further defined, in the context of the DAGP, at the end of Section A.3 below.
- x) **Quality control implications:** Quality control implications indicate any required action or impact on the quality control system (either at the FAO or HO) which may arise as a result of aligning DAGP processes, policies or procedures with applicable international standards.
- y) **Quality management:** Quality management is the overall system in place at the DAGP, designed to ensure quality of the audit report, i.e., the combination of the quality control and quality assurance system.
- z) **Reasonable assurance:** Reasonable assurance is obtained when the auditor has sufficient appropriate audit evidence to reduce audit risk to an acceptably low level. It is a high, but not absolute, level of assurance.
- aa) **SAI:** An institution with a purpose of determining whether government spending of public money is in line with laws and regulations, and that it is spent efficiently in adherence to applicable, established standards. In the context of the Government of Pakistan, the DAGP is the SAI.
- bb) **Sampling:** Audit Sampling involves applying audit procedures to less than 100 percent of items within a population.
- cc) **Stakeholder:** Any individual or entity relying on the audit reports for their awareness, or as a basis for decision making, which includes but is not limited to, the Parliament, Public Accounts Committee (PAC), the audited entity, legislative or oversight bodies, and the general public.
- dd) **Substantive tests of details:** Procedures used by auditors to ensure whether or not the financial statements and supporting documentation contain errors.

1.3 Quality Management Approach

6. In developing the AQMF for the DAGP, certain principles that are followed around the world to guide quality management in public sector have been followed. These include²:

- i. **Focus on the client** – addressing the prime needs of the internal and external stakeholders. Appropriately incorporating the audited entity's point of view in the audit report indicates client focus.
- ii. **Leadership** – bonding the vision, aims, and strategies in the profession.
- iii. **Participatory Management** – ensuring effective and equitable participation of all the stakeholders at various levels of service delivery.
- iv. **Focus on tools** – structured procedures, quality assurance mechanisms leading to envisioned outcomes of the service. The Criteria, Condition, Cause, Effect, Conclusion, and Recommendation (CCCECR) Model for audit reporting is an example of a structured approach to auditing.
- v. **Adopting appropriate decision support systems** – encouraging logical and evidence-based decision making for improved accountability of public offices.
- vi. **Continuous improvement** – recognising the need to respond to the changing local and global requirements of the profession. This requires continuous skill management and improvement in the quality of the workforce.
- vii. **Autonomy** – delegating the functions and responsibility to the appropriate tier of management.
- viii. **Sharing benefits** – ensuring that the improvement in the practices and procedures, leading to development, transfer of knowledge and skills, equally benefit the internal and external stake holders including the field workers, institutions, and the society.
- ix. **Continuity and the way forward** – ensuring that the institutions and quality assurance mechanisms are dynamic to accommodate continued improvement and are committed to identifying actions and issues to be addressed in future.

7. The AQMF has been developed after reviewing international best practices as reflected in the INTOSAI standards and guidelines keeping in view the foregoing experience. "ISSAI 140" contains a blueprint of the overall quality management requirements of a SAI³. The quality of an end-product cannot be ensured unless quality control procedures are diligently followed at all stages of audit. The AQMF requires audits to be sensitive to the following parameters⁴:

- i. **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 size of the

² QMF 2011: Section 1.2 "Comprehensive Quality Management Approach"

³ ISSAI 140 is available at: <https://www.issai.org/wp-content/uploads/2019/08/ISSAI-140.pdf>

⁴ Adapted from EUROSAI's "Guidelines on Audit Quality": www.eurosai.org/en/databases/products/Guidelines-on-Audit-Quality

audited entity and the impact of the performance of the audited entity on the public at large or on major national policy issues.

- ii. **Reliability** – Do the audit findings and conclusions accurately reflect actual conditions with respect to the matter being examined? Are all assertions in the audit report or other product fully supported by proper evidence?
- iii. **Objectivity** – Is the audit carried out in an impartial and fair manner without favour or prejudice? The auditor should base assessment and opinion purely on facts, available records, and a sound analysis of the same.
- iv. **Scope and Completeness** – Does the planning for audit properly address all elements needed for a successful audit and has the execution of the audit been satisfactorily completed keeping in view all the needed elements identified at the planning stage?
- v. **Timeliness** – Are the audit results delivered at an appropriate time? This may involve meeting a statutory deadline or delivering audit results when they are needed to help in policy decisions or when they shall be most useful in correcting management weaknesses.
- vi. **Clarity** – Is the audit report clear and concise in presenting the results of the audit? This typically involves being sure that the scope, findings and any recommendations can be readily understood by executives and parliamentarians who may need to act in response to the report.
- vii. **Efficiency** – Are the resources assigned to the audit utilised reasonably in the light of the significance and complexity of the audit?
- viii. **Effectiveness** – Do the audit report result in improving public financial management of the audited area? Effectiveness of audit is judged in terms of results and impacts achieved. The results and impacts like recoveries made on the findings of audit; any improvement in internal controls; accountability of public officials entrusted with use of public resources; changes in systems, procedures and laws, provide an indication of the effectiveness of audit. The findings, conclusions, and recommendations in the audit report should help the audited entity, the government and / or parliament in improving government operations and policy making.

Definitions of Quality Management Components:

8. INTOSAI's performance auditing standards differentiate between quality control and quality assurance. According to INTOSAI GUID 3910 (Central Concepts for Performance Auditing)⁵, quality control relates to the policies and procedures in place to ensure quality while the audit is being conducted, and quality assurance relates to the processes in place to assess the quality of audits after they have been completed. The AQMF follows the above differentiation and defines the two concepts as follows:

⁵ www.issai.org/wp-content/uploads/2019/08/GUID-3910-Central-Concepts-for-Performance-Auditing.pdf

Quality Control

Quality control system includes policies and procedures designed to provide the SAI with reasonable assurance that it, and its staff, comply with professional standards and applicable legal and regulatory requirements. The objective is to ensure the SAI's work is of consistently high quality. Quality control procedures cover matters such as direction, supervision, and review of the audit process, and the need for consultation in order to reach decisions on difficult or contentious matters. The quality control system is the responsibility of the entire organisation. The AQMF establishes following requirements for quality control system:

- At operational level, FAOs shall be responsible to comply with quality control requirements as laid out in the DAGP's manuals and guidelines at all stages of audit cycle. DAGs—that supervise the work of FAOs shall maintain continuous oversight of FAOs and actively work with the latter to ensure that such quality control requirements are being continuously met.
- The HQ of the DAGP is responsible for the strategic and institutional elements that assist the FAOs in effectively complying with quality control requirements at the operational level. Various HQ Wings are employed in the DAGP to address such elements, e.g., the HR and Audit Policy Wing.

Quality Assurance (QA)

QA system refers to the monitoring of the SAI's quality control system through appropriate procedures to provide the head of SAI reasonable assurance that the quality control system is working as intended and that the audit reports issued are appropriate in the circumstance. The QA function also identifies gaps in quality control system and support in implementing remedial actions. The DAGP has established a QAI&M Wing to carry out—and report on the QA procedures. Details regarding the role of QAI&M Wing related to quality assurance mechanisms is provided under Chapter 7 "Monitoring".

1.4 Purpose and scope of the AQMF

9. The DAGP has a mandate to conduct audit of public sector and produce high-quality audit products. This must be achieved while maintaining a high degree of integrity, accountability, and competence. Quality awareness must be embedded in all areas of the DAGP's activities. It requires implementing a robust quality controls system to guide audits.

10. The AQMF takes a holistic approach toward audit quality management for this purpose. It distinguishes between quality control and quality assurance functions to address them separately and effectively. Various Wings at HQ shall be responsible for quality controls in their respective domains. FAOs shall be responsible for quality control at the operational level along with the DAGs who would work collaboratively with FAOs to ensure that the latter are in compliance with applicable quality control requirements.

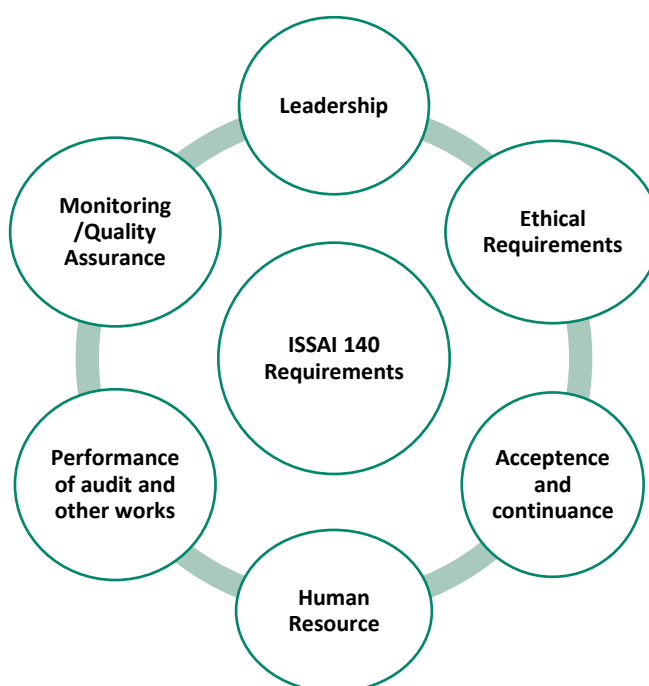
11. The AQMF applies to the entire cycle of all audit assignments and other institutional reviews. The AQMF also includes various templates to facilitate audit quality management at FAO, Audit Wings, and QAI&M levels. The AQMF addresses quality management

requirements by making efficient use of already existing aids for implementing robust quality control and quality assurance measures. These aids consist of:

- i. Quality control measures for each phase of the audit cycle as laid down in the manuals and Sectoral Guidelines.
- ii. Tools for implementing these quality control measures provided in Working Paper Kit of FAM.
- iii. Quality assurance measures as prescribed in the Quality Control and Quality Assurance Chapter or the audit manuals.
- iv. Best practices as per INTOSAI standards.

1.5 Basis of the AQMF and Overview of Applicable Standards related to Audit Quality of SAs

12. The AQMF draws on ISSAI 140, which is an adaptation of the International Standard on Quality Control 1 (ISQC-1)⁶. ISSAI 140 also considers the issues of particular relevance in the public sector audit environment affecting an SAI's system of quality control. Both the ISQC1 and ISSAI 140 outline the main quality control requirements for a SAI which contain six elements that form part of the quality control cycle, as shown below:



13. The ISSAIs state the pre-requisites for the orderly function, professional conduct of SAs and fundamental principles in auditing of public entities. The table gives a snapshot of

⁶ www.ifac.org/system/files/downloads/a007-2010-iaasb-handbook-isqc-1.pdf

significant applicable standards—including ISSAI 140 that have been mainstreamed in this AQMF.

Standard/Document Title	Description
ISSAI 140 - Quality Control for SAI	<p>This ISSAI is to assist SAIs in establishing and maintaining an appropriate system of quality control that covers all of their work, and to design an appropriate quality control system with respect to their mandates which responds to any risks to quality. Key elements of ISSAI 140 are:</p> <ul style="list-style-type: none"> ▶ Leadership responsibilities for quality within the SAI ▶ Relevant Ethical Requirements ▶ Acceptance and Continuance ▶ Human Resource ▶ Performance of audit and other work ▶ Monitoring
ISQC 1 – International Standard on Quality Control	This standard was adapted by INTOSAI to the context of SAIs to form ISSAI 140. It is based upon the principles and concepts contained within ISQC 1, that ISSAI 140 was developed.
ISSAI 130 - Code of Ethics	This ISSAI assists SAIs to establish a Code of Ethics to provide SAIs, and the staff working for them, a set of values and principles on which to base behaviour.
ISSAI 2220 - Quality Control for audit of financial statements	ISSAI 2220 is the practice note for the implementation of ISA 220 which is applicable to the auditors of public sector entities in their role as auditors of financial statements. It also addresses the responsibilities of Engagement Quality Control Reviewer.
ISSAI 2620 - Using the work of an auditor's expert	ISSAI 2620 is the practice note to ISA 620, using the work of an auditor's expert during course of auditing. It deals with the auditor's responsibilities relating to the work of an individual or organisation in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.
ISSAI 3000 - Performance Audit standards (Section 79)	The standard covers the requirements for auditors during Performance Audits and helps them interpret central concepts for performance auditing including the related quality control requirements.
GUID 3910 - Guidelines on Performance Audit (Section 100-108)	GUID 3910 covers the guidelines specific to performance audit. It provides additional guidance to help auditors comply with the requirements of ISSAI 3000.
ISSAI 4000 - Compliance Audit standards (Sections 80-88)	The standard covers the objectives, principles and general requirements applicable to the auditors in their stated role during the compliance audit.
INTOSAI P-1 - The	This document covers principles relating to the independence of

Standard/Document Title	Description
Lima Declaration	SAIs and how they should tie in with the governing legislation.
INTOSAI P-10 - Mexico Declaration on SAI Independence	This document includes eight principles that SAIs generally recognise which flow from the Lima Declaration and decisions made at the XVII th Congress of INTOSAI (in Seoul, Korea), as essential requirements of proper public sector auditing.
INTOSAI P-12 - The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens	<p>This document sets out principles that are constructed around the fundamental expectations of SAIs making a difference to the lives of citizens. The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:</p> <ul style="list-style-type: none"> ▶ Strengthening the accountability, transparency, integrity of government and public sector entities; ▶ Demonstrating ongoing relevance to citizens, Parliament, and other stakeholders; and ▶ Being a model organisation through leading by example.
GUID 9030 - Good Practice on Independence of SAI	This includes the good practices regarding each of the eight principles mentioned in INTOSAI P-10 Mexico Declaration on SAI Independence
Other Standards (ISSAI 100, ISSAI 300, ISSAI 400)	These ISSAI include principles that assist SAIs to establish and maintain an appropriate system of quality control while performing various audits. The scope includes following sections of respective standards: Section 38 of ISSAI 100, Sections 21 and 22 of ISSAI 300 and Section 44 of ISSAI 400.
EUROSAI's "Guidelines on Audit Quality"	The aim of these guidelines is to assist SAIs in assuring the quality of their work and the resulting products.
INTOSAI's CBC HRM Guide	This guide helps identify the key activities of a modern Human Resource (HR) function relevant to SAIs.
IDI Strategic Management Handbook for Supreme Audit Institutions	The aim of this handbook, prepared on 18 December 2020, is to formulate a single step by step approach that will enable SAIs to develop strategic plans and to claim ownership of them.
IDI Performance Measurement Framework for SAIs	The SAI PMF provides SAIs with a framework for voluntary assessments of their performance. This is done against ISSAIs and other established international best practices for external public auditing. SAI PMF is a multi-purpose, universal framework, and can be applied in all types of SAIs regardless of governance structure, mandate, national context, and development level.
DAGP QMF 2011	Although the QMF 2011 shall be superseded by this document, various measures, information and templates that required no update were used in the preparation of this document. Areas that remain unchanged from QMF 2011 are referenced in the document accordingly, wherever applicable.

1.6 Organization of the AQMF

14. The AQMF sets out specific provisions of the ISSAI 140 for each of the quality control elements depicted above and establishes a clear direction for the DAGP to comply with those provisions. The AQMF also provides guidance under these provision(s) with the aim to facilitate the implementation of the AQMF across the DAGP. This includes a set of forms, templates, tools and checklists to be used for quality control (for FAOs) and quality assurance (for QAI&M Wing) in the Annexures. The DAGP now uses an Audit Management Information System (AMIS) at every stage of audit cycle and the AQMF makes references to the AMIS wherever required to guide the staff.

1.7 Guidance on how to use the AQMF

15. The DAGP's AQMF comprises seven (7) Chapters. Chapter 1 sets out the purpose, the scope, the basis and the structure of the AQMF in addition to definitions and the DAGP's approach toward audit quality management. Subsequently, there are six (6) chapters—one for each of the six (6) elements of the ISSAI 140 referred to above.

16. Each of these six (6) chapters has a summary page that sets out the key requirements of the ISSAI 140 under that element along with reference to specific instruments/mechanisms available within the DAGP's to meet these requirements. The chapter that follows breaks the element into sub-elements in terms of specific ISSAI 140 requirement(s). The ISSAI 140 requirements are reproduced in boxes which follow explanation to enable the DAGP's auditors and management as to how to comply with the requirement of the ISSAI 140.

1.8 Links to other Relevant Documentation of the Government of Pakistan

17. The AQMF serves as a guiding framework regarding quality management during an audit. The AQMF has linked with several other applicable policies, manual tools etc. These serve as key instruments employed by the DAGP and their relevance to quality control and quality assurance. These documents include the following:

Audit Manuals and Guidelines

- | | |
|-----------------------------------|----------------------------|
| ▶ FAM (and its Working Paper Kit) | ▶ PAM |
| ▶ Audit Manual for FAP | ▶ DAGP Sectoral Guidelines |

Other Documents

- | | |
|---|--|
| ▶ Audit report and audit plan templates | ▶ National Assembly Rules of Business |
| ▶ Project Management Guidelines | ▶ Manual of Standing Orders (MSO) |
| ▶ DAGP Strategic Plan | ▶ DAGP HR Strategy |
| ▶ DAGP Training Plan | ▶ DAGP Code of Conduct |
| ▶ DAGP Code of Ethics (as described in manuals) | ▶ The Constitution of the Islamic Republic of Pakistan |
| ▶ AGP Ordinance 2001 | ▶ Performance Evaluation Report (PER) |
| ▶ Public Procurement Rules | ▶ Right of Access to Information Act 2017 |
| ▶ System of Financial Control and | ▶ Public Financial Management Act 2019 |

1.9 Need for Professional Judgment

18. While comprehensive guidance has been presented in the AQMF, it is not possible to provide sufficiently detailed material to entirely eliminate the need for professional assessment. There are many possible approaches to obtaining the requisite level of audit quality, commensurate with the individual circumstances. The auditor must be prepared to consider all the conditions of each audit and determine the best approach.

1.10 Changing / Updating the AQMF

19. The AQMF should be periodically updated to ensure that it reflects the most current applicable standards that the DAGP follows. As several ISSAIs are currently under review, it is quite possible that additional best practices / standard requirements may be made available that need to be incorporated in the AQMF.

20. QAI&M Wing shall be responsible to lead this revision process. If any action to update the framework is needed, DAG QAI&M shall initiate the activity with the approval of the AGP and, upon completion of the activity, shall officially notify the document to communicate it to all DAGP staff.

2. Leadership

21. The ISSAI 140 requires SAIs to establish policies and procedures designed to promote an internal culture recognising that quality is essential in performing all of its work. Such policies and procedures should be set by the Head of the SAI, who retains overall responsibility for the system of quality control.

22. The DAGP should establish policies and procedures promoting an internal culture which recognises that quality is essential in performing all types of audits. Such policies and procedures should require the AGP to assume ultimate responsibility for the DAGP's system of quality control and quality assurance

2.1 Summary of DAGP's AQMF Requirements

23. Several quality management implications arise under this element of ISSAI 140 (Leadership). The Table shows major implications along with available avenues for the DAGP to comply with the requirements of the ISSAI 140. Details are provided later in this chapter.

ISSAI 140 (Leadership) Implications for quality management at DAGP	Mechanisms for Alignment
The AGP should have sufficiently long terms, clearly defined functions, powers, financial autonomy and independence.	Legislation established by the Government of Pakistan.
The DAGP should establish a "tone at the top" and foster a culture recognising the importance of quality.	Communicating an established vision, mission, and core values to all DAGP staff.
The DAGP should employ an overarching strategy to achieve quality in all of its work in order to ensure work is independent and objective, as well as free from any political, economic, or other considerations.	Authorising external activities for DAGP's leadership during and after their terms of office.
The DAGP should supervise the overall strategic planning process and ensure that the plan provides a solid framework to enhance the effectiveness of the audit institution as an accountability mechanism.	The DAGP Strategic Plan, annual operational plans and overseeing implementation of the strategy.
The DAGP should utilise the appropriate tools to promote effective internal communication. To facilitate this, they should maintain a database to ensure all standing orders are properly documented and available to staff for reference.	The DAGP's communication system and the maintenance of standing orders.
The DAGP should ensure that sufficient resources are available to maintain the system of quality control and quality assurance.	Periodic staffing assessments at the central level to ensure the HO is sufficiently equipped to support FAOs.

2.2 Leadership Structure

ISSAI 140 Requirement

The Head of the SAI may be an individual or a group depending on the mandate and circumstances of the SAI.

24. The AGP is a constitutional post and leads his organization, i.e., the DAGP. This, in turn, acts as the SAI in Pakistan and ensures public accountability and fiscal transparency in governmental operations. The AGP's constitutional mandate for audit is aimed at bringing about improvements in the financial discipline and internal control environment in executive departments in order to minimize the possibility of waste and fraud.

25. Articles 168 – 171 of the Constitution of Islamic Republic of Pakistan⁷ (herein referred as “the Constitution”), along with the AGP Ordinance 2001, control the appointment, tenure, function, powers, and reporting mechanism of the AGP. The legislation specifies:

- The AGP shall be appointed by the President;
- The AGP shall have a tenure of four years, or until they attain the age of 65, whichever occurs earlier;
- The other terms and conditions of services of the AGP shall be determined by Acts of Parliament; and, until so determined, by order of the President; and
- The removal of the AGP shall be in the manner and on similar grounds to those of a judge of the Supreme Court.
- The mandate of the AGP extends to all national and sub-national government entities and the AGP is free to determine the nature, timing and extent of audit. The AGP's mandate also includes prescribing the principles, methods and forms that government entities must follow in maintaining accounts.
- Reporting by the AGP to the legislative assemblies through the President in case of federation and through the Governors in case of the provinces. The AGP can report to the legislature any time as there is no bar thereon.

26. The reports of the AGP are scrutinized by the Public Accounts Committees (PACs) elected by the legislature. The mandate of the PAC is to scrutinize the accounts of the Government and reports of the legislature.

27. The AGP has full administrative and financial autonomy to incur expenditure within the budgetary provisions in terms of the principles of LIMA declaration and other principles of INTOSAI as appropriate in the circumstances. Article 81 of the Constitution⁸ states that the budget for the AGP shall be expenditure charged upon the Federal Consolidated Fund. In

⁷ www.na.gov.pk/uploads/documents/1333523681_951.pdf

⁸ www.na.gov.pk/uploads/documents/1333523681_951.pdf

situations where the DAGP faces difficulty in performing as per its mandate, it can take up matters with the legislature.

ISSAI 140 Requirements

The head of the DAGP (Auditor-General of Pakistan) should take overall responsibility for the quality of all work performed by the SAI.

The Head of the SAI may delegate authority for managing the SAI's system of quality control to a person or persons with sufficient and appropriate experience to assume that role.

28. The AGP—as head of the DAGP is responsible for the system of quality controls. The AGP shall establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing all its work.

29. To execute the mandate assigned to the AGP and maintain a high quality in audits, the AGP has delegated authority at various levels. The AGP is assisted by Additional Auditor Generals of Pakistan (Addl. AGP) who oversee the work of Audit and other Wings. The Constitution of Pakistan gives the AGP full discretion to determine the nature and extent of audits to meet the requirements of quality.

30. When authority needs to be delegated, the DAGP should ensure that the person or persons assuming responsibility have sufficient and appropriate qualification and experience for the delegated authority. Additionally, senior management within the DAGP should take initiative and be ready to address ethical issues and any related problems.

31. FAOs with clearly delineated audit jurisdiction have been established across the country to perform the audit activities. These FAOs are organized under Audit Wings and each Wing is headed by a DAG who reports to the Addl. AGP. DAG concerned are responsible for ensuring the implementation of DAGP's quality control system in audits at their respective FAOs level. Each FAO is headed by a Director General (DG) who works under the oversight of relevant DAGs⁹. The AGP has delegated the responsibility for audit quality management as stated below:

a. Quality Control

32. The DG—at FAO level is responsible to ensure that auditors comply with professional standards and applicable legal and regulatory requirements at every stage of audits. The DAG—on the other hand, has responsibility to continuously monitor and improve on compliance with quality control requirements under their respective FAOs.

b. Quality Assurance

⁹ QMF 2011: Section 2 “Quality Assurance Mechanism”

33. The AGP has established a QAI&M Wing to get assurance that quality control regime is working as intended and that audit reports that are issued are appropriate under the circumstances.

2.3 Culture of Quality

ISSAI 140 Requirement

DAGP should strive to achieve a culture that recognises and rewards high quality work throughout the SAI. To achieve that culture the Head of the SAI should set the right “tone at the top” which emphasises the importance of quality in all of the work of the SAI, including work which is contracted out. Such a culture also depends on clear, consistent and frequent actions from all levels of the SAI’s management that emphasise the importance of quality.

2.3.1 Vision, Mission, Core Values

34. The DAGP should establish a “tone at the top” through the development of their vision, mission, and core values. These should be the driving principles of the DAGP when conducting its work. These principles should emphasize the importance of quality in all DAGP work.

35. The DAGP has articulated its vision, mission, and core values, and all DAGP staff, including FAO staff, should comply with them:

“Vision: *A model supreme audit institution adding value to national resources.*

Mission: *Serving the nation by promoting accountability, transparency and good governance in the management and use of public resources...*

Core Values:

- a) **INTEGRITY** is the Way of Life at DAGP; integrity is ensured by:
 - i) *Conforming to ethical standards and code of conduct.*
 - ii) *Compliance of professional standards in our work.*
 - iii) *Honesty and objectivity in carrying out our work.*
- b) **QUALITY** is the Way of Doing Business at DAGP; it is ensured by:
 - i) *Producing Relevant, Timely and Reliable Reports.*
 - ii) *Meeting audit objectives in a Cost-Effective manner.*
 - iii) *Applying Quality principles and Quality standards in audit planning, execution and reporting processes.*
 - iv) *Providing quality support for efficient implementation of Government policies.*
- c) **PARTNERSHIP** is the Way of Interaction; DAGP officers interact with beneficiaries, it is promoted through better relationship with stakeholders by:
 - i) *Aligning our goals with the Government's reform agenda.*
 - ii) *Understanding our audited entities.*
 - iii) *Improving communication with stakeholders.*
 - iv) *Working as partners, help audited entities achieve their objectives economically, efficiently and effectively.”*

36. The AGP and the top management of the DAGP, consisting of Addl. AGPs, DAGs and DGs, set appropriate standards regarding core values. This ensures the superior quality of DAGP work and its consistency with the highest professional standards of integrity,

independence, objectivity, and excellence in public auditing. The senior management communicates the importance of quality management in work to staff. All internal policies created by the DAGP should articulate the vision, mission, and core values, thereby adequately informing staff of their contents.

37. The DAGP's senior management should demonstrate ethical concerns as its priority. Appropriately designed interventions i.e. training, workshops, seminars, conferences, etc. should be organized at a reasonable interval to instill an ethical culture within the DAGP. Other initiatives to promote the "tone at the top" and prioritize ethics in the DAGP include:

- i. Assigning responsibilities to ethics advisors and establishing ethical committees.
- ii. Issuing messages relating to ethical issues on the relevant knowledge-sharing platforms (e.g. intranet), whenever new dilemmas or questions arise;
- iii. Establishing measures to reward acknowledged ethical behaviour, for instance through honorarium;
- iv. Taking firm corrective action when needed, on the basis of fair hearings.

2.3.2 Auditing and Professional Standards

38. The DAGP should ensure that its auditing manuals and guidelines remain consistent with INTOSAI auditing standards. AGP should also ensure that their staff are aware of the standards governing the audit. Auditing standards are important because:

- i. The standards governing the conduct of an audit determine what the auditor must do; and
- ii. The fact that an audit has been conducted in accordance with certain standards provides necessary reassurance to people making use of the accounts.

39. The DAGP standards provide the framework for performing high quality audits with competence, integrity, objectivity, and independence. Compliance with these standards ensures that a high quality of work is performed as required under the ISSAI 140. All audits shall be conducted according to the auditing standards. Detailed guidelines and practice notes have been prescribed to implement these standards. These standards should be reviewed on a regular basis to ensure the inclusion of the latest developments in the INTOSAI Standards.

40. To incentivize hard work and excellence by staff, the DAGP shall use a flexible reward management system effectively. The FAOs that conduct audit in full compliance with all applicable standards and produce audit high quality audit reports should be rewarded to induce a culture of performance across the DAGP.

ISSAI 140 Requirement

The strategy of DAGP should recognise an overriding requirement for it to achieve quality in all of its work so that political, economic or other considerations do not compromise the quality of work performed.

2.3.3 Strategic Multi-year Plan

41. Strategic Planning is a systematic process through which an organization agrees on and builds commitment to priorities. This is done taking into account key stakeholders'

concerns and expectations. Strategic planning guides the acquisition and allocation of resources to achieve these priorities. Among other things, the strategic plan should contain measurable performance indicators and targets.

42. The DAGP shall formulate a five-year strategic plan to give strategic direction to deliver high quality audit product and services in line with its mandate and vision. It will be subject to annual review and updating. The senior management of the DAGP should oversee the overall strategic planning process and ensure that the plan provides a solid framework for enhancing the effectiveness of the audit institution as an accountability mechanism. The DAGP shall not be involved in political activities and its head and staff is required to act with discretion when they engage with stakeholders through any electronic or print media.

43. The strategic plan needs to be translated into annual operational plans that define in concrete terms what the SAI will do to implement the strategic plan in the given year. Accordingly, the HO Wings / FAOs in the DAGP should draw up annual plans to reflect the requirements of the strategic plan. These plans shall incorporate resource commitments and specific activities in line with the overall strategy of the DAGP.

44. The strategic plan should be clearly communicated to DAGP staff¹⁰. An implementation matrix should be devised against the goals identified in the strategic plan. Key elements of the implementation matrix should be, at the minimum, as follows:

- Objectives
- Key activities
- Output indicator
- Timeframe
- Funding source
- Responsibility
- Critical success factor

45. The DAGP shall assign the responsibility to formulate and monitor such plan to one of its constituent wings. In addition, all audit wings shall be responsible to ensure that audit plans at their respective FAOs level and their other activities are aligned with the DAGP's strategic plan. The DAGP shall also ensure that staff at different levels is aware of how to engage with stakeholders and this process is subject to proper oversight. The strategic plan should be subject to annual review and updating.

2.3.4 Strategic Audit Planning

46. The strategic audit planning is separate from overall strategic planning. The objectives of strategic audit planning should include:

¹⁰ www.idi.no/elibrary/well-governed-sais/strategy-performance-measurement-reporting/1139-sai-strategic-management-handbook-version-1/file

- Providing a sound basis for the DAGP's management to give strategic direction for audit coverage;
- Identifying and selecting audits with the aim of improving public sector accountability and administration;
- Yielding an audit programme that is achievable with available resources;
- Enabling a thorough risk assessment which should form the basis of entity selection in audit selection;
- Providing a basis for the DAGP's performance assessment and ensure that the resources of the DAGP are used in the most efficient and effective manner.

ISSAI 140 Requirement

DAGP should ensure that quality control policies and procedures are clearly communicated to its personnel and to any parties contracted to carry out work for the it.

47. The DAGP should establish principles for internal communication and closely monitor their application. This internal communication should include communicating policies and procedures to FAOs. This is with a view to enhancing and ensuring audit quality through circulars and standing orders. All standing orders should be consolidated and maintained effectively. The communication system should be electronic in nature and allow all staff to connect and share information effectively and efficiently.

48. At the HO, DAGP Wings should use the appropriate tools to promote effective internal communication of their circulars, such as newsletters / magazines, developing email addresses for all staff, or an intranet.

49. A Manual of Standing Orders (MSO)¹¹ is maintained at the DAGP to ensure all standing orders are properly documented and available for easy reference for staff. The DAGP should ensure that the MSO is updated regularly and the updates are available to the For quality control and quality assurance related policies and procedures, documentation shall be archived in the AMIS. QAI&M Wing shall act as a central office communicating related protocols, procedures, and policies within the DAGP through circulars.

The DAGP should consult with and inform its staff regularly on key issues related to the organization and the public sector audit. There should be regular and open interactions between management and staff, through organizational and unit-wide briefings and regular team meetings etc.

ISSAI 140 Requirement

DAGP should ensure that sufficient resources are available to maintain the system of quality control across the DAGP.

¹¹ [www.agp.gov.pk/SiteImage/Misc/files/DAGP-MSO-Book-2017\(2\).pdf](http://www.agp.gov.pk/SiteImage/Misc/files/DAGP-MSO-Book-2017(2).pdf)

50. Audit quality management requires commitment and sufficient resources. This means that both QAI&M Wing, the primary hub for quality assurance activities, and audit wings along with FAOs, have sufficient resources for quality management.

51. Periodic, preferably yearly, staffing assessments should be carried out by every Wing at the HO to ensure adequate arrangements in order for them to maintain their quality control system. Key findings from such assessments should be brought to the notice of the AGP and appropriate remedial actions initiated to rectify gaps such as shortage of staff, budgeting constraints etc.

52. The DAGP enjoys sufficient administrative and financial autonomy to direct required resources toward audit quality management.

3. Ethics

53. The ISSAI 140 requires that a SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI, including all personnel and any parties contracted to carry out work for the SAI, comply with relevant ethical requirements. The DAGP, accordingly, is required to establish and institutionalize such policies and procedures.

3.1 Summary of DAGP's AQMF Requirements

54. Several quality management implications arise under this element of ISSAI 140 (Ethics). The Table shows major implications along with available avenues with the DAGP to comply with the requirements of this element. Details are provided later in this chapter.

ISSAI 140 (Leadership) Implication for quality management at the DAGP	Mechanisms for Alignment
Contracted third parties should be made aware of the relevant ethical requirements.	Confidentiality agreements to be signed with third parties to protect the sensitive data related to audits.
Rotation of key audit staff is necessary to reduce the risk of familiarity with the audited entity / formation.	Details of a Job Roster for Staff Rotation.
Code of Ethics should be developed in line with ISSAI 130.	A review of the standards used by the DAGP should be conducted on a fixed basis.
DAGP staff should comply with ethical requirements.	Details of the Code of Conduct Declaration required of DAGP staff.
The DAGP should establish a mechanism to enable the identification of significant threats to independence.	Details of ethics hotline and Ethics Committees.

3.2 Ethical Requirements

ISSAI 140 Requirement

DAGP should emphasise the importance of meeting relevant ethical requirements in carrying out their work.

All DAGP's personnel and any parties contracted to carry out work for the DAGP should demonstrate appropriate ethical behaviour. The contracted work should be subject to appropriate confidentiality agreement.

The Head of the DAGP and senior personnel within the organization should serve as an example of appropriate ethical behaviour.

55. The nature, independence, powers, and responsibilities of the auditor involved in the public sector place high ethical requirements on the DAGP and its staff.

56. The DAGP has developed a Code of Ethics document in-line with the Lima Declaration of Guidelines on Auditing Precepts and ISSAI 30. This is part of the FAM and

the Audit Manual for FAP currently in place at the DAGP. Refer to Para 11 of this Element for further details.

57. The AGP, Addl. AGPs, DAGs, and DGs should provide the vision, inspiration, and purpose to influence the DAGP staff to behave in an ethical manner. This example should be set at the leadership level by designating the DAGP's ethical values and conduct of staff and management as a key priority.

58. This Code of Ethics for auditors in the public sector outlines the ethical principles of auditors, including the latter's professional obligations. The Code of Ethics covers requirements at the individual level i.e., the AGP, Executive Officers (e.g., AGP, Addl. AGPs, DAGs, and DGs) and all staff working for or on behalf of the DAGP that are involved in audit work.

59. It is the responsibility of the AGP to ensure that all of DAGP staff familiarize themselves with the values and principles contained in this Code of Ethics and act accordingly.

60. DAGs of their respective Audit Wing should ensure that any third party contracted to carry out the work on behalf of the DAGP should be made aware of the relevant ethical requirements. Such requirements should be made part of the contract and a monitoring mechanism should be setup to ensure compliance with these requirements.

61. The AGP should ensure that a balance exists between confidentiality, transparency and accountability with respect to all audit-related and other information. The DAGP should have an adequate system in place for maintaining confidentiality especially when work is contracted out to any third party. The system should include confidentiality agreements to be signed with third parties to protect the sensitive data related to audits.

ISSAI 140 Requirement

The DAGP should ensure appropriate policies and procedures are in place to maintain independence of the AGP, all personnel and any parties contracted to carry out work for it.

The DAGP should ensure policies and procedures are in place that reinforce the importance of rotating key audit personnel, where relevant, to reduce the risk of familiarity with the organisation being audited. DAGP may also consider other measures to reduce the familiarity risk.

62. The independence of the AGP is ensured in the relevant articles of the Constitution which provides safeguards the independence of the AGP, including their appointment, tenure, removal, discharge of powers, and reporting as stated in Chapter 2 (Leadership).

63. Policy and Procedures have been developed to ensure the independence of the AGP, DAGP staff, and any third party contracted to carry out the work on behalf of the DAGP. FAM gives comprehensive guidelines and procedures in this regard.

64. The DAGP should effectively implement policies and procedures to ensure that independence of the audit staff is maintained. Key steps include:

- Each member of the audit staff should be required to disclose associated persons on related posts and / or whether they have any personal or financial interest in audited entities / formations.

- Each member of audit staff must declare that they will conduct the assigned audit in a fair, honest, timely, competent manner and will not accept any incentive, gifts, and hospitality directly or indirectly from the audited entity.
- An independence confirmation should be signed by all audit staff of each FAO on assignment wise. The DG of the respective FAO should be responsible for taking written confirmations from their respective staff involved in the audit process.

65. For the independence confirmation template, refer to Annexure D.1.1 “Code of Conduct Declaration”. This template will be filled and uploaded in the AMIS concerned portals for all the staff. However, for the staff who have no access the AMIS, FAOs shall maintain the Code of Conduct declaration separately. The declarations of these officials shall be subject to QCR by the DAG and QAIM.

66. Rotation of key audit staff is necessary to reduce the risk of familiarity with the audited entity / formation. A rotation policy is therefore necessary to avoid auditors auditing the same area over too long a period of time in order to preserve their independence, objectivity, and impartiality.

67. In addition, rotation also promotes personal development and contributes towards the motivation of staff. Examples of good practices in a rotation policy include:

- i. Compulsory mobility for auditors after a period of maximum three years in the same FAO;
- ii. Compulsory mobility for management posts after a period of maximum three years;
- iii. Encouraging, facilitating, and monitoring the effective rotation of staff;
- iv. Considering the effective rotation of staff as a positive factor in the annual appraisal report and in the career development of auditors; and
- v. Establishing other safeguards when full rotation is not feasible. This includes, for instance, the possibility of rotating audit fields, instead of auditors themselves, thus maintaining successful teams.

68. Rotation policies also present some risks:

- i. They may jeopardise the necessary audit knowledge and expertise within the team responsible for the engagement; and
- ii. They may be difficult to adopt, or they might be ineffective in small FAOs.

To address the aforementioned risks, alternative measures might involve:

- i. Regular scrutiny of rotation possibilities in order to rotate staff whenever feasible, e.g., the SAI’s management team could analyse the staff situation every year and take any rotation decisions that are possible;
- ii. A more flexible composition of the audit teams, e.g., ensuring the replacement of the most senior member on a regular basis, with one auditor always assigned on a short-term schedule (one or two years), etc.; and
- iii. Stronger collegiality, division and review of audit work.

69. DAGP staff should identify possible threats and situations impairing their including familiarity threats and implement a rotation policy for the staff in audit offices. The AMIS

provides historical data of each staff assigned with responsibilities of conducting audits. The data can be analyzed to address these risks.

70. The DAGP should ensure adequate policies and procedures are in place to guarantee independence of the third party contracted to carry out the work on behalf of the DAGP. The contract signed with the third party should, at the minimum, include:

- Disclosures of associated persons with the audited entities;
- Restricted access to use of information / data obtained during audits;
- A clearly defined reporting line;
- A requirement to sign an undertaking to ensure independence of its members in carrying out the work; and
- A confidentiality agreement.

3.3 Legal and Regulatory Environment

ISSAI 140 Requirements

The relevant ethical requirements should include any requirements set out in the legal and regulatory framework governing the operations of the DAGP.

Ethical requirements for the DAGP may include or draw on the INTOSAI ISSAI 130 - Code of Ethics and the IFAC ethical requirements, as appropriate to its mandate and circumstances and to the circumstances of their professional staff.

71. The DAGP's Code of Ethics –developed in line with ISSAI 30 “Code of Ethics” and the Lima Declaration of Guidelines on Auditing Precepts is aligned with these requirements. The Code of Ethics shall be subject to periodic review and updating to ensure it is consistent with the ISSAI 140 requirements. To ensure no other alignments to applicable standards are required, a review of the standards used by the DAGP should be conducted on a fixed basis (at least once every 5 years) by an experienced team.

72. Ethics management should include policies and practices that ensure fair and impartial selection, promotion, remuneration of the staff and a positive public image of the DAGP. The DAGP's actions should reflect a strong commitment to ethical values and principles in line with the ISSAIs. These include the recruitment, performance appraisal, and professional and career development of all DAGP staff.

73. With their responsibility for auditing public money, the expectations are correspondingly high with regard to the DAGP. Therefore, it is necessary to earn the trust of all stakeholders, including citizens, government, audited entities, and others. In order for the DAGP to serve as an exemplary model of efficiency and reliability it is essential that their behaviour reflect the gold standard in transparency, credibility, and ethics. It is thus clear that a Code of Ethics is the linchpin for the functioning of the DAGP.

ISSAI 140 Requirement

DAGP should ensure policies and procedures are in place in line with ISSAI 130, i.e.:

- **integrity;**
- **independence, objectivity and impartiality;**
- **professional secrecy; and**
- **competence.**

74. The ethical requirements stipulated by the standard are established in the Code of Ethics of the DAGP and are described in further detail below.

3.3.1 Integrity

75. Integrity is the core value of the DAGP's Code of Ethics. DAGP staff has a duty to adhere to high standards of honesty and accountability in the course of their work and in their dealings with the staff of audited entities.

76. DAGP staff should take due care in discharging their duties. The authority, information, and resources at their disposal should only be used for the public interest and should not be used to obtain favors or personal benefits for them or for third parties.

3.3.2 Independence, Objectivity and Impartiality:

77. Independence from the audited entity is vital for the auditors. DAGP staff should behave in a way that maintains their independence at the highest benchmark.

78. DAGP staff should strive not only to be independent of audited entities, but also to be objective in carrying out their professional duties. This is particularly crucial for the accuracy of their reports. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the auditing standards of the DAGP.

79. In cases where any member of staff assesses that their independence, objectivity and impartiality is being affected due to any internal or external factor, they should report forthwith to their immediate supervisor (*Please refer to Section 3.4 "Protection of the Auditor" of FAM for detailed steps to be followed in such cases*).

3.3.3 Professional Secrecy:

80. DAGP staff should not disclose information related to the audited entity to any third party in any form. Any sharing of information shall be made in accordance with relevant laws and shall be routed through the DAGP.

3.3.4 Competence:

81. DAGP staff should be well versed in applicable auditing, accounting, and financial management standards, policies, procedures, and practices. They should also possess a good understanding of the constitutional and legal principles and applicable laws governing the operations of the audited entity.

ISSAI 140 Requirement

DAGP should consider the use of written declarations from personnel to confirm compliance with the DAGP's ethical requirements.

82. As per ISSAI 130¹², the DAGP should establish a system to ensure that its audit staff comply with following ethical requirements, including integrity, independence, objectivity, competence, professional behavior, confidentiality, and transparency.

83. The DG of the respective FAO should ensure regular “Code of Conduct Declarations” based on assignment wise. This is to ensure that each staff is familiar with the relevant ethical requirements required to be followed during the discharge of their professional duty. Refer to *Annexure D.1.1 “Code of Conduct Declaration”* for the template that should be used for this purpose.

ISSAI 140 Requirement

DAGP should ensure policies and procedures are in place to notify the Head of the DAGP in a timely manner of breaches of ethical requirements and enable the Head of the DAGP to take appropriate action to resolve such matters.

84. The AGP should ensure that the internal environment is conducive for staff to raise issues of ethical breaches and respond to integrity breaches in a timely and adequate manner.

85. The DAGP should establish a mechanism to enable the identification of significant threats to independence, and the application of controls to mitigate them. It should also provide guidance and direction for staff in this respect. It should adopt policies to ensure that audit staff, particularly at the senior level, do not develop relationships to audited entities that may put their independence or objectivity at risk.

86. An anonymous ethics hotline (on-line system and / or phone line) should be established where ethical breaches can be reported. Hotlines require anonymity to protect users from any retribution or retaliation, whether from concerned parties or senior officials, that may be implicated in the complaint.

87. The owners of this function should be the ethics committees formed at the HO under each DAG (acting as chairman). The DAGs oversee FAOs in order to ensure effective monitoring of the ethical practices within the DAGP. These committees should monitor and deal with any ethical breaches.

88. The access to ethical hotlines shall be restricted to these committees in order to bolster the confidence of staff in reporting ethical breaches. Refer to *Annexure C “Terms of*

¹²

www.intosai.org/fileadmin/downloads/documents/open_access/ISSAI_100_to_400/issai_130/ISSAI_130_en.pdf

References for Ethics Committees” for further details regarding the function of these committees.

4. Acceptance and Continuance

89. The ISSAI 140 requires that a SAI should establish policies and procedures designed to provide the SAI with reasonable assurance that it will only carry out audits and other work where the SAI:

- a) is competent to perform the work and has the capabilities, including time and resources, to do so;
- b) can comply with relevant ethical requirements; and
- c) has considered the integrity of the organisation being audited and has considered how to treat the risk to quality that arises;

90. The policies and procedures should reflect the range of work carried out by each SAI. In many cases, SAIs have little discretion about the work they carry out. SAIs carry out work in three broad categories:

- a) Work that is required of them by their mandate and statute and which they have no option but to carry out;
- b) Work that is required by their mandate, but where they have discretion as to the timing, scope and/or nature of work;
- c) Work that they can choose to carry out.
- d) can comply with relevant ethical requirements; and
- e) is competent to perform the work and has the capabilities, including time and resources, to do so

91. The DAGP should establish policies and procedures for the acceptance and continuance of client relations and specific engagements. These must be designed to provide a reasonable assurance that the DAGP will only undertake or continue relationships and engagement where it:

- a) is competent to perform the engagement and has the capabilities, including time and resources to do so;
- b) can comply with relevant requirements; and has considered the integrity of the audited entity and does not have information that would lead it to conclude that the said integrity is lacking.

4.1 Summary of DAGP's AQMF Requirements

Several quality management implications arise under this element of ISSAI 140 (Acceptance and Continuance). The Table shows major implications along with available avenues with the DAGP to comply with the requirements of this element. Details are provided later in this chapter.

ISSAI 140 (Acceptance and Continuance) Implications for quality management the DAGP	Mechanisms for Alignment
The DAGP should manage the risks to quality which arise from carrying out their work, through risk	Continuous compilation of relevant risks in a risk management document

ISSAI 140 (Acceptance and Continuance) Implications for quality management the DAGP	Mechanisms for Alignment
management procedures established during the planning phase.	and carefully scoping audit work in the audit plan.
The DAGP should classify risks and communicate the key areas to field auditors along with advice and tools to assist in determining the means to address them.	Communication of identified Field Audit Instructions and key risk areas to field auditors.
The DAGP should mitigate the risks of high-risk audits through in-depth quality control reviews.	Utilisation of an independent quality control reviewer for audits, to review the quality of audit work performed.
The DAGP should consider their work programme and whether they have the resources to deliver the range of work to the desired level of quality.	Periodic staffing assessments and utilising temporary staffing measures at the operational level to ensure the FAOs are equipped to perform their duties.

4.2 Risk Management

ISSAI 140 Requirement

For all audits and other work carried out, DAGP should establish systems to consider the risks to quality which arise from carrying out the work. These will vary, depending on the type of work being considered.

92. The auditor shall actively manage audit risk to avoid the development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value (ISSAI 3000 Section 52¹³).

4.2.1 Risk Assessment in Audits

93. Risk assessment is an important tool for audit planning. A risk assessment should be carried out with reference to the various parameters of the audited entity, programme, or the subject matter. A good risk perception of the programme or entity's performance will help in determining the risk areas, the audit objectives, and the most appropriate audit criteria. It will also assist in the selection of appropriate sampling techniques and other audit methodologies in audit planning.

¹³ www.issai.org/wp-content/uploads/2019/08/ISSAI-3000-Performance-Audit-Standard.pdf

94. The DAGP has established risk management procedures to identify and manage the risks identified during the planning phase. These risk management procedures are defined in several audit manuals i.e. FAM, PAM, Audit Manual for FAP etc.

95. The results of the risk assessment for each individual audit are required to be documented in audit plans formulated during the audit planning stage. Audit risk is required to be managed actively which means:

- Anticipating the possible or known risks of the work envisaged;
- Developing approaches to address those risks during audit planning, and the selection of methods;
- Documenting how those risks will be handled; and
- Reassessing risk at the end of an audit in order to conclude whether sufficient, appropriate audit evidence has been obtained.

96. *Planning is not a distinct phase of the audit, but a continuous and iterative process¹⁴.* To ensure that risk assessment remains a continuous process, the DG of the respective FAO should ensure that a Risk Register is maintained and updated in the AMIS, incorporating all relevant risk areas of audited entities. The AMIS allows FAOs to list and categorize risks as part of audit planning process. . The Risk Register is a live document / dashboard that will continuously be used in evaluating risks. Results of such risk assessments should also be reflected in the permanent files which shall be uploaded to the AMIS. Several planning file templates exist, aside from the Risk Register, in the Working Paper Kit of FAM to assist in this regard.

97. In addition, instructions should be issued to audit teams prior to the commencement of audits. These instructions will present a summary of key findings of the risk assessment process and how to deal with identified risk areas. Refer to *Annexure D.2.1 “Template for Field Audit Instructions”* which stipulates a basic structure of the instructions to be provided to the audit teams prior to the commencement of audit.

98. Actively managing audit risk also includes considering whether:

- the audit team has sufficient and appropriate competence to conduct the audit;
- has adequate access to accurate, reliable and relevant good quality information;
- has considered any new information that is available; and
- has considered alternative perspectives. (ISSAI 3000 Section 54¹⁵)

ISSAI 140 Requirement

DAGP should assess if a material risk to their independence exists as described in the ISSAIs. Where such a risk is identified, the DAGP should determine and document how it plans to

¹⁴ www.issai.org/wp-content/uploads/2019/08/ISSAI-300-Performance-Audit-Principles.pdf

¹⁵ www.issai.org/wp-content/uploads/2019/08/ISSAI-3000-Performance-Audit-Standard.pdf

address this risk and ensure an approval process is in place and is adequately documented.

99. The auditor should comply with the DAGP's procedures for independence and ethics. This aspect is covered in section 2, Ethics. DAGP staff should be free of impairments to independence, whether real or perceived, that result from political bias, participation in management, self-review, financial or other personal interest, and relationships with or undue influence from others. For this purpose, the DAGP staff shall:

- maintain independence from political influence and be free from political bias;
- not be involved in the audited entity management's decision-making;
- not audit their own work;
- avoid auditing entities in which they have recently been employed, without appropriate safeguards;
- avoid circumstances where personal interest could unduly impact decision-making;
- avoid circumstances where relationships with the management or staff of the audited entity or other entities could impact decision-making; and
- refuse gifts, gratuities or preferential treatment that could impair independence or objectivity.

100. DG of the respective FAO should ensure that the DAGP staff have read, understood, and agreed to the requirements necessary for them to remain independent in carrying out audits. The DAG staff is required to sign a code of conduct declaration for this purpose. Refer to *Annexure D.1.1 "Code of Conduct Declaration"* for the template for this independence confirmation.

101. The DAGP staff should identify possible threats and situations in which their independence may be impaired. In their own areas respectively, the DAG of their relevant Audit Wing (at the HO), and the DG of their relevant FAO (at the FAO) should be responsible for implementing independence related controls such as:

- "Declaration of Interest", and "Conflict of Interest" by every staff member of the DAGP to help identify and mitigate threats to independence;
- Measures to help senior staff supervise and review work according to professional criteria, which excludes outside influences that could impair the DAGP's independence or objectivity;
- Policies and procedures to address threats, such as removing an individual with a conflict of interest from the audit team, or reviewing any significant judgments made by that individual while on the team;
- Policies and procedures to identify and address situations where an audit staff member has recently been an employee of the audited entity or has audited the same subject matter under a different organisation;

- Policies for periodic rotation of staff or equivalent measures where rotation is not feasible as stated in ISSAIs.

102. The DAGP staff should inform the management about any pre-existing relevant relationships and situations that may present a threat to independence or objectivity due to a conflict in interest. Refer to *Annexure D.1.1 “Code of Conduct Declaration”* for the template for this independence confirmation.

103. To address familiarity risks, the DG of the respective FAO should implement a rotation policy of the staff at the FAO, or equivalent measures if such rotation is not feasible. The AMIS provides a Resource Management functionality for the historical job assignment information for the staff to guide action in this regard.

ISSAI 140 Requirements

Where the integrity of the audited organisation is in doubt, the DAGP should consider and address the risks arising from the capability of staff, the level of resources, and any ethical issues which might arise in the audited organisation.

104. The DAGP should ensure that stakeholders’ expectations and emerging risks are factored into strategic, business and audit plans, as appropriate.

105. Audited entities should be appropriately classified, according to the level of risk through risk assessment procedures (such as desk audits at the planning stage).

106. At the start of the planning phase, DG of the respective FAO should ensure that instructions be issued to audit teams prior to the commencement of audits. These instructions are primarily intended to summarize the key findings of the risk assessment process. They should include information and advice on how to deal with the identified risk areas of particular audited entities. With the assistance of the Risk Register in AMIS, DAGP staff should be able to understand relevant risk including those related to the capability of staff, the level of resources, and any ethical issues that may arise.

107. Refer to *Annexure D.2.1 “Template for Field Audit Instructions”* for a template stipulating a basic structure of the instructions to be provided to the audit teams prior to the commencement of audits.

108. If a risk emerges that was not taken into account during risk assessment at the planning stage of the audit, the appropriate management levels should be informed. On the basis of the previously undiscovered risk, the DG of the respective FAO should evaluate whether it will impact the audit plan in a material manner. If so, the audit plan should be revised with the approval of AGP.

ISSAI 140 Requirements

DAGP should consider procedures for acceptance and continuance of discretionary work, including work which is contracted out. If the DAGP decides to carry out the work, it should ensure the decision is approved at the appropriate level within the DAGP, and that the risks involved are assessed and managed.

DAGP should consider disclosing in their reports any specific matters that would ordinarily have led the DAGP to not accept the audit or other work.

109. The DAGP should give priority to any audit tasks, which must be undertaken by law, and assess priorities for discretionary areas within the DAGP's mandate. However, the DAGP retains authority for accepting discretionary work as provided in Section 4.3.9 of FAM which states, *"In cases where the legislature requests the AGP to undertake any audit, the DAGP shall be free to determine the manner in which it may conduct its work, including those tasks requested by the legislature"*.

110. The DAGP shall act independently in deciding the content, and timing of audit and in publishing them as required under the ISSAIs framework. Timelines of the audits should be decided at the time of the review of audit plans within the DAGP and no external decision making should be included in this. FAM Section 7.11.1 "Sample Selection" states, *"With direction from DAGP, auditors have the freedom to extend the scope of their audit to extend audit coverage to as many sub-entities as deemed appropriate, and the coverage within each sub-entity, even 100% sampling, is also discretionary."*

111. In planning an audit for discretionary work, the auditor should:

- Identify the objectives of the task assigned to the DAGP;
- Identify important aspects of the environment in which the audited entity operates;
- Develop an understanding of the accountability relationships;
- Consider the form, content, and users of audit opinions, conclusions, or reports;
- Formulate Terms of References (TORs) for the engagement, specifying the audit objectives and the tests necessary to meet them;
- Identify key management systems and controls and carry out a preliminary assessment to identify both strengths and weaknesses;
- Determine how material to consider certain matters;
- Determine the most efficient and effective audit approach; and
- Provide for appropriate documentation of the audit plan and for the proposed fieldwork. The DAGP may revise the plan during the audit when necessary.

112. The planning for the audit should be reviewed and approved by the DG of the FAO and the respective DAG. For work of a specialized nature, relevant SOPs and guidelines should be used for planning and execution. Staff utilized should be equipped with the necessary knowledge and expertise.

ISSAI 140 Requirements

SAIs should ensure that their risk management procedures are adequate to mitigate the risks of carrying out the work. The response to the risks may include:

- carefully scoping the work to be performed;***
- assigning more senior/experienced staff than would ordinarily be the case; and***
- doing a more in-depth engagement quality control review of the work before a report is issued.***

113. The DAGP should ensure that it has adequate and appropriate risk management procedures in place, and that they are sufficient to mitigate the risks of carrying out the work. The DAGP should carry out risk assessment with reference to various parameters of the entity, programme, or the subject after a careful study of all relevant documents. A good risk perception of the programme or entity's performance will help in determining the audit objectives and appropriate audit criteria. It will also assist in the selection of appropriate staff for risky areas.

114. When scoping the audit work, the audit plan should, at the minimum, include:

- i. A clear statement of the audit objectives;
- ii. Statement of the magnitude of operations (expenditures, revenues, assets, staff), the significant line items and accounts in the financial statements, and significant financial statement assertions;
- iii. Summary of significant issues and results of an initial risk assessment; and
- iv. Proposed audit scope, including types of audit activity, locations to be visited, functions, activities, systems and procedures to be examined, aspects of performance to be covered, audit methods and tests; and samples selected or methods of selecting samples.

115. For audits that are of particularly high risk, especially those of discretionary work, a more than usual in-depth engagement quality control review of the audit work should be performed.

116. A key element of the quality control regime at the DAGP is the tertiary level review of quality controls at FAOs level by DAG concerned. It will require DAGs to conduct an objective evaluation of significant matters, including risks identified and significant judgments made by the audit teams and the teams' conclusions reached in formulating the audit report(s). DAG concerned shall designate a staff for carrying out such reviews. Risk assessment shall be properly captured in such tertiary reviews at DAGs level. Additional information on the role of QCR is provided in Section 5, Element Performance of Audit and Other Work”.

4.3 Resource Management

ISSAI 140 Requirements

Given resource constraints, FAOs and other constituent units of the DAGP should consider their work programme and whether they have the resources to deliver the range of work to the desired level of quality. To achieve this, a system of prioritizing work should be in place. If resources are not sufficient and pose a risk to quality, the process of escalating matter to the AGP—and where appropriate, to the legislature or Finance Division should be in place.

117. To consider whether the DAGP has adequate resources to deliver the range of work of the desired quality, an effective planning phase should be ensured. An effective audit plan considers that formations are selected on the basis of risk, prioritises formations to the DAGP's mandate and current focus, considers significance of risk factors and auditability.

118. FAOs should ensure that they utilise audit plan templates for scoping audit work and that these are up to date. For guidance on the formulation of audit plans, the auditor should consult the relevant audit manual for their nature of work. Refer to Para 1, Element 5 “Performance of Audit and Other Work” for further information regarding the policies and tools in place for the auditor to utilise.

119. The knowledge, abilities, availability, and skills of auditors are significant elements in completion of efficient and relevant audit assignments. Equally important is the proper development and training of the audit workforce to enable them to maximise their talent and potential.

120. The audit teams should have collective knowledge of their subject matter and the auditing proficiency necessary to fulfil the requirements of the audit. Resources required to undertake each audit need to be assessed so that suitably skilled staff may be assigned to the work.

121. It should be the prime responsibility of the DG of the respective FAO to ensure the effective allocation of resources for different audits. Periodic, preferably yearly, staff assessments should be carried out to ensure adequate staffing arrangements to execute and maintain quality of audit work. Through these assessments, the staffing needs for fulfilling an FAO’s objectives will be identified.

122. The DG of the FAO needs to understand the level of resources necessary at a particular audited entity and should have a clear understanding of the audited entity. To achieve this purpose, a rigorous planning process is necessary that takes into account the needs of each audited entity and the resources available to the FAOs.

123. The AGP enjoys sufficient administrative and financial authority as stated in Chapter 2 (Leadership). The AGP can do appropriation/re-appropriation within the available budgets, create temporary positions up to BPS-19, and pursue matter for creating permanent position or engaging experts from the market as required to delivery high quality reports.

124. The need for specialised expertise should be identified at an early stage in the planning process. The early identification will allow the necessary lead time to acquire suitable staff from within the office or seek experts outside.

125. For each audit engagement, the staff should be identified based on the required competence, knowledge and skills in the work assigned. The role of each member of the audit should be clearly defined. The following factors should be taken into consideration in making assignments of individuals:

- Staffing and timing requirements of the specific audit;
- Evaluation of the qualifications of staff members as to experience, position, background, and special expertise;
- The planned supervision and involvement by supervisory staff; and
- To ensure continuity and rotation for the conduct of audit efficiently, appropriate consideration to be given while deputing audit staff,

5. Human Resource

126. The DAGP should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient staff with the competence, capabilities, and commitment to ethical principles for (a) performing engagements in accordance with applicable standards, guidelines, and legal and regulatory requirements; and (b) enabling the DAGP to issue reports that are free from errors as best circumstance allow.

5.1 Summary of DAGP's AQMF Requirements

127. Several quality management implications arise under this element of ISSAI 140 (Human Resources). The Table shows major implications along with available avenues with the DAGP to comply with the requirements of this element. Details are provided later in this chapter.

ISSAI 140 (Human Resources) Implications for quality management at DAGP	Mechanisms for Alignment
The DAGP should ensure that the audit teams have the collective knowledge of subject matter as well as auditing proficiency necessary to fulfil the requirements of the audit.	Identifying the level of expertise and qualifications in an FAO and undertaking periodic skills assessments to evaluate human resource needs in order to effectively perform the FAO's duties.
The designated responsibilities within the DAGP for the audit quality management should be clearly defined for each member of staff involved in the audit process.	Awareness of DAGP staff regarding their job description.
The DAGP should assess the staff needs by developing staff welfare practices.	Providing staff an opportunity to express views on the work environment to management.
Capacity building of staff should be a continuing process and should be adapted to the needs of the DAGP so that staff may equip themselves with relevant knowledge, and techniques, and adapt to changes in audit methodologies and tools.	Providing staff an opportunity for personal and career development through training requirements.
DAGP staff should be aware of their professional career development path and the minimum targets that needs to be achieved for progression. This progression should be based on the principles of equality and merit, with consideration to demonstrated ethical behaviour.	Conducting performance assessments of staff annually as well as after each audit, providing staff feedback regarding performance on a regular basis.
In order to create an environment that is dedicated to quality and ethical principles, behaviour and performance of staff that fosters such an environment should be	A flexible reward management system to include periodic rewards against performance and ethical behaviour.

ISSAI 140 (Human Resources) Implications for quality management at DAGP	Mechanisms for Alignment
emphasised and rewarded.	

5.2 Recruitment, Staff Development and Performance Management

ISSAI 140 Requirements

The DAGP may draw on a number of different sources to ensure they have the necessary skills and expertise to carry out the range of their work, whether carried out by SAI personnel or contracted out.

DAGP should ensure that responsibility is clearly assigned for all the work it carries out.

DAGP should ensure that as policies and procedures give appropriate emphasis to quality and commitment to the SAI's ethical principles. Such policies and procedures related to human resources include (a) performance evaluation; (b) professional development; (c) capabilities—including sufficient time to perform work per the required quality standards; (d) competence—ethical as well as technical; (e) career development; (f) promotion; (g) compensation; and (h) the estimation of personnel needs.recruitment (and the qualifications of recruited staff);

128. Policies and procedures should be designed to provide the AGP with reasonable assurance that the DAGP has a sufficient number of capable, competent, and professional staff necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements. This would enable the AGP to issue high quality reports.

129. The key aspects of the DAGP's management of human resources include:

- Adopting policy and procedures regarding recruitment, capacity building, and professional development;
- Periodically reviewing the training and professional development programmes to evaluate effectiveness; and
- Establishing a transparent and performance-based promotion system including development of KPIs.

5.2.1 Recruitment

130. One of the elements of human resource management is to recruit staff with suitable qualifications to perform assigned tasks effectively. The DAGP should maintain written records of procedures in place for recruitment and establish minimum qualification requirements. The DAGP should regularly review, minimum educational requirements for the appointment of staff. In addition, they should maintain a frequently updated analysis of organisational needs, considering matters such as vacant positions, existing competencies and skills levels, and staff turnover rates.

131. A periodic skills assessment should be carried out to evaluate the necessary skills and qualifications required for all sectors in the audit without compromising quality. A mechanism should also be in place to pool the resources of FAOs as and when required.

132. A list of staff, containing qualifications, experience, and skillset should be maintained at each FAO to facilitate audit planning, capacity building, and performance assessment. This list would be easily obtainable with the development of a Human Resource Management Information System (HRMIS) at the HO.

133. Recruitment for the DAGP should be based on the principles of openness, publicity, equality, and merit. Ethical behaviour should be considered when recruiting staff. By establishing a robust competency framework, the DAGP should more easily be able to identify the skills, attitudes, knowledge, and experience they require. Examples of best practices to apply in the recruitment process include:

- Assessing candidates' reactions to ethical dilemmas during examinations and interviews.
- Conducting psychological tests and examinations.
- Undertaking background checks.

134. Overall, the selection should be based on objective and merit-based criteria and the process should be transparent and competitive. The hiring process should factor in gender and disabilities to be inclusive to promote diversity. *It is vital in this process that equal opportunity issues are considered to help ensure that the SAI is recruiting from as wide a pool of talent as possible.* In some cases, a SAI may specifically refer in its job advertisements to particular groups i.e. women, ethnic minorities, who may be under-represented in the SAI.

135. A probation period of six to twelve months for the induction of staff. This would greatly aid the DAGP to satisfy itself as to the suitability of the new recruits by checking that requirements of the post are met.

136. The DAGP shall maintain a fair policy setting out the percentage of people to be recruited directly from the Public Service, and those who would be promoted through the ranks to the Pakistan Audit and Accounts Service (PAAS). The DAGP should evaluate whether human resources meet their needs and consider making adjustments in recruitment policy if any shortcoming is identified.

5.2.2 Roles and Responsibilities

137. The delegated responsibilities within the DAGP for the audit quality management should be clearly defined for each staff member involved in the audit process. These responsibilities should be included in the job description of the respective member of staff.

138. *For the specific roles and responsibilities of DAGP staff at QAI&M Wing and at the FAO-Level for quality assurance and quality control respectively, refer to Annexure B "Quality Control and Assurance Key Tasks and Responsibilities for DAGP staff".*

139. Each staff member should be required to sign the job description acknowledging that they understand their roles and responsibilities. A copy of the signed job description should be maintained in the personal file of staff members. The work allocation and subsequent performance assessment should take into account the set job descriptions.

5.2.3 Performance Evaluation

140. The DAGP shall follow a system that rewards high performance and meritorious work. Promotions to the middle and senior management levels should be based on merit and potential, and not on the time served.

141. The DAGP's performance evaluation, compensation and promotion procedures shall give due recognition and reward to the development and maintenance of competence and commitment to ethical principles. In particular, the procedures should:

- Make staff aware of the DAGP's expectations regarding performance and ethical principles;
- Provide staff with evaluation of, and counselling on, performance, progress and career development; and
- Help staff understand that advancement to higher position depends upon performance quality and adherence to ethical principles, and that failure to follow the relevant policies and procedures may result in disciplinary action.

5.2.4 Staff Welfare

142. The DAGP should assess the HR needs of its staff by developing the relevant staff welfare practices. Employee engagement contributes to more productivity, better work, less sickness leaves and less turnover. As the success and quality of a SAI depend on its human resources, well-being is an essential element in the HR-strategy.

143. DAGP staff should have the opportunity to express their views on the work environment of the department and the relevant authorities should promptly address the issues indicated. Taking into consideration DAGP staff's needs by assessing their viewpoints, the DAGP should establish a functional staff welfare policy, which should be part of their HR strategy document.

5.2.5 Professional and Career Development

144. The DAGP needs to attract and retain the staff that carry new ideas, requisite experience, and skills to deliver against its goals and objectives. A fair system of internal promotion also recognises and rewards the commitments and talent of the staff. Many SAIs work to ensure a healthy mix of internally promoted and externally recruited staff.

145. Professional development and career progression should also be based on the principles of equality and merit, with due consideration to ethical behavior. There should also be evaluation and counselling regarding performance, progress and career development for the staff. The staff should be made aware of their professional career development path and the minimum performance targets that need to be achieved for progression

146. Minimum training / Continuing Professional Development (CPD) hours should be established for each DAGP staff member, and trainings should be allocated to complete these hours. This ensures that each one has an opportunity for development, which is necessary for effective career advancement.

147. There should be established routines to ensure individual performance appraisals at least once a year in the DAGP.

ISSAI 140 Requirement

DAGP should ensure that quality and its ethical principles are key drivers of performance assessment of personnel and any parties contracted to carry out work.

148. The performance appraisal system in the DAGP includes the preparation of a PER for each staff member. The performance evaluation is carried out by the reporting officer and up to two countersigning officers that review and provide their remarks.

149. With the DAGP's focus on quality and ethical principles, any behavior and performance of staff that fosters such an environment should be prioritized and rewarded. Performance evaluation plays a key role in this regard by incorporating such elements as KPIs.

150. The appraisal system should assess the staff's performance against their job description, as described in Para 8 of this Element.

151. An annual performance appraisal is done regarding the general behavior of a staff member over a year of job performance. To obtain more qualitative details of the work performed by staff, the DAGP should establish a monitoring system that evaluates performance of staff throughout the year. Results of this system would also assist in the preparation of the PER.

152. Performance assessment of staff should be performed preferably after each audit. The assessment should be maintained in the personal file of each staff member, including training and CPD achieved during the year. This should form a part of the basis of the annual performance assessment.

153. It is good practice to establish an HRMIS that can act as a hub for performance assessment, training development, and resource allocation. The aforementioned assessment conducted at the FAO may be uploaded to the HRMIS against the relevant staff member to allow for ease of access when conducting performance evaluation or any other human resource related activity involving the staff.

154. In addition, to incentivize hard work and excellence, the DAGP should have a reward mechanism in place to incentivize high performing staff. The heads of FAOs that deliver high quality reports should be given performance rewards to induce similar performance across the DAGP.

155. To further incentivize ethical behavior, reward and appreciation policies should be implemented through ethics related awards and prizes. Good practices incorporate ethical criteria into the PER and into promotion opportunities.

ISSAI 140 Requirement

The DAGP should promote learning and training for all staff to encourage their professional development and to help ensure that staff are trained in current developments in the profession.

5.2.6 Training and Capacity Building

156. Training enables the staff to acquire the skills needed to accomplish their assigned tasks. It builds capacity of staff to ensure they perform work effectively to help the DAGP achieve its objectives.

157. It is vital for the audit staff to be equipped with knowledge and sound understanding of the public sector environment. This includes the role of legislature, legal and institutional arrangements governing the operations of the government departments and public entities, auditing standards, audit methodologies, policies, procedures, and practices.

158. The audit methodologies are evolving at a fast pace and newer techniques are available like risk-based auditing, application of quantitative techniques, and increasing use of IT as a tool to improve audit quality. As a result, training has naturally assumed critical importance in the professional development of staff

159. Capacity building of staff should be a continuing process and should be adapted to the needs of the DAGP so that staff can equip themselves relevant knowledge, techniques, and adapt to changes in audit methodologies and tools. Training needs assessments should be carried out by the DAGP on a periodic basis to evaluate the required skill set for its staff.

160. The capabilities and competence should be developed and maintained by:

- In-house training courses, seminars and workshops covering a wide variety of topics focusing on developing a well-rounded workforce;
- On-the-job training by attaching new staff to work under the guidance of experienced staff;
- CPD, including training;
- Formal training courses designed on the basis of training needs assessment;
- Improving and standardising training material to maintain training quality.

161. As stated earlier, the HRMIS can act as a hub for performance assessment, training development, and resource allocation. It will have a database of the skillset—and individual staff and organizational levels to support training and capacity building effort at DAGP. It is a good practice for required competencies to be assigned for all levels of staff, on the basis of which the DAGP may be able to identify and meet its training needs more effectively. It would also prevent duplication of the same training courses that they have already completed.

162. Staff selection for trainings should entail developing a pool of potential nominees based on availability ascertained by an HRMIS. The concerned FAO should select nominations on the basis of this pool. As a result, the training system in the DAGP would consider the needs of individual staff members. A centralized optimal approach toward identifying and addressing training needs of individuals and the DAGP holistically is not possible in the absence of a robust HRMIS.

5.3 Third Party Resourcing

ISSAI 140 Requirements

The DAGP should ensure that personnel, and parties contracted to carry out work for it have the collective competencies required to carry out the work.

The DAGP should recognise that in certain circumstances personnel and, where relevant, any parties contracted to carry out work for it, may have personal obligations to comply with the requirements of professional bodies in addition to the DAGP's requirements.

The DAGP should ensure that personnel and any parties contracted to carry out work for it

have an appropriate understanding of the public sector environment in which it operates and a good understanding of the work they are required to carry out.

163. The DAGP may draw on a number of different sources to ensure they have the necessary skills and expertise to carry out the range of their work, whether it is conducted in-house or contracted out. However, it should ensure that staff and, where relevant, parties contracted to conduct work for the DAGP have the collective competencies required to undertake the range of work required.

164. If work is contracted out to external parties, due care should be exercised to ensure that the consultants' competence and aptitude for the particular tasks involved is adequate. The technical and professional competence while hiring external parties should be evaluated as per applicable rules and regulations. The key areas to evaluate include:

- i. Technical competence of the external party;
- ii. Public sector experience;
- iii. Technical competence, qualification and experience of staff offered;
- iv. Feedback letters from previous work performed in public sector;
- v. Audit methodology to be used.

165. The DAGP should ensure that external consultants should follow international standards of auditing. This would serve the advantage of providing reasonable assurance that the work performed by the contracted third party is reliable, and that decisions may be taken on the basis of said work.

166. For this purpose, whenever contracting third party firms, the contract made with the external consultants shall clearly state the standard to be followed in carrying out the work assigned. The requirements laid down for the hiring of external expert in this document are applicable to the use of third-party firms as well.

6. Performance of Audit and Other Work

167. The ISSAI 140 requires that the DAGP establish policies and procedures designed to provide it with a reasonable assurance that engagements are performed in accordance with its standards and applicable legal and regulatory requirements and that the DAGP issues reports that are appropriate in the circumstances. Such policies and procedures include:

- a) matters relevant to promoting consistency in the quality of engagement performance;
- b) supervision responsibilities; and
- c) review responsibilities.

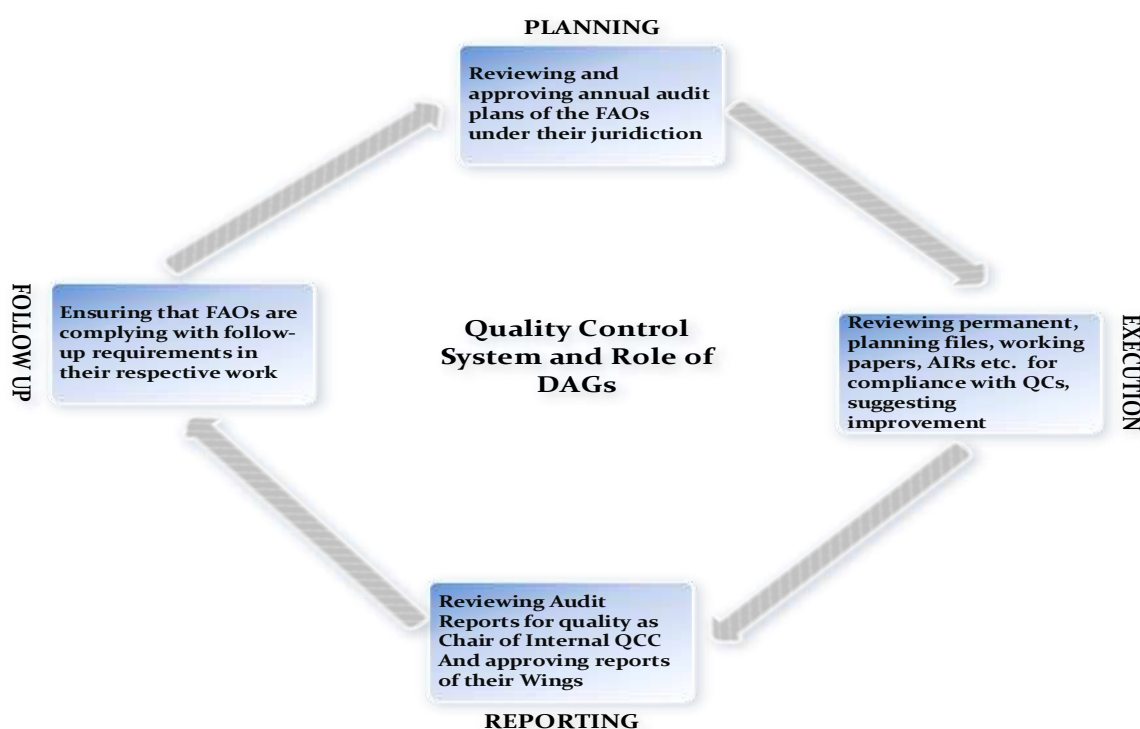
6.1 Summary of the DAGP's AQMF Requirements

168. Several quality management implications arise under this element of ISSAI 140 (Performance of Audit and Other Work)). The Table shows major implications along with available avenues with the DAGP to comply with the requirements of this element. Details are provided later in this chapter.

ISSAI 140 (Performance of Audit and other Work) Implications for quality management at DAGP	Mechanism Alignment
The DAGP should ensure appropriate policies, procedures, and tools are in place to carry out the range of work for which the DAGP is responsible.	Availability of appropriate audit manuals and working paper kits (for all stages of the audit) which are developed on the basis of INTOSAI standards and best practices.
The DAGP should ensure quality at the audit planning stage.	Quality control templates designed for audit planning.
The DAGP should ensure adherence to the principles of its auditing standards.	Supervisory plan, supervisory visits, and the use of a supervision checklist.
The DAGP should enlist resources (such as technical experts) to deal with particularly difficult or contentious matters.	Engagement of consultants and documentation of thereof.
The DAGP should ensure that all audit work be reviewed by a senior member of the audit staff before audit reports are finalised.	Reviewing all work, documenting reviews and utilising an independent quality control reviewer and / or additional layers of review for higher risk / more complex audits.
The DAGP should ensure quality at the audit execution stage and facilitate the effective storage of all documentation maintained by FAOs.	Quality control templates designed for audit execution, ensuring good documentation, and utilising information technology for digital storage.
The DAGP should retain ownership of all documents produced by it.	Ensuring custody of documentation and working papers.

ISSAI 140 (Performance of Audit and other Work) Implications for quality management at DAGP	Mechanism Alignment
The DAGP should ensure quality during the audit reporting stage.	Standards of a quality audit report and use of the audit completion checklist. Quality Control Committees—internal and external
A monitoring system should be in place to identify the remedial measures taken by the audit entities to the audit observations, and to determine their progress and effectiveness.	Obtaining management comments and performing follow-ups.
The DAGP should balance the confidentiality of documentation with the need for transparency and accountability.	Ensuring proper record keeping in the context of confidentiality

169. **Role of DAG concerned in the implementation of Quality Controls** The DAG concerned are already actively involved in audit planning and reporting stages. The AQMF assigns them additional significant role in implementing quality control requirements not only at planning and reporting stages but also at the execution stage. The AQMF will contribute toward high-quality audit process and audit reporting if the quality control requirements are met at all steps in the audit process... The flowchart depicts specific role and responsibilities of DAG concerned vis-à-vis each step in the audit process:



170. The implementation of AMIS makes this responsibility handy as all DAGs will have access to the AIRs, and relevant documents/files/working paper etc. through the AMIS. This will enable them to identify gaps in compliance with relevant quality control requirements and

suggest improvements during the audit process. Details are provided under each of the sub-element later in this Chapter.

6.2 Audit Planning

ISSAI 140 Requirements

SAIs should ensure appropriate policies, procedures and tools, such as audit methodologies are in place for carrying out the range of work that is the responsibility of the SAI, including work that is contracted out.

Note: This requirement generally applies to all phases of the audit cycle.

171. The auditors should be equipped with predefined policies, procedures, and tools to streamline and produce high-quality work consistently. The audit related manuals currently in use to guide audits by the DAGP are as follows:

- FAM: Primarily used for guiding auditors in conducting financial attestation / certification audits as well as compliance audits. This manual was issued in 2006 and revised in 2012.

The purpose of this Audit Manual is to provide the DAGP auditors with a set of modern auditing standards, concepts, techniques, and quality management arrangements that are consistent with applicable auditing standards.

- PAM: Primarily used for guiding auditors in conducting performance audits. This manual was developed in 2012 and includes procedures related to the auditing of an entity's value for money, i.e., the economy, efficiency and effectiveness of a given programme, project or entity.
- Audit Manual for FAP: Primarily used for guiding auditors in conducting financial attestation and compliance audits of FAPs. The manual is intended to assist in meeting development partners' expectations regarding audit of FAPs.

172. In addition to the audit manuals, Sectoral Guidelines are also available to supplement the above-mentioned manuals. These guidelines contain sector-specific audits instructions. These manuals and guidelines shall be subject to continues review improvements.

173. At each stage of audit cycle, DG of the respective FAO should ensure that relevant instructions be issued to staff at the earliest. For audit planning, these instructions summarize key findings of the risk assessment process and also include information on the tools, policies, and methodologies available to the field audit teams to assist and standardize their work.

174. Relevant proformas contained in the aforementioned manuals should be mentioned in these instructions. Refer to *Annexure D.2.1 "Template for Field Audit Instructions"* which stipulates a basic structure for such instructions. The AMIS will generate this document as and when required.

175. Each audit team (typically led by an AO) should maintain a permanent file, a planning file, execution working papers, and reporting and evaluation files. Proper use of these files will ensure consistency in audits while helping in generating high quality reports.

176. A checklist should be maintained for each of the files in order to ascertain their completeness. The permanent file should, at the minimum, include the following templates found in the Working Paper Kit of FAM:

- Update Control Sheet;
- Status of the Entity;
- Background Information;
- List of Auditable Locations;
- List of Bank Accounts;
- List of Authorised Signatories;
- External Factors;
- Accounting Records and Accounting System;
- Key Contacts;
- Significant Audit Areas;
- Significant Accounting Policies;
- Supporting Document: Corporate Plan;
- Supporting Document: Financial Rules / Laws and Regulations / Service Rules;
- Supporting Document: Organisation Chart;
- Supporting Document: Accounting Policies;
- Supporting Document: Chart of Accounts;
- Supporting Document: Environmental laws and regulations;
- Supporting Document: Long-term Contracts and Leases;
- Supporting Document: Loan agreements, Mortgages, Debt Instruments;
- Supporting Document: Amortisation Schedules of Major Assets;
- Supporting Document: Extracts of Minutes;
- Supporting Document: Previous Year's Audited Financial Statements;
- Supporting Document: Auditor's Reports to Management;
- Supporting Document: Management Responses; and
- Supporting Document: Other.

177. The planning file, at a minimum, should include the following templates found in Working Paper Kit of FAM:

- Audit Objectives and Scope;
- Points Brought Forward from Previous Audits;
- Entity Communication Letter, Audit Planning Memorandum;
- Memorandum on Post-Planning Changes;

- Important Dates Form, Time and Fee Budgets and Daily Timesheets;
- Information Requested from Entity Officials Form;
- Materiality Assessment Form;
- Expected Aggregate Error and Planned Precision Form;
- Audit Risk Assessment Form;
- Inherent Risk Assessment Form;
- Environmental Internal Control Questionnaire;
- Internal Control Questionnaire – General Computer Controls;
- Internal Control Questionnaire – Application Controls;
- Control Risk Assessment Form;
- Analytical Procedures Assurance;
- Source of Audit Assurance Form;
- List of Applicable Laws and Regulations;
- High Value Item Selection Form;
- Key Item Selection Form;
- Sample Sizing for Tests of Internal Control;
- Sample Sizing for Substantive Tests of Details;
- Checklist of Accounting Estimates to be Reviewed;
- Points for Attention of Next Audit; and
- Audit Planning Checklist.

178. The audit execution working papers should differentiate between the objective and nature of the audit. These templates are found in the Working Paper Kit of FAM. In general, they should include, but not be limited to the following:

- Appropriation Accounts Cross Referenced to Underlying Summaries;
- Grant-wise Summaries, Inter-Government Accounts to be eliminated;
- Summary of Analytical Procedures Performed;
- Detail of Analytical Review Procedures Performed;
- Internal Control Questionnaires checklist;
- Internal Control Deviations Form;
- Internal Control Deviations Summary;
- Compliance Summary;
- Errors in Accounting Estimates; and
- Substantive Test Sample Summary.

179. The evaluation and reporting file should, at a minimum, include the following templates found in Working Paper Kit of FAM:

- Internal Control Analysis - Impact Analysis;
- Analytical Procedure Thresholds;
- Evaluation of Analytical Procedures;
- Evaluation of Internal Control Deviations;
- Substantive Tests Evaluation-Projectable Errors from Sample;
- Substantive Tests Evaluation-Non-Projectable Errors;
- Substantive Tests Evaluation-Summary;
- Achieved Level of Assurance Form;
- Error In each Component;
- Overall Error in Financial Statements;
- Compliance with Authority Violations;
- Checklist of Management Representation Letter;
- Sample Management Representation Letter;
- Audit Completion Checklist;
- Memorandum Supporting Signature;
- Auditor's Opinion;
- Follow Up Continuity Schedule; and
- Quality Assurance Checklist.

180. The DAGP should ensure that the auditing standards and core methodologies used are publicly available. As per INTOSAI P-12 Principle 8¹⁶, *"SAIs should use, as appropriate for their circumstances, auditing standards, processes and methods that are objective and transparent, and make known to stakeholders what standards and methods are used."*

181. Audit Policy Wing, or any other Wing designated by the AGP, should ensure that any policy document pertaining to auditing standards and / or core methodologies is made available to the stakeholders for their scrutiny. Such documents include both the Audit Manuals, and Sectoral Guidelines etc.

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www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_12/INTOSAI_P_12_en.pdf

ISSAI 140 Requirements

The DAGP should aim for timely completion of audits and all other work, recognising that the value from the work it does diminishes if the work is not timely.

6.2.1 Audit Objectives, Scope and Methodology

182. In planning the audit, the most important process is defining its objectives as these are what the audit is intended to accomplish. The scope of the audit shall be linked to the audit objectives. The DG of the respective FAO should design the methodology in such a fashion as to provide sufficient, competent, and relevant evidence to achieve said objectives.

6.2.2 Audit Plans

183. Adequate planning of the audit helps in ensuring that all significant entities and programmes, which are vulnerable to risks, are covered. Available resources are optimally utilised for conducting the audits and the work is completed expeditiously. Operational planning of the individual audits is the most critical process for securing a high standard of audit.

184. A good audit plan will ensure focused field work by the team. This will also facilitate monitoring and review of the progress by senior audit functionaries.

185. An effective annual audit plan should incorporate the following features:

- i. Clearly defined activities, timetables and responsibilities;
- ii. Coverage of all the DAGP's main support services, like financial management, HR and training, IT, and infrastructure, etc.
- iii. Clear links to the DAGP's strategic plan.
- iv. The annual plan contains or is linked to a budget, and there is evidence that considerations have been made about the resources needed to complete the activities in the plan.
- v. An assessment of risks connected to achieving the objectives of the plan.
- vi. Measurable indicators at the outcome and output level.
- vii. Baselines of current performance and milestones for major indicators.

186. Audit plans need to take into consideration that, high-quality audit reports require sufficient time for auditors to perform their duties in an effective manner. When preparing timelines, the plans should provide enough time for all planned audit procedures to be performed.

187. INTOSAI auditing standards state that the auditor should plan in a manner to ensure that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. In planning an audit, the following aspects should be considered to:

- i. Identify important aspects of the environment in which the audited entity operates;
- ii. Develop an understanding of the accountability relationships;
- iii. Consider the form, content, and users of audit opinions, conclusions, or reports;

- iv. Specify the audit objectives and the tests necessary to meet them;
- v. Identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses;
- vi. Determine how material to consider certain matters;
- vii. Review the internal audit of the audited entity and its work programme;
- viii. Determine the most efficient and effective audit approach; and
- ix. Provide for appropriate documentation of the audit plan and for the proposed fieldwork.

188. The DAG concerned shall examine and ensure that the planning process was timely, comprehensive, based on sound judgments, appropriately documented, and reviewed by suitably experienced staff. DAGs shall have access to the AMIS whereby they could review the permanent and planning files to make an assessment of the diligence exercised at FAOs level in planning audits. The AMIS will also have an application allowing the DAGs to provide suggestions for improvements to the DGs of the FAOs falling under their audit jurisdiction.

189. During the quality control of an individual audit, the planning stage should be thoroughly reviewed to ensure that it was carried out appropriately with the usage of all relevant quality control forms. The following annexures are available in this document to be used as quality control checks on the audit planning phase of an audit.

- **Annexure D.2.2: Permanent File Update Summary**
- **Annexure D.2.3: Planning File Update Summary**

190. These summaries are to be prepared and uploaded to the AMIS at the end of planning phase to guide audit teams in planned audit assignments. The summaries capture significant changes made to the permanent file and planning file from previous years, including changes in planning decisions, planned audit focuses and steps from previous years.

191. The summaries shall detect any non-compliance with quality control requirements applicable to Permanent Files and Planning Files. Review of these summaries can enable heads of FAOs to take timely corrective actions—where required.

6.3 Audit Execution

ISSAI 140 Requirements

The DAGP should establish policies and procedures that encourage high quality and discourage or prevent low quality. This includes creating an environment that is stimulating, encourages proper use of professional judgment and promotes quality improvements. All work carried out should be subject to review as a means of contributing to quality and promoting learning and staff development.

The DAGP should ensure appropriate quality control policies and procedures are in place (such as supervision and review responsibilities and engagement quality control reviews) for all work carried out.

The DAGP should recognise the importance of engagement quality control reviews for their work and, where an engagement quality control review is carried out, matters raised should be satisfactorily resolved before it issues an audit report.

Note: This requirement generally applies to all phases of the audit cycle.

192. The Department of the Auditor-General of Pakistan (DAGP) continues to strive for improving quality of its audits. This is driven by our strategic intent to contribute to improved service delivery in the public sector.

193. Quality in implementation of the audit is assured through the following:

- i. Adherence to the principles of DAGP auditing standards;
- ii. Ensuring appropriate skill and knowledge – whether internal;
- iii. Supervision, monitoring and review;
- iv. Documentation of the audit and of its processes;
- v. Peer review; and
- vi. Consultation and advice.

194. The AQMF sets out mechanisms—including specific quality control and quality assurance roles and responsibilities of key actors within the DAGP, to carry out the aforementioned tasks as an integral part of audit quality management. Compliance with applicable quality controls and quality assurance procedures within the DAGP shall contribute to high quality audit processes and audit reports. The applicable standards emphasize that all work undertaken should be reviewed with the aim of promoting quality, learning, and professional development.

6.3.1 Supervision

195. A sound system of supervision and review is essential for maintaining the quality of an audit and to ensure the fulfilment of audit objectives and the maintenance of the quality of the audit work.

196. INTOSAI auditing standards state that the work of the audit staff at each level and phase should be properly supervised, and documented work should be reviewed by a senior member of the audit staff.

197. Supervision involves directing audit staff and monitoring their work to ensure that the audit objectives are met. It also involves assigning responsibilities and providing sufficient guidance to staff members.

198. Other important factors include staying informed about significant problems encountered, reviewing the work performed to promote quality and learning, overseeing individual development, and providing periodic feedback as well as effective on-the-job training.

199. Supervision (and review) involves ensuring that:

- i. the members of the audit team have a clear and consistent understanding of the audit plan;
- ii. the audit is carried out in accordance with the auditing standards and practices of the SAI;

- iii. the audit plan and action steps specified in that plan are followed unless a variation is authorised;
- iv. working papers contain evidence adequately supporting all conclusions, recommendations and opinions;
- v. the auditor achieves the stated audit objectives; and
- vi. the audit report includes the audit conclusions, recommendations and opinions, as appropriate.

200. DG of the respective FAO should ensure that a supervisory plan is developed prior to the commencement of audits and incorporated in the instructions to field audit teams (refer to *Annexure D.2.1 Template for Field Audit Instructions* for further details). The plan should designate the supervisory officers for each entity undergoing an audit. The supervisory officers should be sufficiently skilled and knowledgeable about the audit that they intend to supervise.

201. A supervision checklist should be conducted during the supervisory visits planned as a means to review the audit work performed. Refer to *Annexure D.3.2 Supervision Checklist* for the template to be used for supervising the field audits.

202. Supervisory officers should consider whether the staff members clearly understand the work expected of them, the reasons for accomplishing the work, and the timelines established by the audit plan. With experienced staff, supervisors may leave details of the audit work to the staff. Where staff is less experienced, supervisors may have to specify audit procedures to be performed as well as techniques for gathering and analyzing data.

203. Some of the more important responsibilities of the supervisory officers in relation to audit are to ensure:

- i. that the work, including evidence collection and documentation, is executed in accordance with the auditing standards and plan, more particularly, in tune with the audit objectives;
- ii. all significant deviations, where necessary, are made only with prior authorisation of the top management i.e., competent authority or under intimation to them or under their express instructions;
- iii. adherence to the best practices contained in the audit guidelines / methodologies / other instructions of the DAGP;
- iv. the audit team is provided oral and written guidance in conduct of the audit;
- v. that confidentiality and integrity of information obtained from the entity, persons and other sources are maintained; and
- vi. that the factual basis of information, descriptions, analyses and recommendations are accurate, fair, balanced, and well founded, and that they are correctly communicated to the entity.

204. The level of review and supervision should take into consideration the risk of the audit. The DAGP should consider additional review and supervisory procedures on more high-risk audits (refer to Para 19, Element 3 “Acceptance and Continuance) for further details for the review of higher risk audits).

6.3.2 Review

205. All audit work should be reviewed by a senior member of the audit staff before audit reports are finalised. This should be carried out as the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

- i. All evaluations and conclusions have a sound basis and are supported by competent, relevant, and reasonable audit evidence as the foundation for the final audit opinion or report;
- ii. All errors, deficiencies, and unusual matters have been properly identified, documented, and either satisfactorily resolved or brought to the attention of a more senior officer(s); and
- iii. Changes and improvements necessary to the conduct of future audits are identified, recorded, and taken into account in later audit plans, and in staff development activities.

206. A review ensures the involvement of higher levels of management with the audit process and provides an assurance that the work has been carried out as per the standards and guidelines. The AQMF envisages multiple levels of quality controls:

- i. Primary level – reviews by supervisory officers of the audit team (either the DD or Director) at FAOs level;
- ii. Secondary level – review and approval by the DG (head of FAO); and
- iii. Tertiary level – review by the Quality Control Reviewer (QCR) at DAG concerned level focusing on whether quality control requirements (primary and secondary level) are being complied with.

An QCR should be an officer (designated by the DAG) from out of its staff for engaging in quality controls implementation process at FAOs levels as described in this document. The QCR would facilitate the DAG concerned to have a clear picture of the extent to which the FAOs under his or her jurisdiction are complying with quality control requirements in their work. The DAG would discuss quality control matters with the FAOs concerned to achieve a higher level of compliance with applicable quality control requirements.

207. Quality control during the supervision and review activities are ensured with the help of the following:

- i. Adherence to auditing standards and guidelines;
- ii. Strict conformity to the prescribed supervision and review system; and
- iii. Periodic reporting and monitoring during the audit process.

ISSAI 140 Requirement

Where difficult or contentious matters arise, the DAGP should ensure that appropriate resources (such as technical experts) are used to deal with such matters.

208. In the course of audit work, prior to audit execution, certain difficult or contentious matters arise requiring resources or expertise that may not be available. The DAGP should have procedures in place to supplement internal human resources with outside expertise as required.

209. These procedures should follow an assessment of risk to the quality of outsourcing audit work, and the procedures should then address these risks.

210. When enlisting outside experts, the DAGP should ensure that applicable rules and regulations are followed. The consultation should be appropriately documented, and a written record should be maintained.

211. A record of consultation should be maintained at the FAO regarding the usage of an outside expert. Refer to *Annexure D.3.3 "Record of Consultation"* for the template to be used when documenting the use of a consultant during an audit at the FAO.

212. The outside expert should have the appropriate knowledge, seniority, and experience relevant to the audit being outsourced. This statement should hold true on all significant technical, ethical, or other questions related to the contentious matter.

213. Only an outside expert that follows an appropriate quality control system and professional standards should be hired by the DAGP. The DAGP should maintain its level of vigilance when it comes to evaluating work from outside experts, leaving no audit work unreviewed. It is important to ensure that the outside expert is working in accordance with applicable guidelines.

ISSAI 140 Requirement

The DAGP should ensure that applicable standards are followed in all work carried out, and if any requirement in a standard is not followed, the DAGP should ensure the reasons are appropriately documented and approved.

214. Audit quality is assured through adherence to the principles of DAGP auditing standards as stated earlier. It is important to track compliance with the required auditing standards in field work and identify gaps—along with underlying causes thereof, leading to non-compliance with applicable standards in audits. This analysis will help in identifying and implementing remedial action(s) to improve compliance and create a more robust audit quality management regime.

215. To assist in the task of supervising, the FAO should document the relevant standards applicable to the field auditors for each formation, depending on the nature of the audit.

216. Then, upon commencement of supervisory visits as per the plan, the application of these standards should be reviewed by the supervisory officer. Should any requirement of the standard be ignored, the reasons should be appropriately documented in the supervisory checklist. Refer to *Annexure D.3.2 Supervision Checklist* for the template to be used for supervising the field audits.

ISSAI 140 Requirement

The DAGP should ensure that any differences of opinion within the DAGP are clearly documented and resolved before it issues an audit report is issued.

217. In situations where differences of opinion arise, the conclusions reached should be documented and assessed prior to the submission of the relevant audit report. Until the matter is resolved, the report should not be finalized and submitted. Differences in opinion may arise within the audit teams, with those consulted or with the QCR.

ISSAI 140 Requirement

If SAIs are subject to specific procedures relating to rules of evidence (such as SAIs with a judicial role), they should ensure that those procedures are consistently followed. (ISSAI 140 element 5 section 8, page 20).

Note: The DAGP does not have a judicial role and as such this provision of the ISSAI 140 does not apply to it.

ISSAI 140 Requirement

The DAGP should ensure timely documentation (such as audit work papers) of all work performed.

The DAGP should ensure that all documentation (such as audit work papers) is its property, regardless of whether the work has been carried out by the DAGP's staff or contracted out.

Note: This requirement generally applies to all phases of the audit cycle.

6.3.3 Working Papers

218. The Execution File of an audit should contain all audit working papers used in the audit to formulate audit findings. The audit working papers should be maintained and completeness of the file should be ensured.

219. Documentation should be sufficiently detailed to enable an experienced auditor, with no prior knowledge of the audit, to understand the following: the relationship between the subject matter, the criteria, the audit scope, the risk assessment, the audit strategy and audit plan and the nature, timing, extent and results of the procedures performed; the evidence obtained in support of the auditor's conclusion or opinion; the reasoning behind all significant matters that required the exercise of professional judgment; and the related conclusions. The auditor should prepare relevant audit documentation before the audit report is issued, and the documentation should be retained for an appropriate period of time¹⁷."

220. All relevant documents and information collected and generated during an audit constitute the working papers. These include the documents recording the audit planning (including the audit objectives), determination of criteria, audit procedures, evidence analysis and the audit findings and conclusions. The working papers should encompass the entire process of auditing, from planning, to execution, to reporting, and should serve as a connecting link among them. They should be sufficiently complete and detailed to provide a clear trail and understanding of the audit.

¹⁷ www.issai.org/wp-content/uploads/2019/08/ISSAI-400-Compliance-Audit-Principles-1.pdf

221. There is an important obligation of maintaining confidentiality and safe custody of the working papers. They should be retained for a period sufficient to meet professional, legislative, and legal requirements. Detailed requirements and related guidance on the working paper are provided in the audit manuals, sectoral guidelines and working papers toolkit.

222. The DAGP has Audit Management Information System (AMIS) to ensure the completeness of documentation for every audit, and to enable DAGP staff to easily access records from anywhere. The DAGs are required to understand the core functionalities of AMIS to carry out their audit quality management functions effectively.

223. A template known as the Execution File Working Paper Checklist found in the Working Paper Kit in FAM should be used to capture all relevant working papers for the execution phase of the audit. Relevant proformas for these working papers are found in the respective manual for the audit if not in the Working Paper Kit. Refer to Para 3, Element 5 “Performance of Audit and Other Work” for the working papers as per the FAM Working Paper Kit. The FAOs are required to keep the working papers / files updated in the AMIS.

224. The Execution File should undergo appropriate quality control procedures. The Annexure “D.3.1: Quality Control Review of Execution File and Reporting File” should be followed so as to ensure acceptable quality during the audit execution phase. Annexure “D.3.1: Quality Control Review of Execution File and Reporting File” is prepared to point out non-compliance of quality controls on Execution file and Reporting File. This is to be prepared for each planned audit assignment at the end of Execution Phase. Corrections are to be made before finalization of report. The purpose is of updating the concerned DAG to exceptions identified during Quality Control Review of the Execution and Reporting phase.

225. Further, to the above “Status Report of Audit Plan” is to be generated through AMIS dashboarding to ensure that the formations are being audited and the Audit Inspection Reports (AIRs) are being issued on a timely basis as projected in the audit plans.

226. During supervision and review, working papers should have their correctness and completeness checked. Adherence to timelines stipulated in the audit plans and its execution shall be reviewed by DAG concerned for the FAOs under their respective jurisdiction.

227. FAM clearly mentions that Working paper files are confidential and are the property of DAGP. Material should not be removed from the files without the specific authority of the responsible Audit Manager. The auditor is responsible for their custody and safekeeping at all times until they are placed in official archives. Working papers are not for general disclosure.

6.3.4 Audit Evidence

228. Audit evidence is the information collected and used to support audit findings. Audit conclusions and recommendations stand on the basis of said evidence. Consequently, auditors should give careful thought to the nature and amount of evidence they collect.

229. The auditor should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions and form an audit opinion. Documentation should provide the evidence obtained and used to arrive at audit conclusions. Relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organization, programme, activity, or function under audit.

230. The auditing standards of the DAGP prescribe inter-alia (i) data collection and sampling techniques should be carefully chosen; (ii) the auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry, and confirmation, to collect audit evidence; and (iii) the evidence should be competent, relevant, and reasonable.

6.3.5 Evidence analysis

231. Evidence gathered in the context of audit objectives should be analysed and tested against the audit criteria transparently to arrive at observations, conclusions, and recommendations. Sound evidence analysis consists of the following important characteristics:

- i. it should be logical and self-sustaining;
- ii. the conclusions and interpretations should be convincing; and
- iii. it should support the audit observations.

232. As part of the audit quality control process for an individual audit, evidence must be maintained and working papers should be reviewed. For the checklist to be used refer to Annexure D.4.1: Audit Quality Control Checklist and Observations. For the certificate to issued based on this checklist refer to Annexure D.4.2: Certificate of Quality for the QCM Performed by DAGs Concerned.

6.4 Audit Reporting and Follow-ups

ISSAI 140 Requirements

The DAGP should ensure that procedures are in place for authorising reports to be issued. The DAGP should consider that some of its work may have a high level of complexity and importance that requires intensive quality control before a report is issued.

233. The audit report is the written communication of the results of the audit undertaken. It is the manifestation of the quality of all audit processes from within the DAGP. As a result, the work of the DAGP is ultimately judged by the quality of its audit report. The audit report is an important link in ensuring accountability for public resources because it provides stakeholders reasonable assurance that (a) public money is used properly; (b) intended objectives of government spending are being achieved; and (c) public services are being delivered efficiently, economically, and effectively.

234. The DAGP's auditing standards—which are based on the ISSAIs, establish reporting requirements that need to be complied with in audit reporting. Additionally, the AQMF provides for a two-tier quality control process as set out hereunder for reviewing and approving audit reports before they are issued.

6.4.1 Internal Quality Control Committees (Internal QCCs)

235. An internal quality control mechanism should be in place under the respective DAG, who shall review all reports developed by FAOs under their jurisdiction to ensure that FAOs have complied with applicable reporting in finalizing audit reports. This mechanism established by the DAG should be in the form of a committee to carry out quality control reviews of the audit report and supporting files developed by the FAOs falling under said jurisdiction.

236. The composition of the Internal QCC, at a minimum, should be as follows:

- i. Chairman: Respective DAG;
- ii. Member: DG of the concerned FAO (presenting report);
- iii. Member: Director / DD of the DAG's office; and
- iv. Member: Director / DD of the concerned FAO.

237. The Chairman should nominate a member to act as Secretary to the Internal QCC (Internal). The Internal QCC shall assess whether the reporting requirements contained in the DAGP's manual are properly met. The Internal QCC will ensure that audit observations in the audit report are supported by sufficient and appropriate evidence.

238. Detailed minutes of the meetings must be prepared to document the findings of the Internal QCC, the response obtained, and the way forward to address the identified issues. To signify the conclusion of the Internal QCC, a certificate should be prepared to attest that an Internal QCC was satisfactorily completed and the level of quality of the audit report was considered acceptable. Refer to *Annexures D.3.4 and D.3.5 "Certificates of Quality for the Audit Report"* to be used as a template by the DG while processing audit reports at Internal QCC level. *The AMIS has functionality to support the Internal QCC workflow. It makes the process simple as detailed minutes of the meetings, and certificates of quality could be provided online for all concerned.*

239. The timing of Internal QCC should respect the timelines of submitting audit reports to the PAC and should be conducted prior to External QCC. This is to allow for sufficient time for the External QCC to conduct its review.

6.4.2 External Quality Control Committees (External QCCs)

240. An external quality assurance mechanism should be in place to undertake quality assurance reviews of all audit reports developed under each DAG. The External QCC is the final quality assurance review to be performed on all audit reports produced under the DAGs.

241. The External QCC will compose of members none of whom has been associated with the audit activity covered in the audit report. The composition of the External QCC, at a minimum, should be as follows:

- i. Chairman: DAG (nominated by AGP);
- ii. Member: DG of concerned FAO;
- iii. Member: Director / DD of concerned FAO; and
- iv. Any other members at the discretion of AGP

242. The Chairman should nominate a member to act as Secretary to the External QCC.

243. The External QCC shall assess whether the reporting requirements contained in the DAGP's manual are properly met. The External QCC will ensure that audit observations in the audit report are supported by sufficient and appropriate evidence

244. On the basis of the review, the External QAC should allocate marks according to the level of quality determined of the audit report in question. Refer to *Annexure D.4.1 "QCC Meeting on the Audit Report (Financial Audits)"*, *Annexure D.4.2 "QCC meeting on the Audit*

Report (Compliance Audits)” or Annexure D.4.3: “QCC meeting on the Audit Report (Performance Audits)” for the template and grading mechanism to be used when conducting External QCC.

245. Minutes of the meetings must be prepared by the External QCC to document their findings during the review, the response obtained, and the way forward to address the identified issues.

246. Directives from the External QCC should be followed, and the updated audit report should be submitted to the External QCC once more along with a certificate stating all the errors / omissions pointed out by External QCC have been rectified and all agreed recommendations for improvements have been incorporated in the updated draft audit report. Refer to *Annexure D.3.5 “Certificate of Quality for the Updated Audit Report after QCC (All Audits)”* for the template of this certificate.

247. Finally, the updated audit report shall then be formally submitted to the AGP for approval with a certificate attesting that the audit report is of acceptable quality. Refer to *Annexure D.3.6 “Certificate of Quality for the Printed Audit Report (All Audits)”* for the template of this certificate. *The AMIS has functionality to support the External QCC workflow. It makes the process simple as detailed minutes of the meetings, and certificates of quality could be provided online for all concerned.*

248. The AGP then further submits the report to the PAC, either through the President of Pakistan (for Federal level reports) or through the Governor of the respective Province.

249. Since this activity is strictly time-bound, the External QCC should be performed according to a plan that respects deadlines of submitting the audit reports to the PAC. Accordingly, the reviews should be completed latest by:

- Phase 1 reports (comprised of financial attestation audit reports and some FAP audit reports): 15-31 December.
- Phase 1 reports (comprised of compliance audit reports): 14-28 February.
- Phase 2 reports (comprised of all other reports): 15-30 September.

250. An audit completion checklist can be found in the Working Paper Kit in FAM under the evaluation and reporting file templates. This should be used by reviewers prior to the finalization of audits to ensure that the audit has been carried out in a satisfactory manner, sufficient evidence has been obtained, and that the audit opinion is appropriate.

251. Quality control with reference to the review of audit products is meant to identify defects and ensure that quality control procedures and processes are working effectively. As stated throughout this document, DAGs of Audit Wings shall be responsible to monitor and improve compliance with applicable quality control requirements throughout the audit process within their audit jurisdiction. DAGs will have access to the AMIS, and they would be able to view AIRs and supporting documents. DAGs would highlight significant quality control issues at FAOs level for rectification as and when required. Quality control reviews on the audit reports shall be performed through QCC meetings as outlined above.

252. The minutes of the internal and External QCC meetings shall be made available to the QAI&M Wing through AMIS. The QAI&M Wing will use this document in its review of sample audit reports as part of its QA process as set out in the next chapter (Monitoring).

ISSAI Requirement

DAGP should ensure appropriate procedures are followed for verifying findings to ensure those parties directly affected by its work have an opportunity to provide comments prior to the work being finalised, regardless of whether or not the DAGP makes its reports public.

253. The audit reporting process begins with submission of an AIRs to the audited entity with a request to submit replies and clarifications / comments on the audit observations. Upon completion of fieldwork, auditors should carry out exit meetings. Exit meetings are significant since any additional information, explanations, and documentary evidence are expected to be obtained from the management. This is then used to make an appropriate judgment on the audit findings. It can further help the auditor in reconfirming or suitably modifying the audit conclusions based on the management response.

254. Management responses should be obtained in written form. The AMIS provides the audited entities access to submit formal responses to audit findings. It is a good practice for the audit team leader to determine whether there are any sensitive issues that need to be brought to the attention of the Director and DG of the FAO prior to discussing them with the audited entity

255. During the reviews of audit reports, the team should invariably consider management responses and obtain follow-ups / updates. If management responses are not received in due time from the audited entities, reminders should be sent highlighting the importance of timelines and risks to the audited entities if no responses are provided. In case a DAC meeting is not held before holding the QCC meeting, the report should state why no management responses are included.

256. Following the submission of an audit report and after the PAC issues its directives to the audited entity, the DAGP should have a mechanism in place to monitor actions taken by the entity in response to audit matters. Follow-up focuses on examining whether the audited entity has adequately addressed the matters raised, including any wider implications. The DAGP may consider highlighting non-compliance with the direction of the PAC in the PAC meetings where appropriate.

257. A monitoring system should be in place at the FAO-level to identify the remedial measures taken by the audit entities to the audit observations, and to determine their progress and effectiveness. To achieve this, it is important to produce status reports that include PAC directives issued in respect of the Audited Entities. These reports should be produced at regular intervals and shared with the PAC to comply with requirements of the ISSAI 100.

ISSAI 140 Requirement

The DAGP should ensure that they retain all documentation for the periods specified in laws, regulations, professional standards and guidelines.

Note: This requirement generally applies to all phases of the audit cycle.

258. The auditor should document matters which are important in providing evidence to support the audit conclusions and findings. These in turn confirm that the audit was carried out in accordance with relevant auditing standards adopted by the DAGP.

259. The documentation may be in the form of data stored on paper, film, electronic, and other media and provides the link between the audit work and its resultant outputs. The documentation should cover the basis and extent of audit planning, audit methodology, procedures and policies, research design, the audit performance and the audit results and findings. Proper documentation of evidence is also one of the important measures of quality assurance and should be considered during any reviews of the audit.

260. The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of their proficiency, experience, and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced auditor without prior connection to the audit to subsequently ascertain from them what work was performed to support the conclusions.

261. Documentation should also consider any applicable rules of evidence established by any legislature governing an audit. These requirements should be incorporated with the general record keeping and documentation requirements stipulated within the DAGP.

262. General record keeping and documentation rules should be stipulated and strictly adhered to by all FAOs. Current requirements in this regard are found in Annex-I of the DAGP MSO Book 2017¹⁸. These rules are subject to change and the latest version of these requirements should be consulted.

ISSAI 140 Requirement

The DAGP should balance the confidentiality of documentation with the need for transparency and accountability. The DAGP should establish transparent procedures for dealing with information requests that are consistent with legislation in their jurisdiction.

Note: This requirement generally applies to all phases of the audit cycle.

263. The federal and provincial governments have enacted laws/regulations requiring government institutions to make public information related to their core business processes i.e. laws, policies, regulation, budget, performance reports, audit reports etc. Each law also contains a list of clearly drawn exemption and all else is to be treated as public information. Under the RTI laws, *no applicant can be denied access to information record held by a public body and the laws impose penalty for willful act of not responding to citizens' requests.*

264. It is important for the DAGP to understand that confidentiality and transparency requirements in the backdrop of this Right to Information (RTI) legislation. The DAGP should ensure its community policy is aligned with the RTI legislation and provides clear guidance on the following aspects:

- i. Which information needs to be considered confidential and for how long;
- ii. Which information can be disclosed and at what stage;

¹⁸ [www.agp.gov.pk/SiteImage/Misc/files/DAGP-MSO-Book-2017\(2\).pdf](http://www.agp.gov.pk/SiteImage/Misc/files/DAGP-MSO-Book-2017(2).pdf)

- iii. Who, in the SAI, can provide information to whom; and
- iv. Which procedures should be followed in each situation.

265. The DAGP's communication policy should be made public so that stakeholders, citizens, and audited entities may adjust their expectations and proceed accordingly. In general, the DAGP should include in the audit report whatever it deems appropriate. However, certain information may not be freely disclosed, particularly when it plays a role in national security or interest. In this situation, the DAGP should be able to make a separate unpublished report including such confidential or sensitive material, to be made available only to such persons as are authorised by law or regulations.

266. Alternatively, the DAGP should be able to choose to not include such information in the audit report, but the nature of the information omitted and the requirement that makes the omission necessary should be stated in the report. In any such scenarios, legal counsel should be consulted.

7. Monitoring

267. The ISSAI 140 requires that SAIs should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant and adequate and are operating effectively. The monitoring process should:

- a) include an ongoing consideration and evaluation of the SAI's system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI;
- b) require responsibility for the monitoring process to be assigned to an individual or individuals with sufficient and appropriate experience and authority in the SAI to assume that responsibility; and
- c) require that those carrying out the review are independent (i.e. they have not taken part in the work or any quality control review of the work.)

7.1 Summary of the DAGP's AQMF Requirements

268. Several quality management implications arise under this element of ISSAI 140 (Monitoring). The Table shows major implications along with available to the DAGP comply with the requirements of this element. Details are provided later in this chapter.

ISSAI 140 (Monitoring) Implications for the DAGP	Mechanisms for Alignment
The DAGP should ensure that their quality control system includes independent monitoring of the range of controls within the DAGP (using staff not involved in carrying out the work).	An independent QAIM Wing to review the quality of internal controls at FAOs/DAGs' levels, administrative inspection of FAOs by QAIM Wing, review of the working of External QCCs on a sample basis etc.
The DAGP should monitor the status of audits against their audit plans and inform leadership of key matters in a timely manner.	QAIM reviewing the implementation status of audit plans through AMIS and taking remedial measures on time, coverage of this aspect in QAIM's reporting to the AGP.
The DAGP should allow audited entities and other stakeholders to formally compile complaints against any of their staff.	Toll-free hotline, complaint management systems and documenting complaints.
The DAGP should establish policies and procedures in place to carry out independent reviews of the overall system of quality control.	The use of peer reviews to evaluate the DAGP's performance against international benchmarks i.e. SAI PMF etc.

7.2 Quality Assurance

ISSAI 140 Requirements

DAGP should ensure that its quality control system includes independent monitoring of the range of controls within the SAI (using personnel not involved in carrying out the work).

269. Quality assurance (QA) is a monitoring process designed to provide the DAGP with reasonable assurance that the policies and procedures relating to the system of quality controls are relevant, adequate, and are operating effectively.

270. Following are the salient features of quality control systems at DAGP that will be subject to the QA review:

- i. The manual, policies and procedures—including this AQMF designed to promote quality as essential in performing all of its work;
- ii. The quality control policies are clearly established with the AGP retaining overall responsibility for the system of quality controls;
- iii. The responsibility for quality control function being delegated to the FAOs and heads of Audit and other Wings (DAGs) who have sufficient appropriate qualification and experience for this responsibility;
- iv. The manual, policies and procedures factor in the risks to quality that may arise from carrying out the work; and
- v. The system requires FAOs and heads of different Wings to prioritize work based on available resources and risk profiles of audited entities to generate an optimal value for money through its work.

271. The QA function is responsible to provide the AGP with the assurance that the quality controls is working as intended and that the DAGP is delivering expected value and benefits from its work to stakeholders.

7.2.1 The Role of QAI&M Wing

272. The AGP has established a quality assurance wing called QAI&M Wing, which is an independent wing with the mandate (refer to *Annexure A “QAI&M Mandate”*) to act as an independent caretaker of the quality control system. The wing also ensures compliance with the internal control policies and procedures within the DAGP and obtains assurance that the quality control procedures are working effectively.

273. The QAI&M Wing shall carry out independent evaluation of¹⁹:

- i. The degree of compliance with quality control policies and procedures, and adherence to prescribed standards, policies, procedures and applicable legal and regulatory requirements;
- ii. The appropriateness of audit methodologies, other guidance materials and technical resources provided to the auditors for implementation;
- iii. The DAGP’s quality assurance and ethics culture—especially related to its independence;

¹⁹ The QAI&M Wing is also responsible for administrative inspections. However, the AQMF only deals with the requirements of implementing the ISSAI 40. The administrative inspection process will continue to be done as per the established policies and procedures of DAGP.

- iv. The content, timing, and effectiveness of communications to the DAGP's staff concerning quality control issues. How swiftly the information on weaknesses within the quality control system is communicated to the staff and whether appropriate remedial actions are taken promptly in response to the QA reporting?
- v. Whether the audit reports that are issued by the DAGP are appropriate in the circumstances.
- vi. The effectiveness of the follow-up once the process has been completed (for example, are the necessary modifications undertaken on a timely basis).

274. In addition, the QA process will improve the quality control environment for audits within the DAGP by systemically identifying compliance gaps and taking remedial measures in coordination with DAGs across the DAGP. The QA work will be carried out by the QAI&M Wing—headed by a DAG, independently. The DAG QAI&M Wing and other staff will not be involved in the audit process they are reviewing. The staff shall independently assess and monitor compliance with applicable quality controls across the DAGP. The DAGP shall ensure that the officers posted in the QAI&M Wing are well-qualified and experienced for the QA work.

275. The QA function will assist the DAGP to enhance its effectiveness in carrying out a high-quality work sustainably. It will ensure that various FAOs and different Wings are functioning efficiently and maintaining compliance with applicable quality control requirements—including timeliness for reporting in their work. This activity shall provide independent assurance of audit quality to management, and those who rely on the work of the audit activity.

276. The DAGP should ensure that experienced staff are posted in QAI&M Wing and given sufficient authority and independence to carry out the mandate. The staff of QAI&M Wing should individually as well as collectively possess the knowledge, skills, and other competencies needed to perform their responsibilities.

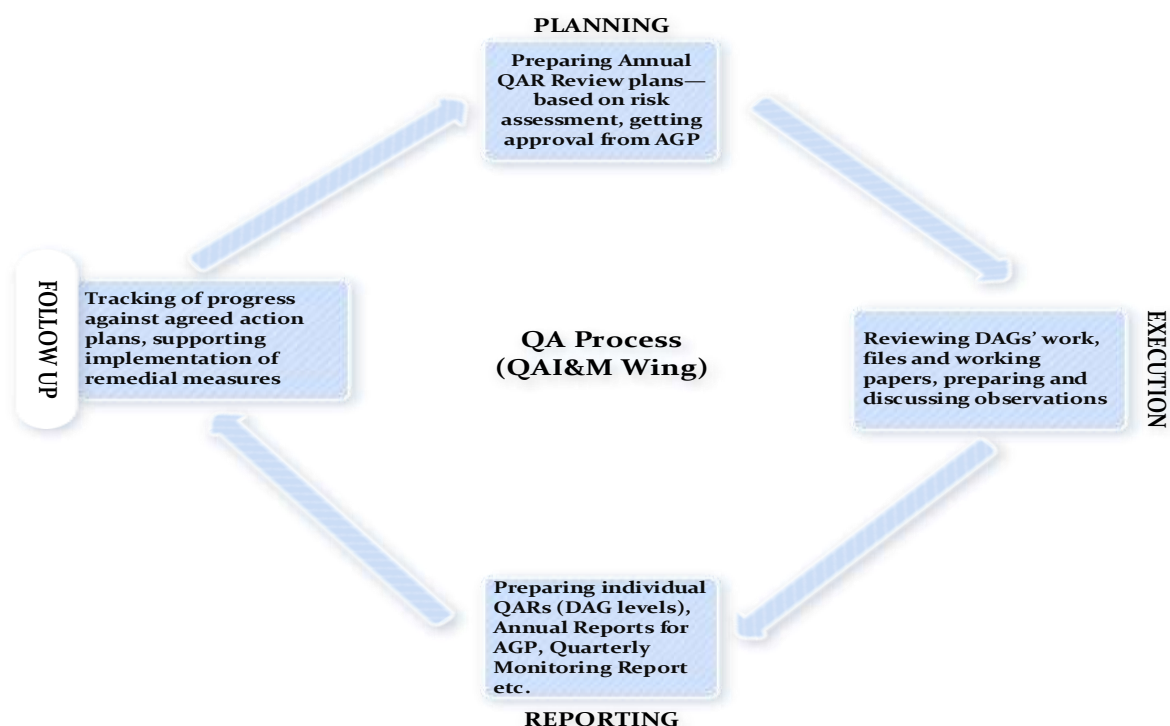
7.2.2 QA Review Process

277. The QA Review will typically involve following key steps:

- a. **QA Review Plan.** The QAI&M Wing will formulate an annual Quality Assurance Review Plan (QARP) that will indicate in addition to specific objective(s) of the QARP (a) types and scope of activities to be carried out; (b) timelines for the execution of the activities; and (c) designated staff for each set of activities. The QAI&M Wing shall be free to choose the nature, timing and extent of its QA procedures as part of its mandate to provide the AGP a reasonable assurance that the quality controls requirements are being met in audits. In formulating the QARP, the QAI&M Wing will do typical desk review—using the AMIS, to assess emanating from the nature of audits performed by FAOs and the extent of engagement of relevant DAGs' in quality controls implementation.
- b. **Execution.** The designated staff or the team—as the case may be shall review the evidence of quality controls having been complied with at every stage of audit. The AMIS provides access to documentation maintained for the QC function at DAG levels. Permanent and planning files, working papers and other supporting evidence can be examined for sufficiency and appropriateness at FAOs level through the AMIS. The QA reviewer shall formulate observations

FAO-wise for each DAG based on this review. The QAI&M Wing shall engage with the DAG concerned to get their feedback on the findings. A suggested detailed Checklist for review of individual audits is provided at Annexure E-1.1.

- c. **QA Reporting.** The QAI&M Wing shall produce following reports:
- QAR Reports for Audit Wing. Each QA Reviewer shall prepare a QAR Report at the end of the QA Review. The report shall report on non-compliance with applicable quality control requirements along underlying cause(s) and effect(s). An Action Plan—along with the timelines for course-correction shall also be included in the report. Appendix E-1.2 provides a reporting template and some guidance for documenting the results of individuals QARs.
 - Annual QA Review Report for the AGP. This report shall summarize the QA work carried out by the QAI&M Wing. This includes (a) QAR Reports of Audit Wings; (b) Follow-up work on the implementation status of previous year(s) annual reports; (c) assessment of the work carried out under the QCCs; (d) DAGP's strategic plan; (d) results of the administrative inspections.
 - Quarterly reports to the AGP showing the implementation status of work vis-à-vis the approved QAR Plan. Appendix E-1.3 provides a reporting template and some guidance for annual reporting by the QAI&M Wing.
- d. **Follow-up.** The QAI&M Wing shall actively follow-up on the implementation status of its recommendations that are included in its annual reports to the AGP. This is critical to improving audit process and audit report. The diagram captures the QA process for audits:



- e. The QAI&M Wing shall also carry out quality assurance review of audit reports to ensure that the evaluation carried out by External QCCs are reasonable and that

audit reports issued are appropriate in the circumstances. The QAI&M Wing shall select a representative sample of audit reports covering all FAOs/Audit and ascertain whether quality control and other requirements of DAGP have been complied with in reviewing audit reports.

- f. The QAI&M Wing will have access to the AMIS to plan and execute its QA reviews. An effort is being made to develop a functionality within AMIS to allow QA Review findings to be inputted into the system and automatic report(s) generate as per the requirements of QAI&M Wing. The Annual Reports can also be generated through the AMIS once this functionality is fully operational.

7.2.3 Types of QA Review

- g. **QA at Institutional Level.** This review will focus on the DAGP as an institution. The QA reviewer shall use relevant elements of SAI PMF as performance benchmark for purpose of such assessment. The staff carrying such review should have managerial skills and experience in areas like human resources, accountability processes, and relation in the public sector. In addition, the staff should have a sound understanding of ISSAIs (levels 1 & 2) which are:
 - INTOSAI-P 1 – The Lima Declaration
 - INTOSAI-P 10 – Mexico Declaration on SAI Independence
 - INTOSAI-P 20 – Transparency and Accountability
 - ISSAI 130 – Code of Ethics
 - ISSAI 140 – Quality Control for SAIs
- h. **QA at Individual Audit level.** Quality assurance reviews of the audit cycle are conducted by selecting a report reviewed by DAGs and undertaking a review of the audit cycle, from planning, execution, to completion. As per GUID 3910 Section 107 , “A quality assurance process allows audits to be independently assessed after their completion on a consistent basis against specific criteria. The main purpose of such a process is to monitor the DAGP’s quality control system as designed and assess if the appropriate controls are in place and are working appropriately. *The QAI&M Wing can develop the criteria based on its particular circumstances, with examples of criteria-based questions including:*
 - *To what extent does the report clearly describe the context within which the area examined is carried out?*
 - *To what extent is the report well-structured and well written, and does it include an effective executive summary?*
 - *To what extent is the rationale for the scope clearly set out?*
 - *Is the audit methodology clearly set out?*
 - *To what extent were the report’s findings, conclusions and recommendations balanced, logical, consistent and supported by the evidence quoted?*

- *To what extent has the audit been successful in concluding against its objectives and providing useful information to help improve public services?*
- *To what extent is there sufficient documentation on team competencies, audit procedures carried out, evidence to support findings, consultations done, and treatment of comments received, and supervision?"*

7.2.4 Administrative Inspections

278. The QAI&M Wing shall continue to be responsible for administrative inspections that will primarily focus on (a) budget utilisation (b) staff utilisation as per audit plan (c) internal control assessments. Though these inspections do not assess performance of audits, they still contribute toward audit quality as they look into the quality of budget and staff utilisation in conducting audits by FAOs. The administrative inspection process will continue to be done as per the established policies and procedures of DAGP. With the implementation of the AMIS, the QAI&M Wing shall be able to carry out such inspection more effectively and efficiently as much of what the QAI&M Wing examines in this process would be available in the AMIS.

279. The QAI&M Wing shall submit a quarterly report on the progress of its administrative inspections. This aspect shall also be captured in the Annual Report to the AGP as part of the QAI&M's QAR reporting as stated earlier.

7.3 Communicating Results of Monitoring

ISSAI 140 Requirements

The DAGP should ensure the results of the monitoring of the system of quality control are reported to the AGP in a timely manner to enable the AGP to take appropriate action.

280. The results of the QA Review need to be communicated to the AGP at least annually. A monitoring process that does not contribute toward systemic improvement in meaningless. It is therefore critical that the results of monitoring process are presented to the AGP and also disseminated across the DAGP as appropriate.

281. As stated under section 7.2, the QAI&M Wing has responsibility to prepare different types of reports and communicate the results of its QA procedures not only to the AGP but also to the DAGs with the aim to strengthen quality management regime within the DAGP. The Annual Report shall be the key output of the QAI&M Wing which must satisfy the following key requirements:

- It must describe the monitoring procedures performed;
- It must include conclusions drawn from the monitoring procedures;
- Where relevant, it must describe systemic, repetitive or other significant deficiencies and propose actions for the resolution of these deficiencies; and
- It must provide an update on the implementation status of the previous annual year report's recommendations.

7.4 Feedback

ISSAI 140 Requirements

The DAGP should have procedures for dealing with complaints or allegations about the quality of work it performs.

The DAGP should consider whether there are any legislative or other requirements to make monitoring reports public or to respond to public complaints or allegations related to the DAGP's work.

282. Complaints, allegations, and feedback are crucial and a testament to the quality control system in place at the DAGP. Without them, improvements could not be made. The DAGP should follow an established policy for obtaining and compiling complaints levelled against it as well as the means to tackle them.

283. A mechanism should be developed at the HO to receive, document, and monitor such complaints. The mechanism should enable the audited entities to formally compile a complaint against any staff within the DAGP. All complaints should be documented along with their responses.

284. When performing an audit of an entity, field audit teams should be made aware regarding a toll-free hotline number. This number should lead directly to the respective ethics committee held at the HO, chaired by the concerned DAG. It should enable users of the number to lodge a complaint anonymously.

285. Within the quality control system of the FAO, a complaint management register or equivalent system should be maintained. This should compile all relevant complaints and revise their status at fixed regular intervals, obtaining updates from staff as required. Designated staff monitoring such complaints should also manage complaints identified by the Pakistan Citizen Portal mechanism or other formal platforms. Complaints should be forwarded to the appropriate management level and follow-ups should be maintained to make sure appropriate actions are being taken on such complaints.

286. The federal and provincial governments have enacted laws/regulations requiring proactive disclosure of information to promote transparency and accountability in the working of governments. The DAGP should follow an established policy for disclosing information related to complaints, while respecting confidentiality requirements in line with the RTI legislation.

7.5 Independent Reviews

ISSAI 140 Requirement

Where appropriate, DAGP should consider engaging another SAI, or other suitable body, to carry out an independent review of the overall system of quality control (such as a peer review).

Where appropriate, DAGP may consider other means of monitoring the quality of their work, which may include, but not be limited to:

- ***independent academic review;***
- ***stakeholder surveys;***
- ***follow-up reviews of recommendations; or***
- ***feedback from audited organisations (e.g. client surveys).***

287. The DAGP should establish policies and procedures to carry out independent reviews of the overall system of quality control. The policy should establish the means to perform various types of independent assessments of the quality of the DAGP's work. These may include, but are not limited to, independent academic reviews, peer reviews from other SAIs and stakeholder / client surveys.

288. QAI&M Wing should consider carrying out strategic assessments so as to determine when it would be suitable to conduct one of the aforementioned activities. When doing so, they should act as the focal hub of the activity.

289. When an independent peer review is conducted on the DAGP, QAI&M Wing should facilitate their activities and utilise their independence to assess the effectiveness of systems of quality control as well as the implementation of established quality control policies and procedures. As per INTOSAI P-20 Principal 9²⁰, *"SAIs should publicly report the results of peer reviews and independent external assessments."*

290. The benefit of a peer review, carried out by members of other national SAIs, is that the members will clearly understand the role and responsibilities of the DAGP, while simultaneously being distant enough from the DAGP to allow for independent assessment.

291. Using such a review provides an opportunity for the DAGP to demonstrate its accountability to stakeholders, as the main reason for quality assurance is to improve audits, the audit process and the system of quality control. The AGP can use the results of quality assurance reviews by circulating good examples of audit reports within the DAGP for the benefit of all auditors.

292. Senior staff members should assess the quality control system to identify which controls might need improvement. This reinforcement would facilitate audit reports that meet the standards of the DAGP. Senior staff members could then work with the audit teams to identify lessons learned and possibilities for training, mentoring, and coaching in specific areas.

293. SAIs conducting international peer reviews are currently using the IDI SAI PMF²¹ for SAIs to assess the performance of the institutions they are reviewing. As per the IDI Strategic Management Handbook Chapter 4 Page 5²², *"Generally, it is recommended to do a SAI PMF assessment every five years"*. The AQMF provides significant guidance regarding peer reviews. It provides a grading criterion that takes into account the application of appropriate international standards and best practices for SAIs.

294. QAI&M Wing should consider applying the IDI SAI PMF⁴⁴ when conducting their post-audit quality assurance activities and should design training courses around the AQMF

²⁰

www.intosai.org/fileadmin/downloads/documents/open_access/INT_P_11_to_P_99/INTOSAI_P_20/INTOSAI_P_20_en.pdf

²¹ www.idi.no/elibrary/well-governed-sais/sai-pmf/426-sai-pmf-2016-english/file

²² www.idi.no/elibrary/well-governed-sais/strategy-performance-measurement-reporting/1139-sai-strategic-management-handbook-version-1/file

to build the capacity of its staff in this regard. This shall enable them to perform their quality assurance activities to greater effect.

295. Additionally, by understanding the criteria measured by the AQMF, QAI&M Wing should be able to ensure that the DAGP scores highly during an independent peer review as long as its directives are implemented satisfactorily.

296. The DAGP, as a whole, can also benefit from obtaining feedback from other stakeholders, including the PAC. Their insight / directions can provide valuable insight to improve the quality of audit reports produced.

ISSAI 140 Requirement

If work is contracted out, DAGP should seek confirmation that the contracted firms have effective systems of quality control in place.

297. Should the DAGP require the assistance of outside expertise, it should partake in the procurement process and seek confirmation that the contracted firm has effective systems of quality control in place. Doing so shall ensure that they are able to trust that the work performed by the contracted third party is reliable, and decisions may be taken on its basis.

298. The DAGP should take responsibility in ensuring that bidding firms have the required level of expertise and follow the appropriate applicable standards. For further information regarding the contracting of outside experts refer to Element 5 “Performance of Audit and Other Work”.

Annexure A: QAI&M Mandate



Auditor General of Pakistan
Constitution Avenue
Islamabad

No. 132 /AP&SS/158-C/2016

April 19, 2019

NOTIFICATION

In order to strengthen the quality management function and produce better audit reports, the Auditor General of Pakistan is pleased to redesignate IRV&MT Wing as Quality Assurance, Inspection and Monitoring Wing. Quality Assurance, Inspection & Monitoring Wing shall perform following functions.

- i. Archival and Documentation of Quality Monitoring and act as Central Quality Office of the Organization
 - ii. Editorial function (through specialised editorial staff hired from the market). Till such time Editors are engaged few officers (on additional charge basis) to be nominated by QAI&M wing from within DAGP for pilot phase as editors
 - iii. Independent Monitoring of Quality of Audit Procedures and Policies to provide Reasonable Assurance on Quality of Audit Process- Examination of the Assurance Function at FAO level
 - iv. Quality Improvement and Followup of Inspection & Monitoring Reports and implementation of Simplified QMF proformas at Pilot scale
 - v. Annual Administrative Inspection of all Offices of DAGP
 - vi. To act as focal wing for Peer Review, Self Assessment Review and External Auditor
 - vii. Produce Biannual Reports on status of Filing at FAOs for DAG concerned and Auditor General's Office.
 - viii. Coordinate effective conduct of External QCC meetings for Two Offices at Islamabad and One Provincial Office as Pilot for Six Months. After Six Months effects of such intervention will be evaluated for further way forward. External QCC of the remaining offices may continue with existing arrangements. QAI&M wing will notify SOP for pilot phase, approved list of officers for Centralized External QCC separately.
 - ix. Any other work assigned by the Auditor General of Pakistan
2. QAI&M Wing shall be headed by Deputy Auditor General Reporting Directly to the Auditor General of Pakistan. The wing shall include a Directorate General of Inspection & Monitoring with following staff composition. Budget wing to transfer and notify required number of posts by adjusting from existing resources.

DG	Quality Assurance, Inspection & Monitoring	BS 20
Director	Inspection & Monitoring	BS 19
Deputy Directors	Two	BS 18
Quality Inspectors	Six Audit Officers	BS 17 & 18
Junior Inspectors	Ten Senior Auditors	BS 16
Support Staff	04 Junior Auditors, 01 APS / 02 PS, 03 N/Qs	
	Market Based Professional Editors	05

3. Regulation function shall stand transferred to Policy wing along with staff and record
4. Posting, Transfer and Placement of required staff in QAI&M wing shall be completed by A&C Wing.


IRSHAD AHMED KALEEM
Deputy Auditor General (Policy)

- Copy for Information and necessary action to

1. Auditor General of Pakistan
2. Controller General of Accounts
3. All Deputy Auditor Generals / Director Generals
4. Military Accountant General, Rawalpindi and Heads of SAEs under CGA
5. SPS to Addl AGP-I&II


(Muhammad Ejaz Khokhar)
Audit Officer (Policy-II)

Annexure B: Quality Control and Assurance Key Tasks and Responsibilities for DAGP staff

As a result of the AQMF document, additional key tasks and responsibilities arise for DAGP staff both at QAI&M Wing (quality assurance) and FAOs/DAGs concerned (quality control). The additional tasks that can be designated to a specific individual as per the DAGP's current structure have been described below.

Additional Key Tasks and Responsibilities at FAO-Level

Current key tasks pertaining to each phase of the audit cycle are stipulated in the Sectoral Audit Guidelines (Sections 8.3 – 8.7). The table below describes any additional tasks and responsibilities with respect to quality control measures at the FAO-Level arising as a result of the AQMF document:

Designation	Additional Key Tasks and Responsibilities
Assistant Audit Officer	<ul style="list-style-type: none"> Prepare the Record of Consultation (Annexure D.3.3), if applicable.
AO / Assistant Director	<ul style="list-style-type: none"> Carry out audits Review the Record of Consultation (Annexure D.3.3), if applicable.
DD	<ul style="list-style-type: none"> Maintain Risk Register in the AMIS Conduct supervisory visits according to the supervision plan. Prepare the Permanent and Planning File Update Summary (Annexure D.2.2 and Annexure D.2.3) Prepare the Quality Control Review of Execution and Reporting Files (Annexure D.3.1). Attend the External QCC meeting (Annexures D.4.1 - D.4.3).
Director	<ul style="list-style-type: none"> Review Risk Register in the AMIS Prepare and upload the Control Document for Code of Conduct Declaration in AMIS (Annexure D.1.2). Prepare Field Audit Instructions for audit teams prior to the commencement of audits (Annexure D.2.1). Conduct supervisory visits according to the supervision plan. Prepare the Permanent and Planning File Update Summary (Annexure D.2.2 and Annexure D.2.3) Review the Quality Control Review of Execution and Reporting Files (Annexure D.3.1). Prepare the Summary of Quality Control Review of Audit Execution and Reporting (D.3.1) Attend the External QCC meeting (Annexures D.4.1 - D.4.3)
DG	<ul style="list-style-type: none"> Approve Risk Register in the AMIS

Designation	Additional Key Tasks and Responsibilities
	<ul style="list-style-type: none"> • Review the Control Document for Code of Conduct Declaration (Annexure D.1.2). • Designate supervisory officers for the supervisory plan in the Field Audit Instructions (Annexure D.2.1). • Review the Field Audit Instructions for audit teams prior to the commencement of audits (Annexure D.2.1) and disseminate them to the teams upon approval. • Review and approve supervisory visits conducted by DD and / or Director. • Review the Summary of Quality Control Review of Audit Execution and Reporting (Annexure D.3.1) and approve the summary. • Approve the Record of Consultation (Annexure D.3.3) if applicable. • Sign the Certificate of Quality for the Audit Report (Other Audits) (Annexure D.3.4 & 3.6) • Attend the External QCC meeting (Annexures D.4.1 - D.4.3)
DAG	<ul style="list-style-type: none"> • Review the Control Document for Code of Conduct Declaration (Annexure D.1.2) for their respective FAOs. • Review the Summary of Quality Control Review of Audit Execution and Reporting (Annexure D.3.1) for their respective FAOs. • Chair the Internal QCC meeting for their respective FAOs. • Chair the External QCC meeting for their designated FAOs. • Facilitate the QAI&M Wing in Quality Assurance processes i.e. supporting Quality Assurance Review, discussion and agreement on action plans, implementation of agreed actions etc. <p>Note: All DAGs will have access to AMIS through which they are required to assess whether the FAOs under their supervisory control are complying with quality control requirements at every stage of audit cycle.</p>

Note: In case a certain position is vacant / inactive then the respective DAG can further delegate the role of that position to another official.

Responsibility Matrix: Important audit quality management tasks under the AQFM

No.	Tasks	Asst. AO	AO/ Asst. Dir	DD	Director	DG	DAG
1	Risk Register			P	R	A	
2	Template for Field Audit Instructions (Annexure D.2.1)				P	R - A	
3	Supervision Checklist (Annexure D.3.2)			P	P	R - A	
4	Prepare the Permanent and Planning Files Update Summary (Annexure D.2.2 and Annexure D.2.3)			P	R - A		
5	Quality Control Review of Execution and Reporting Files (Annexure D.3.1)				P	R-A	
6	Summary of Quality Control Review of Audit Execution and Reporting (Annexure D.3.1)				P	R-A	
7	Record of Consultation (Annexure D.3.3)	P	R			A	
8	Control Document for Code of Conduct Declarations (Annexure D.1.2)			P	R	A	
9	Individual Quality Assurance Reviews (Annexure E.1.2)			P	P	R-A	
10	Annual Report on Quality Assurance (Annexure E.1.3)			P	P	R	A
P=Prepare, R=Review, A=Approve,							

Note: In case a certain position is vacant / inactive then the respective DAG can further delegate the role of that position to another official. Multiple officers have been given "P" since preparation could be assigned to multiple levels. For example, in QAIM Wing, Dy.Director, and Director may be leading individual QA Reviews with support from staff.

Additional Key Tasks and Responsibilities at QAI&M Wing

The table below describes any additional tasks and responsibilities with respect to quality assurance measures falling to QAI&M Wing, arising as a result of the AQMF document:

Designation	Additional Key Tasks and Responsibilities
AO/DD	<ul style="list-style-type: none">• Prepare the Administrative Inspection Report.• Quarterly Updates against the Annual Quality Assurance Plan (AQAP) and Administrative Inspection Plans
Director/DG	<ul style="list-style-type: none">• Review the Administrative Inspection Report.• Quarterly Updates against the Annual Quality Assurance Plan (AQAP) and Administrative Inspection Plans.
DAG	<ul style="list-style-type: none">• Approve the Administrative Inspection Report.• Quarterly Updates against the Annual Quality Assurance Plan (AQAP) and Administrative Inspection Plans.

Note: In case a certain position is vacant / inactive then DAG QAI&M can further delegate the role of that position to another official within QAI&M Wing.

Annexure C: Terms of References for Ethics Committees

1. Purpose

- The purpose of Ethics Committees is to assist the AGP in the establishment, embedding, and oversight of values, the ethical policy framework, and ensuring and monitoring the overall ethical health of the DAGP, and compliance with professional and ethical standards.
- The Committees are responsible for keeping key relevant risks under review and monitoring mitigation activities and controls.

2. Authority

- The Committees have delegated authority from the AGP in respect of the functions and powers set out in these Terms of Reference.
- All serious complaints about FAOs shall be probed by these committees in their jurisdiction.
- The Committees have authority to investigate any matter within their Terms of Reference and to obtain such information as they may require from any officials in any office of the DAGP.
- The Committees are required to report any significant matters to the AGP.

3. Constitution

- Five Committees shall be established, one each for HQ. Thus, a committee should be established for Islamabad, Punjab, Sindh, Baluchistan and KP. In absence of the Chairman of the Committee, the senior most member shall act as Chair for the meeting. The constitution of Ethics Committee will be revised from time to time as per approval from AGP.

4. Membership

- The Committee will consist of the Chairman (DAG) and at least one representative of each FAO (Director or above) falling under the jurisdiction of the respective DAG.

5. Secretary

- The Chairman of the Committee shall select a nominee to act as Secretary to the Committee, who shall attend all meetings.
- The Secretary shall record the proceedings and decisions of the Committee during meetings. The minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest that may exist.

6. Proceedings of Meetings

- i. The Committee shall meet at least four times a year, and otherwise whenever required.
- ii. Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

7. Responsibilities

The Committees shall:

- i. Provide oversight of the culture of integrity and monitor the “tone at the top” set across the DAGP.

- ii. Consider and challenge the sufficiency of the ongoing measures being adopted by the DAGP to ensure that an appropriate culture, underpinned by the DAGP's values, prevails within the DAGP. This should include considering the adequacy of the DAGP's Code of Conduct and the annual ethics programme proposed for the DAGP;
- iii. Consider what the key metrics indicate about the DAGP's overall ethical health and culture. These key metrics may include whistleblowing reports, disciplinary issues and grievances, member behavioural issues, employee feedback, and other relevant metrics so defined from time to time;
- iv. Monitor the instances of ethical breaches (if any) and recommend to the competent authority the actions to be taken (including potential penalties and / or other interventions) in individual cases.
- v. Ensure that there is an effective training programme in ethics at all levels;
- vi. Ensure that there is effective communications strategy for the ethics programme reinforcing ethical values and good practices in the DAGP and censuring unacceptable practices;
- vii. Recommend amendments to the Code of Conduct to the DAG, ensuring that lessons learnt from internal and external sources are integrated as required.
- viii. Monitor the FAO's overall compliance with such policies including any adverse findings in respect of ethical compliance arising from external regulatory inspections or the DAGP's own internal compliance programme, as well as any breaches identified;
- ix. Monitor the adequacy of measures taken to ensure that there is an effective and embedded "Speak Up" culture that facilitates the reporting of any issues of concern;
- x. Assess reports and the adequacy of subsequent actions following breaches of the ethics policy framework or allegations of employee misconduct.
- xi. Carry out the stipulated activities in the SOPs for the Ethics Committee established by the DAGP, which may be updated from time to time.

1. Matters with a Potential Ethical Reputational Impact on the DAGP

- i. When considering ethical matters, the Committee will have due regard for matters of significant public interest, which may have a wider potential reputational impact on the DAGP and will raise such matters with the concerned DAG as necessary;
- ii. Consider and maintain oversight of the adequacy of the processes for ensuring that ethical considerations are taken into account in all third-party relationships;
- iii. Consider the evidence to support compliance with the Code of Conduct bi-annually.

2. Governance and Resources

- i. The Committee shall, via the Secretary to the Committee, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by said Committee.
- ii. The Committee shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers. It may also invite them to attend meetings.

3. Terms of Reference

- i. The Committees shall annually review its Terms of Reference and may recommend to the AGP any amendments to its Terms of Reference.
- ii. As part of this assessment, it shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable.
- iii. Any amendments should be relayed to each of the Committees so that procedure stays uniform.

Annexure D: Templates for Quality Control

Annexure D.1: Ethical Requirements

Annexure D.1.1: Code of Conduct Declaration

The contents below are in addition to the latest DAGP's Code of Conduct and Code of Ethics.

1. Fundamentals

As part of an auditor's professional responsibility, they shall demonstrate an adequate understanding of the following five fundamental principles and shall uphold the ethical values and actions implied by these values throughout the course of their duty as an auditor:

- Integrity;
- Independence and objectivity;
- Competence;
- Professional behaviour; and
- Confidentiality and transparency.

For a brief understanding, the definitions of these principles have been elaborated below:

a. Integrity

An auditor shall be straightforward and honest in all their formal dealings as part of their audit work. They shall not be associated with any reports, findings or communication where the auditor believes that the information is materially false, misleading or otherwise, where the omission of important information shall imply a misleading conclusion to a report or finding.

b. Independence and objectivity

An auditor shall not compromise on their professional judgment because of bias, conflict of interest or undue influence of others. If the auditor perceives that a circumstance or relationship influences their professional judgment in any way, the cause and potential effect on the audit findings shall be reported to the Field Audit Team In-charge.

c. Competence

An auditor shall attain and maintain professional knowledge and skills necessary to ensure sufficient technical excellence during the course of their audit field work. Competence also implies that the auditor shall act in accordance with applicable technical and professional standards, as well as any relevant legislation applicable to the DAGP.

d. Professional behaviour

An auditor shall comply with relevant laws and regulations, as well as work to uphold the standard of ethical values and standards expected of professional auditors. An auditor shall not engage in an activity that might impair the integrity, objectivity, or reputation of the DAGP.

e. Confidentiality and transparency

An auditor shall respect the confidentiality of information acquired as a result of their audit activities. They shall always be alert to the possibility of inadvertent disclosure, in both formal and informal environments. The information acquired as a result of their audit activities shall be disclosed only under the following circumstances:

- Explicit authority of the concerned DAG;
- Explicit permission and authorisation by the entity that the confidential information pertains to;
- Requirement under legal or regulatory obligations, such as court proceedings or Quality Review Audits;
- It is believed that the confidential information must be disclosed in the public interest, for e.g., to expose a committed or likely crime or fraudulent act by either the audited entity or the auditor's own team.

The principle of confidentiality with regards to the information acquired as part of previous audits shall be upheld even when the auditor leaves the DAGP. Furthermore, this principle also implies that any acquired confidential information, not available to the general public, shall not be shared and / or utilised for any individual or entity's gain.

f. Threats to fundamental values

An auditor is exposed to various circumstances which might threaten their ethical values or independence. As such, an auditor shall handle any compromise to their ethical values or independence with the same due diligence as they would with carrying out their day-to-day tasks or any other audit activities. An auditor shall ultimately understand that, should they face any ethical dilemma in during the course of their work, they have a responsibility to act in the public interest. As such, they shall be aware of and practice care with regard to the risks posed to their ethical values and independence.

An auditor shall carefully consider the context in which such an issue could arise. They shall apply professional and technical knowledge, skill and experience relevant to the facts and circumstances, as well as gain an understanding of any interests and relationships involved in the context. Due care shall be taken about the accuracy and reliability of the facts and circumstances to ascertain what sort of threat is being faced. While such threats cannot be fully mitigated, they shall be dealt with and brought down to an acceptable level which shall not affect the audit work that is to be carried out.

At the very least, an auditor shall be aware of the following common threats to their principles:

- Self-interest: that an auditor has a financial or other interest that can influence their judgment or behaviour;
- Self-review: that an auditor shall assess, evaluate and / or review any professional work or finding they had previously performed, which could form the basis or be relied on for carrying out their current work;
- Advocacy: that an auditor may promote their audited entity's position to the point where it compromises their objectivity and professional judgment;
- Familiarity: that a personal relationship or interest within the audited entity could compromise their objectivity and professional judgment; and

- Intimidation: that an auditor may not act objectively due to actual or perceived pressure from the audited entity that they are covering, directly or indirectly.

Keeping the fundamental principles and their implications in mind, the following sections serve as a general guideline for an auditor to follow. These sections are not exhaustive and as such, an auditor is expected to safeguard their fundamental principles in any given circumstance when carrying out their professional duties.

2. Gifts

Accepting material gifts can affect the objectivity and independence of an auditor by creating a self-interest threat. No auditor shall accept, or permit any *close relations* to accept, from any person or organisation, any gift, the receipt of which places them under any form of official or implied obligation. Gifts may take on more than one nature, for e.g. they can also include entertainment, hospitality, preferential treatment etc. If there are multiple attempts to provide favours and gifts to the auditor, the same shall be reported to the Field Audit Team In-Charge urgently.

Exceptions:

- Awards and shield received with participation in seminars, conferences or trainings; or
- The value of the gift is trivial and inconsequential.

3. Confidential Information

As covered in the fundamentals section, the auditor shall observe the principle of confidentiality. The duty of an auditor is not only to keep information confidential, but also to take all reasonable steps to preserve confidentiality. In the same manner, non-disclosure of confidential information in context of finalising audit findings can also compromise an auditor's integrity; hence, such information shall be handled with extreme care and be for the benefit of the public interest.

It is the responsibility of the auditor to use approved modes of communication during audits and transferring sensitive data. The auditor shall take all reasonable steps to ascertain whether a conflict of interest exists or is likely to arise in the future due to changing circumstances or possession of previously acquired confidential information.

4. Speculation and Investment

No auditor shall, or permit any *close relation*, to make any investment decision, the value of which is likely to be affected to some event by information which is available to him as an auditor and is not equally available to the general public, or otherwise is likely to influence their professional judgment in the discharge of their official duties.

Furthermore, in a situation where an auditor holds any direct financial interest in the entity, which is to be covered by them, or to the best of their knowledge, by their *close relations*, they shall inform their Field Audit Team In-Charge about this interest and use professional judgment to assess the affect this financial interest is going to have on their independence. This section pertains particularly to any public entities, which can have private ownership, for e.g. any state owned, publicly listed companies. The extent of the threat to their independence will depend primarily upon the ratio of their ownership of the financial interest, as well as the ratio of the benefit gained from that financial interest towards their overall income. Any financial interest carried through an intermediary, where the beneficiary can exert influence or control over the intermediary on their investment decisions, the same shall be considered as a direct investment. It is the responsibility of the auditor to be transparent

about their investments and to prevent the use of insider information to gain an unfair advantage over the general public.

5. Private trade, employment or work

No auditor shall engage in any trade or undertake any employment or work other than their official duties, provided that the auditor may, without such sanction, undertake any honorary work of a religious, social or charitable nature or occasional work of a literary or artistic character, subject to the condition that their official duties do not thereby are materially affected and that the occupation of undertaking does not conflict or is not inconsistent with their obligations as an auditor. In the likelihood of a conflict, the auditor shall approach their Field Audit Team In-Charge for guidance.

6. Conflict of Interest

A conflict of interest arises when the personal interests of an auditor start to align with the interest of entity that is being audited, where it becomes likely that the auditor will be able to draw undue benefit from their position as an auditor, and hence compromise on their objectivity, independence and integrity. It is the primary responsibility of an auditor to avoid any activities that may interfere or have the appearance of interfering with the performance of their work. An auditor shall take reasonable steps to identify circumstances that might create a conflict of interest. As various organisations can change over time, the auditor shall remain alert to change in the nature of activities, interests and relationships that might create a conflict of interest. Any likely conflict of interest shall be reported to the Field Audit Team In-Charge on a timely basis for guidance and timely corrective action.

As guidance, the following activities are briefly described as examples which show how different circumstances can create a conflict of interest and hence may affect the professional judgment of an auditor:

- Entering into employment negotiations with the audited entity or another entity that the SAI has a contractual or other relationship with;
- Being responsible for audit engagements or opinions, the outcome of which can have an impact on the financial or other interests of that individual;
- Engaging in outside business or other non-audit activity with respect to an audited entity or another entity that the SAI has a contractual or other relationship with, the outcome of which can have an impact on their financial or other interests;
- Having a direct financial interest in the audited entity or in another entity that the SAI has a contractual or other relationship with;
- Using confidential information, which can be used for the deliberate benefit or loss of any organisation or individual, which can be in benefit of the auditor; and
- Not disclosing any close relations that are in employment or have considerable influence or interest in the entity that is being covered by the auditor.

7. Personal Conduct

An auditor personal conduct reflects on both the auditor and SAI. As implied in the previous sections, the following guidelines are established as essential requirements:

- Auditor shall comply with the laws, regulations and conventions of the society in which they operate, as well as with the guidance for their behaviour established by the SAI;
- Auditor shall not engage in conduct that may discredit the SAI;
- Auditor shall inform their superiors about any arising conflicts between the SAI's and their profession's ethical requirements;

- Soliciting, collecting or accepting contributions during official time are not allowed;
- The use or abuse of any substance that adversely affects safety or job performance is not allowed; therefore use, possession, sale, purchase, or transfer of alcohol or illegal drugs by auditor while on the job or on official property is prohibited;
- Political discussion shall be avoided in the professional workspace;
- Auditor should not have any link whatsoever with an organisation classified as terrorist organisation by the Ministry of Interior nor encourage the discussion of such organisations;
- Official telephones shall not be used for phone calls made in personal capacity, except for emergency calls;
- Threatening, intimidating or otherwise interfering with other staff at any time is prohibited;
- Habitual late attendance or absence without permission is not permitted;
- Willful insubordination or disobedience of any lawful or reasonable order of any authorised official is prohibited;
- Auditors are expected to be appropriately dressed while on official duty or in office premises;
- Auditors are required to comply with the Health, Security and Environment (HSE) policy of the Company;
- Unauthorised use/misuse of computers/internet facility and failure to act as per DAGP's IT Security Policy is liable to disciplinary action and other causes analogous to any of the above.

8. Protection against Harassment of Women at Workplace

A code of conduct as laid down in "Protection against Harassment of Women at Workplace Act 2010" shall be part and parcel of these Rules. All Auditors are expected to be fully aware of the 2010 Act supra and abide by the rules therein. The salient features of the Act are given below:

- The purpose is to create a work environment in the SAI where both male and female auditors work together in a civilised and respectful manner with dignity and honour leading to improvement in the productivity within the DAGP;
- The Competent Authority needs to take the main responsibility to ensure that such work environment is created and if there are any complaints the Competent Authority needs to appoint a committee with at least one female (some members can be co-opted from outside the organisation) to look into the complaint(s);
- Sexual harassment by any auditor is an unacceptable behaviour;
- Sexual harassment is defined as any unwelcome sexual advance, request for sexual favours or other verbal or written communication or physical conduct of a sexual nature or sexually demeaning attitudes, causing interference with work performance or creating an intimidating, hostile or offensive work environment, or the attempt to punish the complainant for refusal to comply to such a request or is made a condition for employment. Such circumstances also include any interaction or situation that is linked to official work or official activity outside the office;
- A complaint can be filed with one of the members of the Ethics Committees against any auditor;
- The Committee can according to the preference of the complainant initiate an informal or a formal inquiry;
- The management has to make sure that the process is just and no retaliation against the complainant is allowed;

- Once the Committee reaches a decision and recommends a penalty, the Competent Authority has to implement the decision; and
- The Inquiry Committee may recommend for appropriate action against the complainant if allegations levied against the accused are found to be false and made with mala fide intentions.

9. Close Relations

Any reference to the receipt of benefits implied within this declaration form, financial or non-financial, direct or indirect, the term “close relations” can include any of the following:

- Close personal relations i.e. parents, siblings, spouse, relatives etc.;
- Acquaintances i.e. friends, colleagues etc.;
- Organisations or groups that they may be working for part-time;
- Organisations or groups they have previously worked for; or
- Organisations or groups for which they are a major stakeholder, for apart from the DAGP.

If you have any associated person (i.e. immediate family members and financial dependents) in a government entity, disclose their names in the table below:

Person's Name	Relationship	Government Entity Name

If you have any financial interests in a listed government entity, list them in the table below:

Entity Name	Nature of Financial Interest	Value (% shareholding)

I _____ confirm that I have read and understood the contents of the Code of Conduct, including the latest DAGP Code of Conduct and Code of Ethics, and confirm that I shall uphold my ethical values in accordance with the Code while also safeguard myself against any potential conflicts of interest to the best of my knowledge. I further understand that any false declarations, negligence or failure to report any conflicts of interest may lead to disciplinary and/or criminal proceedings where appropriate. I further affirm that that I shall timely and formally inform my Field Audit Team In-Charge, and sign a new form as soon as reasonably possible, should my circumstances change, or where I otherwise perceive that a conflict of interest, or a compromise to my independence as an auditor, is unavoidable.

Signature: _____

Date: _____

Annexure D.1.2 - Control Document for Code of Conduct Declarations

Name of FAO		Period	202X – 202X
Prepared by		Preparation Date	
Reviewed by		Review Date	

Sr No.	Staff Name	Independence Confirmation	Code of Conduct
		(Y / N)	(Y / N)
		(Y / N)	(Y / N)
		(Y / N)	(Y / N)

No.	Staff Name	Non Compliances Identified

Annexure D.2: Planning

Annexure D.2.1: Template for Field Audit Instructions

No.

Dated:

XX.XX.XXXX

Note: Each FAO can update this template based on the nature of their work and Audited Entities. Additional headings may be inserted as deemed appropriate.

Instructions – Field Audit Activity

Note: The following instructions are provided as a general guideline and basis on which the actual instructions to carry out the Field Audit Activity shall be formulated. These instructions are not exhaustive, and any additional instructions deemed necessary to improve the effectiveness of the Field Audit Activity shall be incorporated as deemed appropriate by the DG of the FAO. The following represent a sample of the Field Audit Instructions:

1. The letterhead of the Audit Intimation Letter to the formation concerned shall indicate the Toll Free No. installed at the AGP Office as under Whistle Blowing Policy.

Audit Documentation

Note: Instructions related to audit documentation according to current practices of DAGP may be included here. The following represent a sample of instructions for Audit Documentation:

2. The Permanent File and Planning File (in accordance with FAM Proforma) of the formations shall be prepared / updated and submitted along with Audit Inspection Report (AIR) to the Supervisory Officer.
3. Updating of Permanent File is a requirement of FAM. Complete profile of formation audited, keeping in view the Proforma for Permanent File provided in FAM, which may also be provided to Policy Monitoring and Evaluation (PM&E) Section separately, enabling updating of Permanent Files.

Audit Execution

Note: Instructions related to the performance of audit may be included here. Information to be included here should include, at a minimum, the key planning decisions undertaken, the summarized findings of risk assessment, and instructions for the preparation of audit observations. The following represent a sample of instructions for Audit Execution:

4. Provisions of the relevant audit manual may be followed while conducting the audit for which the manual was designed for.
5. Respective audit planning memorandums should be consulted and thoroughly understood prior to the performance of the audits.
6. Risk Register of the concerned entity shall be consulted before the initiation of the Field Audit, particularly any key risk areas and complaints identified against the

- concerned entity. Any Risk Register queries shall be directed to the PM&E section and / or the Supervisory Officer.
7. Contact address for each formation be intimated to PM&E Section and Supervisory Officer immediately on day one.
 8. Monitoring and supervisory activity shall be properly documented in the light of Monitoring and instructions issued by Office of the AGP.
 9. Tour Programme may be followed strictly, and audit be completed as per given schedule.
 10. During course of audit, if an organisation does not produce record for audit, field audit team shall immediately bring this to the notice of Head of Office for taking up the matter with PAO concerned. SOP is attached for compliance.
 11. An "Audit Para Register" shall be opened, duly page numbered and got countersigned by the Supervisory Officer. Audit Observations be entered in "Audit Para Register" on daily basis.
 12. After issuing the audit observations, the Departmental replies should be incorporated in the AIR and the same shall be submitted to the office within 10 working days of closure of audit assignment.
 13. AIR along with PDPs shall be submitted within 10 working days to the Supervisory Officer for scrutiny.
 14. Supervisory Officer shall scrutinise the AIRs and PDPs and shall submit the scrutinised AIR / PDPs to Director General within 10 working days of receipt of AIR / PDPs.
 15. PDPs should be prepared in accordance with CCCECR Model for various categories of audit observations and the relevant, most recent audit report template.
 16. Separate File of PDPs should be completely supported with documentation / evidence of rules / regulations and relevant code / contract violation.
 17. All Audit Inspection Reports (AIRs) should contain following information/documents:
 - a. Office Profile/Division Profile
 - b. Project Profile (if applicable) containing original and revised PC-I cost, date of start date of completion, contractor, agreement cost, IPC paid, EPC paid, etc.
 - c. Mandate/functions
 - d. Brief description of Financial system, delegation of powers, list of bank accounts maintained and authority thereof
 - e. Head-wise estimated revenue receipts and actual revenue and Budget estimates and actual expenditure
 - f. Period of Audit covered
 - g. Dates of Audit
 - h. Audit Methodology/Items selected for audit
 - i. Copies of all EPCs processed/paid during period under audit along with detailed calculations, MB.
 18. When auditing those organisations which prepare Financial Statements on commercial patterns, comments may be offered on Audit Reports of Chartered Accountants on financial statements as per instructions of Auditor General of Pakistan.
 19. Senior Auditors while proceeding outstation for field audit activity, should properly hand over the record/indicate location of all record in his charge to the Senior Auditors retained in office (respective Section) under the supervision of Audit Officer concerned.

20. The Senior Auditors and concerned Assistant Audit Officer In-charge retained in office should acquaint themselves properly with the record pertaining to their sections and will look after the work of Senior Auditors deputed on Field Audit.
21. In case no Senior Auditor is left in any Section for disposal of day-to-day work / DAC / PAC meetings, Assistant Audit Officer / Audit Officer In-charge shall inform the position to PM&E Section and Admin Section for alternate arrangements.
22. While framing audit observations due care should be exercised and only material audit observations having significant financial impact, material by nature or context be issued. Clubbing of minor issues, in a single para, may also be opted where it is considered necessary to point out them to the management.
23. In case the high value selected sample vouchers do not adequately cover the high value risk areas, the same may be got replaced/ substituted as suggested by the Inspecting Officer and recommended by the Deputy Director In-charge.
24. List of Cost centre of attached departments should also be collected from their Administrative departments and attached with Audit and Inspection Report.

Foreign Aided Projects (FAPs)

Note: Instructions related to audits of a specific nature may be included here. The types of audit covered shall depend on the scope of the FAO. The following represent a sample of instructions for a specific type of audit, which in this case shall be audits for FAPs:

25. Financial Attest Audit of FAP shall be conducted in accordance with FAP Audit Manual, FAM, Audit Working Papers Kit, Sectoral Audit Guidelines on Foreign Aided Projects and Donor's Guidelines. Systematic selection of sample, determination of materiality, MLE, UEL, Audit Procedures, Control Evaluation, Substantive Testing, evaluation, determination of errors, formulation of opinion, etc. shall be in accordance with FAM and documented properly. Financial statements prepared by executing agencies should be in accordance with Development Partners' requirements. Audit Report shall be prepared on the most recent template of Project Audit Report circulated.
26. Financial Statements of Foreign Aided Projects along with Notes, Management Representation / Management Assertion should be obtained and submitted along with audit observations to be included in management letter. A sample management representation letter is enclosed.

TORs –Supervision Framework

Note: Instructions related to the supervision of audits may be included here. It should be accompanied with a supervision plan. The following represent a sample of instructions for the Supervision Framework:

1. Field Audit shall be supervised by the Supervisory Officer as per the supervisory plan.
2. Monitoring and Supervisory activity shall be properly documented in the light of Monitoring Framework and instructions issued by Office of the AGP. The supervisory visits by the officers of the Field Audit Office shall be documented utilising the

Supervision Checklist proforma within the AQMF document. Furthermore, the Draft Framework for Field Supervisory, Monitoring Officers in the light of Audit Reforms Committee shall be referred to for compliance.

3. Supervisory Officers shall closely monitor the proceedings and progress of the Field Audit and the teams conducting those audits. They shall further certify that all risk areas highlighted in the Risk Register have been covered. They shall also be available to be contacted for guidance during the field work. Audit Procedures / Steps as per FAM may be adhered to strictly and documented accordingly.
4. Field Audit Teams shall submit AIRs along-with PDPs to respective Supervisory Officer within 10 working days from the completion of the audit.
5. Supervisory Officer shall scrutinise the AIRs and PDPs and shall submit the scrutinised AIR / PDPs to Director General / Director within 10 working days of receipt of AIR/PDPs.
6. After approval of AIRs and PDPs by the Director General, the AIRs shall be issued to the audited entity over the signature of Director General by Audit Report Section within 05 days of approval.
7. Approved PDPs shall be issued to the respective Principal Accounting Officer by Audit Report Section in Batches.
8. Supervisory Officers shall also be responsible for finalisation of Audit Reports concerning to departments/area of their supervision.
9. All Supervisory Officer shall collect from Inspecting Officer, cases of fraud and corruption and report the same to Director and Director General after proper scrutiny.

Supervision Plan

A Supervision Plan shall be designed and observed according to the following table:

S. No.	Name and Designation	Departments/Jurisdiction of Supervision	Visit Dates
1.			
2.			
3.			

- Roles between different designations will need to be clearly defined with no overlap in-between different designations.
- Visit dates for senior designations shall be designed in a way to allow for supervisory visits within reasonable timeframes to direct and assist the field team in smooth execution of the audit.

Budgeting

Note: Instructions related to budgeting may be included here. The following represent a sample of instructions for Budgeting:

Budget and Actuals may be incorporated in AIR in following two patterns, keeping in view the requirements of the Audit Plan and Annual Audit Report. This information may also be sent to PM&E Section as soon as possible during audit of each formation. For best apprehension and uniformity, an illustration is attached.

(A)	Non-development	Development	Revenue	Total
-----	-----------------	-------------	---------	-------

	Salary	Non-Salary			
Budget					
Actuals					

(B)	Acquisition of Physical Assets (procurement)	Civil Works	Misc./Others	Revenue	Total
Budget					
Actuals					

SOP for Non-Production of Records

Note: The previous sample of instructions include an attached SOP for the use of field auditors. The FAO may attach any relevant SOPs for its auditors accordingly. The following represent a sample for such an SOP that may be attached with the template:

This section deals with the methodology of acquiring relevant information from the audited formation, in order to ensure its smooth execution.

- i. The Inspection Officer In-charge Field Audit Team will send a Communication Letter/Intimation Letter to the Head of the Audited Entity along with tentative/general requisition of record and necessary information required, as soon as reasonably possible after receipt of Tour Programme.
- ii. The copies of the intimation letter shall be endorsed to next higher officers. Evidence of dispatch / receipt shall be kept on record.
- iii. On the very first day of commencement of audit, specific requisition of record shall be served to the Head of the Audited Entity for the audit purpose and be acknowledged. Copy of the same shall also be endorsed to the next higher authority.
- iv. In case of failure of production of record on first request, a reminder will be given on the second day and reasons for non-production of record be sought and documented.
- v. A copy of reminder shall also be sent to the Head Office and next higher officer of the audited entity.
- vi. If default continues on the third day, field audit team shall report it to the Head Office for taking up the matter with Head of the Audited Entity.
- vii. If no response is received within a day, Head Office shall take up the matter with PAO under intimation to the Deputy Auditor General concerned.
- viii. If no response is received within a day, the field audit team shall serve para for non-production of record including details of record and efforts made for production of record. Thereafter, the field audit team shall leave the formation after getting approval from Head Office and revision of Tour Programme.

Exit Meeting with Management

Note: Instructions related to the conclusion of field audit work and exit meetings with audited entities may be included here. The following represent a sample of instructions for conducting exit meetings with audited entity's management:

The following steps are intended to streamline and assist the audit team in closing of their Field Audits. The following measures are intended as suggestions; however, based on the coordination / responsiveness of the audited entity, the audit team may alter their approach towards the closing of the field audit through (documented) consultation and approval of the Director.

- i. The Audit Officer should have provided audited entity management with copies of audit observations immediately after Supervisory Officer's review.
- ii. The Audit Officer shall make a formal request to the Head of the Audited Entity, two to three days before the closing date of audit, to provide a written response and arrange an Exit Meeting on the closing date to discuss the audit observations in the light of written responses.
- iii. Such request shall be addressed to the Head of the Audited Entity by name and be acknowledged by the same.
- iv. A copy of all audit observations shall be enclosed with the request.
- v. Concluding Para/Discussion Note shall be signed from the Head of the Audited Entity.
- vi. It shall be emphasised in the request to the Head of the Audited Entity that the discussion of the Exit Meeting be result-oriented and logical for both the parties involved, but only if the responses are provided by the management in a written form.

Illustrations

Note: Any illustrations to assist the audit team can be illustrated in the blank space below. These can vary depending upon the nature of the entity and the risk areas to be covered by the audit teams. Illustrations can include formats utilised by the entities for their reports, such as Budget vs Actual Expenditure statements.

Annexure D.2.2: Permanent File Update Summary

Name of FAO		Review Period	
Prepared by DD		Preparation Date	
Reviewed by Director / DG		Review Date	

This report is to be prepared at the end of planning phase. The purpose is to ensure that Permanent Files are timely prepared/updated for planned audit assignments. This report shall warn the DG/DAG to take corrective actions before the commencement of the audit execution. The columns may be adjusted to incorporate the nature of audits performed by the particular FAO.

Name of Entity (PAO wise)	Total Audits	Prepared / Updated (Y/N)	Notes
CDA	20	Y	

*The above contents in the first row serve as an example.

This report is to be prepared at the end of planning phase to update Director regarding significant changes in the permanent file and how the DD has responded to these changes.

Sr No.	Permanent File Ref #	Description of Change	Impact of Changes on Planning/ Execution of Audit, if any

This report is to be prepared at the end of planning phase. The purpose is to update concerned DAG exceptions identified during Quality Control Review of the Planning phase. This report shall warn the top management to take corrective actions before the commencement of the audit execution.

Permanent files of following audit entities were not updated by the end of the planning stage.

Name of Entity (PAO wise)	Non-Compliances Identified	Reasons	Corrective / Preventive measures taken by FAO

Annexure D.2.3: Planning File Update Summary

Name of FAO		Review Period	
Prepared by DD		Preparation Date	
Reviewed by Director / DG		Review Date	

This report is to be prepared at the end of planning phase. The purpose is to ensure that Planning Files are timely prepared/updated for planned audit assignments. This Annexure warn the top management to take corrective actions before the commencement of the audit execution. The columns may be adjusted to incorporate the nature of audits performed by the particular FAO.

Name of Entity (PAO wise)	Total Audits	Planning Files						Notes
		Compliance Audit		Performance Audit		Financial Audit		
		Total	Prepared/ Updated (No.)	Total	Prepared / Updated (No.)	Total	Prepared/ Updated (No.)	
CDA	20	5	4	5	5	10	10	

*The above contents in the first row serve as an example.

This table is to be prepared at the end of planning phase to update Director regarding significant changes in the planning decisions, planned audit focuses and audit steps from previous years and how the DD has responded to these changes.

Sr No.	Planning File Ref #	Description of Change	Impact of Changes on Planning Decision, Planned Audit Focuses and Audit Steps

Planning files of following audit entities were not updated by the end of the planning stage.

Name of Entity (PAO wise)	Name of Audit Assignment	Reasons	Corrective / Preventive measures taken by FAO

Annexure D.3: Execution

Annexure D.3.1: Quality Control Review of Execution File and Reporting File²³

Summary of Quality Control Review

Name of FAO		Review Period	
Prepared by Director		Preparation Date	
Reviewed by DG		Review Date	

This report is to be prepared at the end of execution phase. The purpose is to update concerned DAG, exceptions identified during Quality Control Review of the Execution and Reporting phase.

Following Audits were not completed by the timelines given audit plan.

Name of PAO	Type of Audit Assignment	Name of Formation	Audit was Delayed by (Number of days)	Reason for Delay	Corrective/ Preventive measures taken by FAO

Significant Non-compliances of quality controls pertaining to Execution Files and Reporting Files.

No.	Name of Audit	Description of Non Compliance	Corrective/ Preventive measures taken by
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²³ Adapted from QMF 2011: "Annexure 4b: Exception Report on Quality Assurance Review of Execution File and Reporting File"

	Assignment		FAO

Detailed Quality Control Review of Execution File and Reporting File

Name of FAO		Review Period	
Prepared by DD		Preparation Date	
Reviewed by Director		Review Date	

Are all working papers present as per Execution File Checklist? (Y / N)

Are all working papers present as per Evaluation and Reporting File Checklist? (Y / N)

This report is prepared to point non-compliance of quality controls on Execution file and Reporting File. This is to be prepared for each planned audit assignment at the end of Execution Phase. Corrections are to be made before finalisation of report.

No.	W/P Ref No.	Non Compliances Identified
Execution File		
Reporting File		

Annexure D.3.2: Supervision Checklist

Note: This checklist may be tailored according to the context of the FAO / audited entity as deemed appropriate.

The table should be filled in by the Supervisory Officer:

Sr. No.	Information Required	Remarks (Supervisor Officer shall give detailed remarks against each point)
1	Name of FAO:	
2	Name of Officer:	
3	Designation:	
4	Date of Visit/Supervision:	
5	Name of Entity/Formation:	
7	Were all team Members present?	
8	Names and Designations of those absent:	
9	Was team following audit programme given by the head of FAO?	
10	Was team conversant with the Guidelines Given in the audit plan/Field Audit Instruction?	
11	Number of observations issued by the team till date of visit:	
12	Observations noted were duly supported with documentary evidence?	
13	In case of non-production of record, did the team bring it to the notice of supervisory officer / head of FAO?	
14	Were all risk areas identified in Risk Register scrutinised by the Field Audit Team?	

Sr. No.	Information Required	Remarks <i>(Supervisor Officer shall give detailed remarks against each point)</i>
15	Were all areas identified by the supervisory officer to be scrutinised by the Field Audit Team during the audit attended?	
16	Was the team preparing working papers concurrently? Any comments on implementation of FAM Working Paper Kit?	
17	Did the audit team follow applicable DAGP standards? <i>(List the applicable standards and those that were followed)</i>	
18	Whether Planning File has been updated by the Field Audit Team?	
19	Did the supervisory officer meet the head of audited organisation?	
20	Did the head of audited organisation have any complaint against the audit team?	
21	Would audit be completed in given time or extension would be required?	

Further Remarks:

Signed by supervisory officer:

Signature of Head of Office (i.e. DG):

Annexure D.3.3: Record of Consultation

Client:	
Year/Period end:	

Problem to be considered:
Name of consultant used and reason for selection:
Actions discussed
Conclusion:

Prepared by:		Date:	
Reviewed by:		Date:	

Annexure D.3.4: Certificate of Quality for the Audit Report (All Audits)²⁴

This certificate should be signed by the DG and submitted alongside the audit report to the Internal and External QCC for it to undergo quality assurance.

AUDITOR-GENERAL OF PAKISTAN

Name of Audit Report: _____

Audit Period: _____

Review Period: _____

I hereby confirm that I have personally read the final draft of this [give the title and year] Audit Report and to the best of my knowledge the report is in conformity with DAGP standards. In particular:

1. Report is prepared in conformity with the prescribed reporting template
2. Proper proof reading of the audit report has been carried out.
3. The audit opinion is consistent with overall error evaluation.
4. The entity officials are in agreement with the findings, conclusions and recommendations contained in the report. If not, the underlying reasons are clearly documented.
5. All the information including background description in the report is supported by proper evidence.
6. All significant issues, exceptions, or notes raised during the audit not included in the audit report been followed up and resolved and their resolution has been properly documented and filed in the working paper files duly signed by the competent authority.
7. Relevant Working paper files are prepared in accordance with provisions of FAM / DAGP Standards.

Name of FAO _____

Name of DG _____

Date _____

²⁴ Adapted from QMF 2011: "Annexure 13: Certificate by DG accompanied with the Audit Report submitted to QCC"

Annexure D.3.5: Certificate of Quality for the Updated Audit Report after QCC (All Audits)

This certificate should be signed by the DG and submitted alongside the revised / updated audit report to the Internal and External QCC for approval of Auditor General of Pakistan through DAG concerned.

AUDITOR-GENERAL OF PAKISTAN

Name of Audit Report: _____

Audit Period: _____

Review Period: _____

I verify that I have personally read the final draft of audit report (*give the title and year*) and I hereby certify that all the errors/omissions pointed out by External QCC have been rectified and all agreed recommendations for improvements made by them have been incorporated in the final draft being, submitted for the approval of the Auditor General of Pakistan.

Name of FAO _____

Name of DG _____

Date _____

Annexure D.3.6: Certificate of Quality for the Printed Audit Report (All Audits)

This certificate should be signed by the DG and submitted alongside the five printed audit reports for signature of Auditor General of Pakistan.

AUDITOR-GENERAL OF PAKISTAN

Name of Audit Report: _____

Audit Period: _____

Review Period: _____

I verify that the printed audit report (*give the title and year*) has been compared with approved manuscript and found correct.

Name of FAO _____

Name of DG _____

Date _____

Annexure D.4: External Quality Controls Committee

Annexure D.4.1: External QCC Meeting on the Audit Report (Financial Audits)²⁵

AUDITOR-GENERAL OF PAKISTAN

Name of FAO: _____

QCC Meeting Date: _____

Period Under Review: _____

This template is to be used for the quality assurance reviews of financial audit reports. Adjustments should be made to the table as necessary to tailor it to the objectives of the audit.

The review should be conducted by reviewing the Audit Report, related quality assurance documents, Internal QCC minutes and related working paper files.

Description	Yes/ No/ N.A	Audit W/P Ref.	Review File Ref.	Max. Marks Assigned	Marks Obtained
1. Is the audit opinion consistent with overall error evaluation? i.e. it is consistent with;					
a) Internal Control Weaknesses impact analysis,					
b) Evaluation of analytical procedures,					
c) Evaluation of Internal Control deviations - Evaluation of sample results,					
d) Evaluation of Substantive tests- Projectable errors for sample,					
e) Evaluation of Substantive tests – Non-Projectable errors,					
f) Substantive tests evaluation – summary					
g) Achieved level of assurance,					

²⁵ Adopted from QMF 2011: “Annexure 15: QCR of the Audit Report (Financial Attest Audit)”

Description	Yes/ No/ N.A	Audit W/P Ref.	Review File Ref.	Max. Marks Assigned	Marks Obtained
h) Errors in each component,					
i) Overall errors in Financial Statements,					
Does the audit opinion contain reservations for all applicable matters?					
Scope limitation					
<p>When the auditor:</p> <ul style="list-style-type: none"> • was unable to perform specific tests and procedures and obtain certain audit evidence; and, as a result, • was unable to determine whether or not there has been a departure from the government's accounting principles that materially affects the financial statements. <p>A scope limitation had occurred,</p>					
<ul style="list-style-type: none"> • If this scope limitation or uncertainty was so fundamental, pervasive or significant that a qualified opinion was not adequate, a disclaimer was given. 					
<ul style="list-style-type: none"> • The wording of the disclaimer makes it clear that an opinion cannot be given. 					
<ul style="list-style-type: none"> • The scope paragraph is amended accordingly to incorporate the scope limitation. 					
<ul style="list-style-type: none"> • A reservation paragraph should be inserted between the scope paragraph and the opinion paragraph. 					
<ul style="list-style-type: none"> • The reservation paragraph should clearly and concisely describe the reason for the disclaimer. 					
<ul style="list-style-type: none"> • If the matter was not that much pervasive and fundamental, the auditor report contains a reservation paragraph between scope paragraph and opinion paragraph, 					
If yes, then the matter is explained clearly and concisely					

Description	Yes/ No/ N.A	Audit W/P Ref.	Review File Ref.	Max. Marks Assigned	Marks Obtained
• The opinion and scope paragraph are amended accordingly.					
• In the case of an audit involving more than one Ministry, identify the specific Ministry (or Ministries) in which the scope limitation has occurred.					
Departure from Government's Accounting Principles				N/A	
Adverse Opinion • If the effect of Departure from Government's accounting principles is fundamental and pervasive, then an adverse opinion was given					
Qualified Opinion • If the matter was not that much pervasive and fundamental, the audit report contains qualification paragraph between scope paragraph and opinion paragraph,					
• If yes, then the matter is explained clearly and concisely,					
• Its financial effect is quantified					
• The opinion paragraph is amended accordingly					
• In the case of an audit involving more than one Ministry, identify the specific Ministry (or Ministries) in which the monetary errors or compliance with authority violations occurred.					
Total (Marks cannot be allocated to individual items. Marks will be given only for correct opinion)				65	
1. Do the working papers contain signed copy of the financial statements duly cross-referred with the work papers?				3	
2. The form and content of reports are				8	

Description	Yes/ No/ N.A	Audit W/P Ref.	Review File Ref.	Max. Marks Assigned	Marks Obtained
in accordance with established procedures and formats approved by competent authority.					
3. Terminology used in report can be easily understood by persons to whom report is presented and technical terms are fully explained.				3	
4. All audit findings have been evaluated in terms of materiality, errors and other irregularities.				10	
5. Were entity officials generally in agreement with the findings, conclusions and recommendations contained in the report? If not, were the underlying reasons clearly documented?				8	
6. Was all information (including background description) in the report supported by evidence on file?				3	
Total				35	

Names of members who attended the meeting:

Sr. No.	Designation	Name	Attendance (Signature)
1	DAG - Chairman QCC		
2	DG External - Member		
3	DG / Director / DD - Member		
4	DG (Presenting the Audit Report) - Member		

Conclusion:

Marks Obtained: _____

Annexure D.4.2: External QCC meeting on the Audit Report (Compliance Audits)²⁶

AUDITOR-GENERAL OF PAKISTAN

Name of FAO: _____

QCC Meeting Date: _____

Period Under Review: _____

This template is to be used for quality assurance review of compliance audit reports. Adjustments should be made to the table as necessary to tailor it to the objectives of the audit.

The review should be conducted by reviewing the Audit Report, related quality assurance documents, Internal QCC minutes and related working paper files.

1. Whether the report is prepared in the prescribed format?

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
1	List of Acronyms is given. Preface Executive summary, Audit Objectives, Scope and Methodology is defined.			5	
2	Classified Summary of Audit Observations;			10	
	• Non-Production of Records,				
	• Reported cases of fraud, embezzlement and misappropriation				
	• Irregularities, A) HR / Employee related B) Procurement related C) Management of accounts with banks D) Execution of works, contract agreement				

²⁶ Adopted from QMF 2011: "Annexure 16: QCR of the Audit Report (Compliance and Performance Audits)"

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	• Value for money and service delivery issues				
	• Any other as per requirements of FAO				
3	Audit observations are arranged Ministry/Department wise and within a Ministry observation are classified under the headings as prescribed in the template.			2	
	Each audit para follows the sequence as prescribed in the template based on Criteria, Condition, Cause, Effect, Conclusion and Recommendation (CCCECR) i.e. it contains;			10	
	• Criteria,				
	• Observation,				
	• Cause / reasons,				
	• Implication / effect,				
	• Management reply,				
	• DAC's recommendations,				
	• Audit comments / conclusion.				
5	Sequence of paras is in terms of their importance,			3	
	Total			30	

2. Other Considerations as per Section 12 of FAM

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
1	Was the process of issuing the report performed in a timely manner? If not, were the delays: a) Documented? b) Justifiable?			10	
2	Whether the audit report addresses only significant issues?			5	

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
3	Whether proof reading of the report has been carried properly and is written in a language which is clear, to- the-point and understandable to the addressee?			5	
4	Whether proper evidence to the effect that efforts have been made to obtain entity's response on audit report is available. The audited entity's responses have been included in the report along with 'Further Audit Comments' where these have been provided by the audit entity.			5	
5	Whether all the information (including background description) in the report is supported by proper evidence in Working paper files?			10	
6	Are the recommendations made in the audit report are practical and pertains to the cause mentioned in the Audit Para?			5	
7	Have all significant issues, identified during the audit and not included in the audit report been followed up and resolved? Have resolution of the above been properly documented and filed in the working paper file duly signed by the competent authority.			5	
8	Whether causes of errors/irregularities have been properly identified and relate to condition identified in the Para as well as the commentary on internal controls given in the audit report.			5	
9	Relevant Working Paper files are properly referenced and contain all necessary evidence against planned audit focuses.			5	
10	Compliance with AGP directives;			15	
	a. Comments on the state of internal controls in the audited entity, specifically pointing out controls that are weak; b. Effectiveness of internal audit departments of audited entity must be commented upon; and				

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	c. Disclosure of recoveries made in executive summary segregating recoveries made on the pointation of auditor and those were already in the notice of management but realised due to audit.				
	d. Mention of usage of CAATs during audit in executive summary how the efficiency and effectiveness of audit was improved as a result of CAAT, e. Percentage of receipts / expenditures audited to be shown in executive summary, f. Any change in laws, rules and audited entity's operational procedures to be mentioned in executive summary, g. Comparison of audit planned and actual achievements to be mentioned in executive summary, h. Sample size selected for audit to be mentioned in the executive summary, i. Cost and service delivery of audit to be shown in executive summary, j. Inclusion of a Sectoral Analysis including issues related to public financial management, k. Any other directive issued specific to the particular FAO.				
	Total			70	

Names of members who attended the meeting:

Sr. No.	Designation	Name	Attendance (Signature)
1	DAG - Chairman QCC		
2	DG External - Member		
3	DG / Director / DD - Member		
4	DG (Presenting the Audit Report) - Member		

Conclusion:

Marks Obtained: _____

Annexure D.4.3: External QCC meeting on the Audit Report (Performance Audits)²⁷

AUDITOR-GENERAL OF PAKISTAN

Name of FAO: _____

QCC Meeting Date: _____

Period Under Review: _____

This template is to be used for quality assurance review of performance audit reports. Adjustments should be made to the table as necessary to tailor it to the objectives of the audit.

The review should be conducted by reviewing the Audit Report, related quality assurance documents, Internal QCC minutes and related working paper files.

1. Whether the report is prepared in the prescribed format?

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
1	List of Acronyms is given. Preface Executive summary, Audit Objectives, Scope and Methodology is defined.			5	
2	Audit Findings and Recommendations (ensure subheadings match with Audit Scope in accordance with elements of Performance Audit)			5	
3	Each audit para follows the sequence as prescribed in the template based on Criteria, Condition, Cause, Effect, Conclusion and Recommendation (CCCECR) i.e. it contains;			12	
	• Criteria (including their sources),				
	• Observation,				

²⁷ Adopted from QMF 2011: "Annexure 16: QCR of the Audit Report (Compliance and Performance Audits)"

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	• Cause / reasons,				
	• Implication / effect,				
	• Management reply,				
	• DAC's recommendations,				
	• Audit conclusion against the audit objective.				
4	Sequence of paras is in terms of their importance,			3	
	Total			25	

2. Whether the objectives of the Performance Audit have been achieved?

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
1	Planning			10	
	a. Prior to audit execution, was there an analysis of potential audit topics to identify audit risks and problems?				
	b. Was there a process to select audit topics and has it been documented?				
	c. Was the audit topic selected auditable, i.e. whether the topic is suitable for an audit?				
	d. Is the defined audit approach one of, or a combination of, the three approaches as per ISSAI 300 (i.e. a system-oriented approach, result-oriented approach or a problem-oriented approach)?				
	e. Do the audit planning documents state the possible or known risks of the work envisaged and show how these risks shall be handled?				
2	Economy			5	
	a. Does the audit report scrutinize how the audited entity adheres to the principle of economy, i.e. are the resources used available in due				

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	time, of appropriate quantity and quality, and at the best price?				
	b. Has the quality of inputs been considered? Is the criteria for assessing quality appropriate?				
	Efficiency			5	
3	a. Does the audit report scrutinize how the audited entity adheres to the principle of efficiency, i.e. has the relationship between resources employed and outputs delivered in terms of quantity, quality and timing been showcased?				
	b. Does the audit report compare the efficiency of the process in question by providing appropriate examples? (E.g: comparing a process before and after adaptation of a policy or procedure or comparing similar activities in comparable entities.)				
	Effectiveness			5	
	a. Does the audit report scrutinize how the audited entity adheres to the principle of effectiveness, i.e. have the objectives set and intended results been achieved?				
4	b. Is the criteria for measuring effectiveness documented and suitable?				
	c. Has the quality of outputs been considered when assessing effectiveness? Is the criteria for assessing quality appropriate (e.g: customer satisfaction for services)?				
5	Is each established audit criterion relevant, understandable, complete, reliable, and objective?			5	
6	Are audit conclusions logically linked to the audit objectives and criteria?			5	
7	Are audit conclusions supported by sufficient and appropriate audit evidence that are relevant to the audit criteria?			5	

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	Total			40	

3. Other Considerations as per Chapter 11 of PAM

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
1	Was the process of issuing the audit observations performed in a timely manner? If not, were the delays: a) Documented? b) Justifiable?			2	
2	Whether the performance audit report addresses only significant issues?			2	
3	Whether proof reading of the report has been carried properly and is written in a language which is clear, to- the-point and understandable to the addressee?			2	
4	Whether proper evidence to the effect that efforts have been made to obtain entity's response on audit report is available. The audited entity's responses have been included in the report along with 'Further Audit Comments' where these have been provided by the audit entity.			2	
5	Whether all the information (including background description) in the report is supported by proper evidence in Working paper files?			5	
6	Are the recommendations made in the audit report practical and pertain to the cause mentioned in the Audit Para?			2	
7	Whether causes of poor performance / non-achievement of targets have been properly identified and relate to condition identified in the Para as well as the commentary on internal controls given in the audit report.			2	
8	Relevant Working Paper files are properly referenced and contain all necessary evidence against planned audit focuses.			3	
9	Compliance with AGP directives;			15	

Sr. No.	Description	Yes/ No/ N.A	Review File Ref.	Max. Marks Allocated	Marks Obtained
	a. Comments on the state of internal controls in the audited program, project or entity, specifically pointing out controls that are weak; and b. Effectiveness of internal audit departments of audited program, project or entity must be commented upon.				
	c. Mention of usage of CAATs during audit in executive summary how the efficiency and effectiveness of audit was improved as a result of CAAT, d. Description of business objective of audited program, project or entity to be shown in the executive summary, e. Targets and achievements of the audited program, project or entity to be shown in the executive summary, f. Sample size selected for audit, if applicable, to be mentioned in the executive summary, g. Audit-specific methods of data gathering and analysis applied to be described in the executive summary, h. Cost and service delivery of audit to be shown in executive summary, i. The sources of data and limitations to the data used are to be described in the executive summary, j. Inclusion of a Sectoral Analysis including issues related to public financial management, k. Any other directive issued specific to the particular FAO.				
	Total			35	

Names of members who attended the meeting:

Sr. No.	Designation	Name	Attendance (Signature)
1	DAG - Chairman QCC		
2	DG External - Member		

3	DG / Director / DD - Member		
4	DG (Presenting the Audit Report) - Member		

Conclusion:

Marks Obtained: _____

Annexure D.4.4: Certificate of Quality for the Audit Report²⁸

FAO Name: _____ Date of QCC Meeting: _____

Period Under Review: _____

Names of members who attended the meeting:

Sr. No.	Designation	Name	Attendance (Signature)
1	DAG - Chairman QCC		
2	DG External - Member		
3	DG / Director / DD - Member		
4	DG (Presenting the Audit Report) - Member		

Grading of Report

I have conducted the Quality Assurance Review of the report in accordance with the “Audit Quality Management Framework”. The review was conducted to evaluate the audit report;

- through the checklist placed at Annexure D.4.1 (for Financial Attest Audit Report), D.4.2 (for Compliance Attest Audit Report) and D.4.3 (for performance Attest Audit Report) of the Framework,
- examining, on a test basis, evidence supporting the observations documented in the audit report,
- considering the outcomes of the Internal QCC carried out under the respective DAGs of Audit Wing;

²⁸ Adapted from QMF 2011: “Annexure 17: Certificate of Quality for the Audit Report”

I believe that my review provides a reasonable basis for the grades assigned to the report.

Grade	Grade Awarded (QCC Chairperson to Sign Relevant Cell)
A – Excellent (Marks equal to or greater than 80)	
B - Good (Marks from 70 to 79)	
C - Due diligence was not observed in carrying out audit. (Marks less than 70)	

Annexure E: Quality Assurance

Annexure E.1.1: QA Checklist/Guidance for Individual Audits ²⁹

Note: The official carrying out the QA Review shall use the checklist/guidance to assess compliance with the requirements and identify gaps for each of the sample audit selected under the QAR Plan. Each QA Reviewer will prepare DAG-wise report per this guidance that will have segregated information for each FAO that works under the DAG concerned. The AMIS will have functionality to generate this report automatically based on the inputting of relevant fields by the QA Reviewer (s)

Audit Stage	Item	Yes/No/N.A	Max Marks Allocated	Marks Obtained
Planning	1. Have all FAO staff signed the Independence confirmation? (Copy of the summary sheet should be available in the file)			
	2. Have all FAO staff signed the Code of conduct declaration? (Copy of the summary sheet should be available in the file)			
	3. Has Risk Register been prepared covering all entities and duly approved? (Evidence of Risk Register approval shall be available on the document)			
	4. Was staff rotation ensure while composing audit teams? (Staff Roster for Job rotation shall be prepared and duly approved any changes to the team shall be adequately documented and approved. Evidence shall be maintained in the file)			
	5. Were the Field Audit Instructions issued to each audit team? (Copy of FAI shall be maintained in the file)			

²⁹ Adapted from QMF 2011: "Annexure 4c: Exception Report on Post Audit Quality Assurance Review Checklist" and "Annexure 6: Quality Control Review of Audit Cycle"

Audit Stage	Item	Yes/No/N.A	Max Marks Allocated	Marks Obtained
	<p>6. Did the audit commence as per the timelines mentioned in the approved audit plan?</p> <p>(If case of delays, reasoning for delays shall be documented and approved by the competent authority shall be on the file)</p>			
	<p>7. Were permanent and planning Files updated for each entity in a timely manner?</p> <p>(A copy of the filled and approved proforma of "Permanent and Planning File Update Summary" shall be maintained in the file)</p>			
	<p>8. Was a quality control review carried out to ensure update of Permanent and Planning Files?</p> <p>(A duly filled and approved copy of the proforma for "Quality Control Review of Permanent and Planning Files" shall be maintained in the file.)</p>			
	<p>9. Was a summary report on status of update of permanent and planning files sent to DAG for review?</p> <p>(The proforma for Quarterly Summary of Quality Control Review of Permanent and Planning Files shall be duly filled and submitted for review)</p>			
Execution	<p>10. Was a supervisory plan for supervisory visits prepared and approved?</p> <p>(Copy of the supervisory plan should be duly signed and approved in the file or the notification sent to field audit teams prior to the commencement of audits.)</p>			
	<p>11. Were supervisory visits conducted and corresponding supervisory checklists filled and approved?</p> <p>(Copy of the supervisory checklist duly signed and approved should be available in the file.)</p>			
	<p>12. Was the monitoring of the audit plan adequately performed with any delays adequately communicated and revisions</p>			

Audit Stage	Item	Yes/No/N.A	Max Marks Allocated	Marks Obtained
	approved? (Evidence of Monthly Status Report of Audit Plan duly reviewed shall be maintained in the file)			
	13. Was a quality control review of audit execution and reporting performed by the FAO? (A duly filled and reviewed proforma of Exception Report for Quality Control Review of Audit Execution and Reporting shall be maintained in the file)			
	14. Were the significant issues identified during the audit adequately documented and reviewed? (Evidence of review shall be maintained in the file)			
	15. Was a summary report prepared for the quality control reviews of audit execution and reporting? (Evidence of review shall be maintained in the file)			
	16. Was an exit meeting was formally conducted and documented? (Meeting minutes of the exit meeting shall be formally documented)			
Reporting and Evaluation	17. Were PDPs adequately reviewed and evaluated as per associated risk and materiality? (Evidence of discussion / meeting minutes shall be duly maintained in which PDPs have been discussed and evaluated)			
	18. Was an Audit completion checklist prepared? (The filled and reviewed checklist shall be available in the file)			
	19. Was the DAC meeting held in a timely manner? (Minutes of the meetings shall be available in			

Audit Stage	Item	Yes/No/N.A	Max Marks Allocated	Marks Obtained
	the file)			
	<p>20. Was the draft report updated after receiving comments from DAC?</p> <p>(Evidence of draft report update and submission for review shall be maintained in the file)</p>			
	<p>21. Was the follow-up of the draft audit report performed for QCC meeting(s)?</p> <p>(Evidence of draft report update and submission for review shall be maintained in the file)</p>			
	Total			

Annexure E.1.2: Suggestive QA Reporting Template & Guidance for QA Reviewers ³⁰

1	Names of the QA Reviewer, and other team members	
2	Reference to the Quality Assurance Review Plan	
3	Deputy Auditor General(s) covered along with list of relevant FAOs	
4	Time period in which the QA Review was carried out	

Introduction – In the introductory paragraph, the QA Reviewer will state the purpose of the QA Review and how the review was carried out.

Work done and methodology – The QA Reviewer will describe the actual work done and the procedures followed. This will include main focus of the review, number of files reviewed and procedures followed, the criteria applied to determine the scope of the QA Review, discussions with head (s) of FAOs etc.

The following non-compliances were identified;

No.	W/P Ref No.	Risk Rating	Non-Compliances Identified	Underlying cause(s) and effects of non-compliance

Conclusion: – The conclusion is based on all findings from the review performed on the individual audit level (files). The QA Reviewer will give a perception on the whole exercise. The head of QAI&M Wing will sign off the report before it would be made available to the DAG concerned through the AMIS.

³⁰ Adapted from QMF 2011: “Annexure 4c: Exception Report on Post Audit Quality Assurance Review Checklist” and “Annexure 6: Quality Control Review of Audit Cycle”

Summary of Quality Assurance Review Observations³¹

Prepared to identify key quality assurance review observations with the inclusion of FAO/DAG concerned responses.

Ref. No.	Nature of Weakness	Risk Rating	FAO's Management Response	Further Action Required by FAO

The findings should be discussed with the FAOs/audit teams and their feedback properly documented. The Reviewer should also indicate for every finding, the team should indicate whether there is agreement/disagreement on the finding.

Follow-up Continuity Schedule

This is prepared to check progress on each action plan / recommendation agreed by management for the previous audit quality assurance review.

QA Report Ref.	Previous Period Observation	Action Plan Agreed by the Management	Progress so far	Period of Proposed Correction	Future Year Follow up Planned
	Nature of Weakness				

If actions have not been implemented as planned, the QA Reviewer will examine the reasons for inaction, and suggest alternative options where appropriate. There may be constraints beyond the control of officers/wings to implement some actions.

³¹ QMF 2011: "Annexure 7: Summary of Quality Control Review Observations"

Note: The QAI&M Wing will have access to the AMIS to plan and execute its QA reviews. QA Review findings may be inputted into the system and automatic report(s) generated as per the requirements of AQMF.

Annexure E.1.3: Suggestive Template for Annual QA Review Report for the Auditor General

Content of the Report

Introduction

- Background of the Report (including objective)
- Approach and Methodology (This will include main focus of the review, number of FAOs/files etc. reviewed and procedures followed, the criteria applied to determine the scope of the QA Review)
- Scope of work (including sample of audit assignments reviewed, implementation of the DAGP's strategic plan etc.)

Executive Summary

- Summary of Key Findings (both positive and negative aspects should be covered)
- Summary of Follow-up Continuity Schedule

Detailed findings

S. No.	Description	No. of exceptions noted	Underlying cause and related effects	Action Plan Agreed	Current Status

Follow-Up Continuity Schedule

S. No.	Issue Noted during Last Review	Implementation Status	Further Action Required (if any)
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Conclusion

The conclusion shall be based on the individual QA Reviews carried out by different teams of the QAI&M Wing. It will reflect the extent to which FAOs are in compliance with applicable quality control requirements in their audits.

Recommendations

The Annual Report shall suggest measures to improve audit quality across the DAGP on the basis of key findings to address the noted problems. These may include:

- strengthening reporting;
- streamlining the documentation requirements;
- reviewing and strengthening the QA system;
- making field inspections more efficient; and
- Promoting awareness/familiarity with the QA questionnaire\

Note: The QAI&M Wing will have access to the AMIS to plan and execute its QA reviews. QA Review findings may be inputted into the system and automatic report(s) generated as per the requirements of AQMF.



Quality Assurance