

Policy for Quality Assurance Review (QAR) for the Office of the Auditor General of the State of Eritrea (OAG)

Introduction

Due to public demand the audit profession is currently under pressure to strengthen the quality of audits and the audit office's quality control practices over the provision of audit, assurance and related services. In this regard, the Auditor General has decided to pass the Quality Assurance Policy (QAP) in order to comply with the relevant and applicable quality control standards, thereby improving the quality of engagements performed by the OAG.

The OAG's system of quality control includes policies and procedures addressing each of the following elements:

- Leadership responsibilities for quality control within the OAG;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

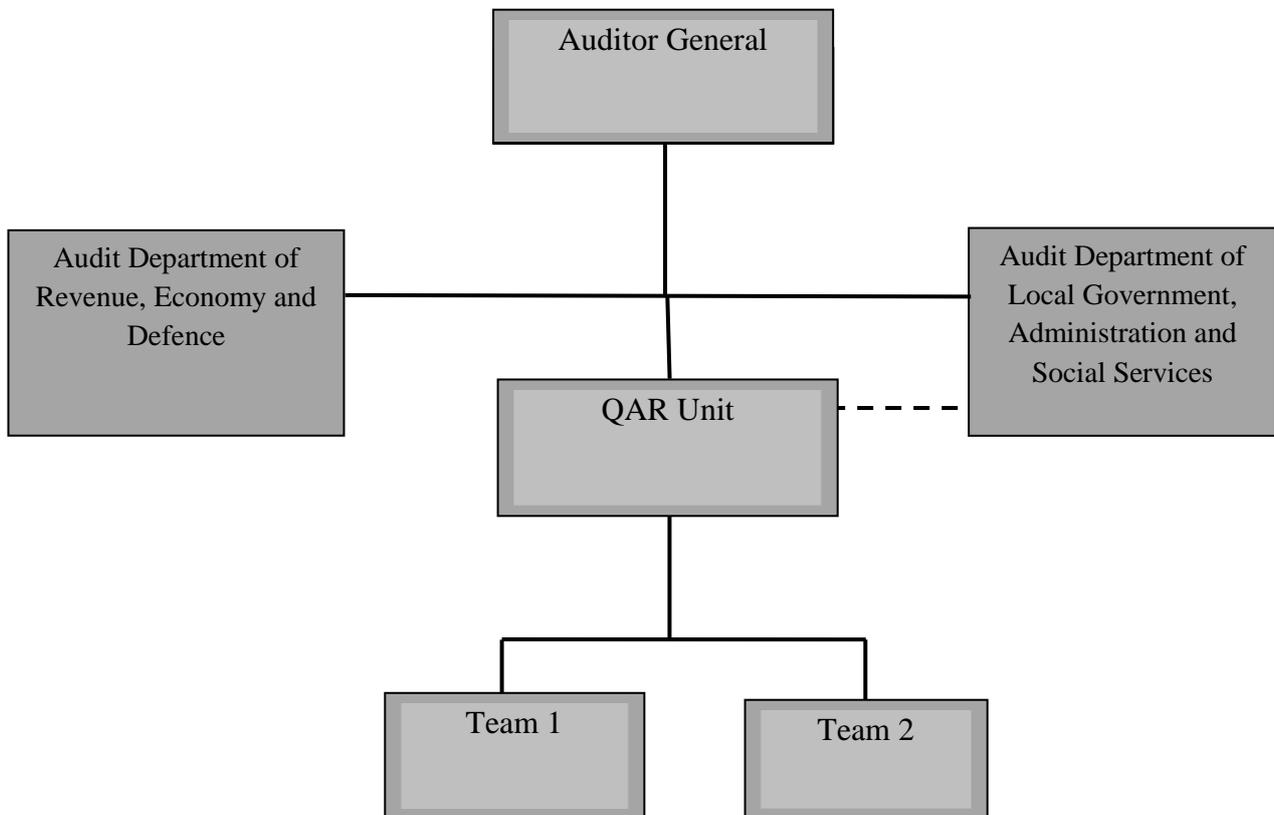
The purpose of reviewing compliance with quality control policies and procedures is to provide an evaluation of the following:

- Adherence to professional standards and regulatory and legal requirements.
- Whether the quality control system has been appropriately designed and effectively implemented.
- Whether the OAG's quality control policies and procedures have been appropriately applied, so that reports that are issued by the OAG are appropriate in the circumstances.

For the Quality Assurance Review process to be appropriate and effective, the requirements of the policy are set out in the following sections:

- Reporting lines and bodies relating to the Quality Assurance Review Unit
- Operation of Quality Assurance Review
- Applicable standards for Quality Assurance Reviews
- Roles and responsibilities in the QAR process
- Nature and scope of the QAR process
- Results of the QAR process
- Complaints and allegations
- Non-compliance
- Application of this Policy
- Requirements to QAR report follow up

1. Reporting lines and bodies relating to the QAR Unit (For further clarifications of the organisational structure refer Appendix 1)



2. Operation of Quality Assurance Review

Formation of the teams including number of people, coverage and frequency of the reporting as well as defining the role and responsibilities of the Head of QAR Unit including competency, skills, experience is very essential. The QAR Unit is headed temporarily by the Director General. However, this unit report directly to the Auditor General to ensure its independence. The Head of QAR Unit should have at least 4 auditors to assist him (Further grouped into two teams).

3. Applicable standard for Quality Assurance Review

International Standards of Supreme Audit Institutions (ISSAIs) will be applied to conduct the Quality Assurance Reviews of the OAG's activities.

4. Roles and responsibilities in the QAR process

4.1. Auditor General and Director General

The Auditor General (AG) assumes ultimate responsibility for the OAG's system of quality control and the Director General (DG) assumes operational responsibilities for the system of quality control. The DG has, in turn, assigned certain operational responsibilities for the elements of the quality control system to individuals such as operational managers and senior managers with sufficient and appropriate experience and ability as well as the necessary authority to assume the operational

responsibilities. The authority delegated by the AG and DG enables these individuals to implement and comply with the policies and procedures set by the OAG and standards. Monitoring of the system of quality control is delegated to the Audit Director: Quality Assurance Review

4.2. Head of Quality Assurance Review Unit

The Head of the Quality Assurance Review Unit will be responsible for the overall performance of the Unit. This will include setting out the strategic direction and ensuring that QAR Unit has appropriate capacity to fulfil the demands set. The performance will be assessed on predetermined basis and communication systems will be put in place to provide efficient reporting on performance. Key discussions and negotiations with, in particular, senior personnel to resolve disputes and disagreements will be required and on-going monitoring of staff performance will be expected. (For key responsibilities; competencies; experience and qualification of Head of QARU refer appendix 2).

4.3. Audit Director: Quality Assurance Review

The DG entrusts responsibility for the Quality Assurance Review process to the Audit Director: Quality Assurance Review, who has sufficient and appropriate experience and authority within the OAG to assume such a responsibility. The review function is performed by competent individuals in the Quality Assurance Review Unit and covers both the appropriateness of the design and the effectiveness of the operation of the system of quality control.

The review function is performed at both the institutional level and individual audit level. Those conducting the reviews are not involved in performing the audit activity or the pre-issuance review (audit quality control review). The primary responsibilities of the Audit Director: Quality Assurance Review, include the following:

- Compile and update the Quality Control policies and procedures on QAR, including an annual QAR strategy, and submit to the Director General for approval.
- Perform reviews of the system of quality control at institutional level and individual audit level.
- Document results of Quality Assurance Reviews.
- Communicate results of the Quality Assurance Reviews.
- Assist in the monitoring of remedial actions.
- Provide adequate review training for staff joining the Quality Assurance Review Unit.

4.4. QAR Team Leader

The QAR team leader is responsible for the day to day activities of the QAR team. This also involves preparing any planning, progress or final reports for the Head of QAR Unit. The management and the development of the reviewers is a fundamental part of the QAR team leader's role and he/she needs to ensure he/she supports reviewers when dealing with the audit teams during various interactions. (For key responsibilities; competencies; experience and qualification of QAR Team Leader refer appendix 2).

4.5. QAR Team Member

The reviewer will be responsible for assessing whether the overall quality of the audits is in line with the audit methodology and standards. This will be undertaken through selected reviews over a number of audits and audit teams. The reviewer will be responsible for assessing audit files and in the

case of institutional reviews other documentation that may already have been scrutinised by senior staff. The reviewer will often be expected to justify findings in discussion with more senior personnel. The reviewer will also be required to assist management when they need it. This can include: assistance with information gathering; maintenance of information systems; and providing assistance with logistical arrangements such as meetings. (For key responsibilities; competencies; experience and qualification of QAR Team Member refer appendix 2).

5. Nature and scope of the QAR process

The nature of the QAR process includes:

- An on-going consideration and evaluation of the OAG's system of quality control;
- A periodic review of at least one completed audit engagement for each audit team leader.

5.1. Quality Assurance Review at Institutional Level

QA reviewers are assigned annually by the Audit Director: Quality Assurance Review as a reviewing team to evaluate the OAG's quality control policies and procedures for compliance with professional standards.

The on-going consideration and evaluation of the system of quality control include:

- Analysis of new developments in professional standards and regulatory and legal requirements; and how they are reflected in the OAG's policies and procedures, where appropriate;
- Analysis of written confirmation of compliance with policies and procedures on independence;
- Analysis of continuing professional development, including training;
- Analysis of decisions related to acceptance and continuance of client relationships and specific audit engagements.
- Determining corrective actions to be taken and improvements to be made in the system of quality control.
- Communicating deficiencies identified in the system of quality control, in the level of understanding of the system of quality control or compliance with the system to appropriate personnel.
- Follow up by appropriate personnel and that necessary amendments are made to the quality control policies and procedures.

The Quality Assurance Review will include:

- Review of the OAG's policies and procedures and considering whether they reflect recent regulatory and professional pronouncements.
- Gathering evidence of compliance with the OAG's policies and procedures by all business units.
- Obtaining assurance that the OAG's quality control policies and procedures and its audit methodology remain relevant and adequate.

5.2. Quality Assurance Review at Individual Audit Level

The purpose of the review of individual audit engagements is to determine:

- whether the quality control policies and procedures have been appropriately applied and the reports that are issued are appropriate in the circumstances;
- whether the individual audit engagements are, in all material respects, planned and performed in accordance with the OAG's audit engagement performance policies and the applicable professional standards and regulatory and legal requirements.

To achieve the above purpose the Quality Assurance Reviewers will review a selection of completed individual audit engagements.

5.3. Criteria for selecting audits for Quality Assurance Reviews

The individual audit selection criteria are based on a combination of risk-based characteristics which include:

- The auditee changed its accounting framework;
- The audit has been classified as high risk;
- Complexity of the audit;
- Public interest in auditees or audit;
- The auditees face problems that may lead to contentions and difficult circumstances and may benefit from pre-issuance review to reduce the Auditor General's reputation risk;
- Significant shortcomings were identified during the audit team's previous review;
- A new area of auditing; and
- Audit was conducted by an audit firm in full or jointly with the OAG.

5.4. Differences of opinion

Differences of opinion between the Quality Assurance Reviewer and the audit team leader may arise during the Quality Assurance Review process. When these differences of opinion arise on high-risk review findings as contained in the quality assurance review report, the audit team leader has the opportunity to raise and document his/her difference of opinion.

During the final discussion of findings with the audit team leader, the quality assurance reviewer will document in the quality assurance review report the reasons for not removing the findings in instances where there are unresolved differences of opinion and the reviewer's comments to clarify his/her technical view point on the unresolved difference of opinion.

The differences arising in the review process will be arbitrated by the Auditor General and the Director Generals.

6. Results of the QAR process

Positive recognition and providing motivating incentives, such as promotion, giving opportunity to continue high level professional education, ACCA, MSc, etc., for quality performance increase for compliance with the quality control policies and procedures and is given to audit team leader who comply with specified quality measures.

The OAG has to evaluate the effect of the deficiencies noted during the quality assurance review process and determine whether the deficiencies are either:

- Instances which do not necessarily indicate that the OAG's system of quality control is insufficient to provide reasonable assurance that it complies with professional standards and regulatory and legal requirements and the reports issued by the OAG are appropriate in the circumstances, or
- Systemic, repetitive, specific engagement or other significant deficiencies that require prompt corrective action.

The results of the OAG's evaluation of each type of deficiency could be one or more of the following recommendations:

- Taking appropriate remedial action in relation to an individual engagement or member of personnel
- Communicating the findings to those responsible for training and professional development.
- Amendments to the quality control policies and procedures.
- Taking disciplinary action against those who fail to comply with the policies and procedures of the OAG, especially those who do so repeatedly.

The OAG has to communicate the results of the quality assurance reviews at institutional level and at individual audit level to all staff in the OAG annually. Such communication will enable the OAG and its staff to take prompt and appropriate action when required in accordance with their defined roles and responsibilities. The information to be communicated should include:

- An overview of the review procedures performed.
- The strengths identified as a result of the review procedures.
- The deficiencies identified as a result of the review procedures.
- The actions to be taken to resolve or amend deficiencies.

7. Complaints and Allegations

Based on its policies and procedures, the OAG has to deal with the following:

- Complaints and allegations that the work performed by the OAG fails to comply with professional standards and regulatory and legal requirements.
- Allegations of non-compliance with the OAG's system of quality control.

8. Non-compliance

Non-compliance with procedures, standards and practices in support of this policy leads to take corrective action by the Top Management of the OAG.

9. Application of this Policy

This policy applies to all employees of the OAG.

10. Requirement to Quality Assurance Review Report Follow-up

Audit teams and the departments reviewed should compile action plans on how they are going to correct the shortcomings. These action plans should indicate what, who, where, when and how these are going to be corrected. The action plans should be consulted with the Quality Assurance Unit and approved by the Auditor General or a staff member with the required delegation.

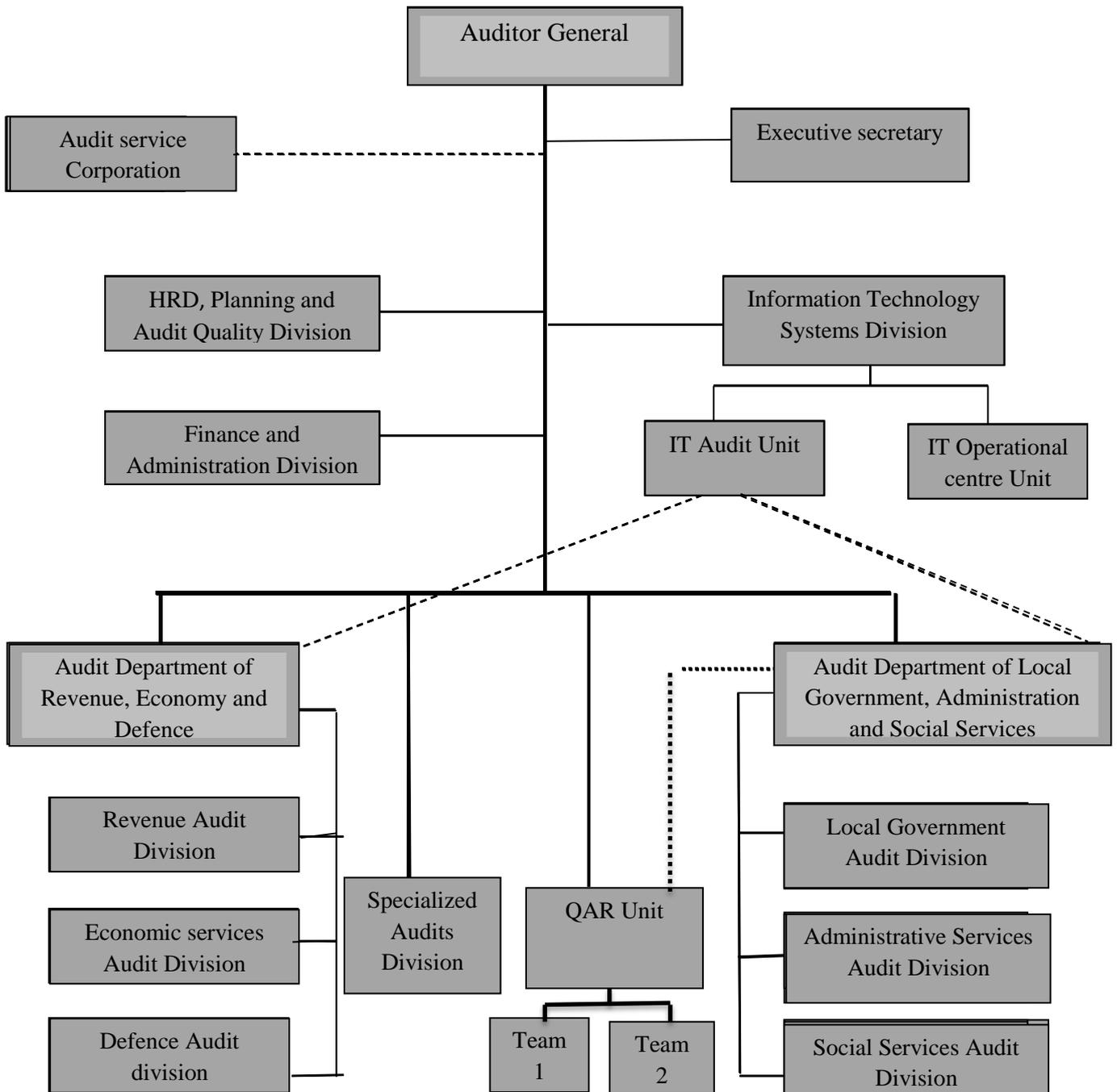
The audit teams and the departments should report back on their progress with the implementation of the corrective actions.

The Quality Assurance Unit should perform tests to confirm the effectiveness of the corrective actions. The Auditor General should also use the results of the Quality Assurance Reviews to determine the training needs of its staff in general and compile training program to address these issues.

Approved by: The Auditor General _____

Signature _____ **Date:** _____

The State of Eritrea
Office of the Auditor General
Organizational Structure



Quality Assurance Policy - responsibilities

1. HEAD OF QUALITY ASSURANCE REVIEW UNIT (TEAM MANAGER)

Outline of responsibilities

The Head of the Quality Assurance Unit will be responsible for the overall performance of the Unit. This will include setting out the strategic direction and ensuring that QAR Unit has appropriate capacity to fulfil the demands set. The performance will be assessed on predetermined basis and communication systems will be put in place to provide efficient reporting on performance. Key discussions and negotiations with, in particular, senior personnel to resolve disputes and disagreements will be required and on-going monitoring of staff performance will be expected.

Key responsibilities

Key responsibilities include:

- Approving and implementing any strategic planning and operational planning documentation in line with the OAG's management practices;
- Delivering the following reports:
 - Institutional level report on an agreed periodic basis;
 - Report on progress with institution level recommendations on an annual basis;
 - Annual report summarising the key findings on the individual level reviews;
- Updating policies and procedures relating to quality assurance as they are required;
- Ensuring adequate management of human resources including identifying recruitment needs, training requirements and other development of staff;
- Liaison with senior management as and when required for amongst others, dispute resolution;
- Commenting on advice, guidance and documents issued within the OAG from a quality assurance perspective;
- Tracking the progress of the review;
- Considering the capabilities and competence of individual members of the team, whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the review;
- Addressing significant matters arising during the review, considering their significance and modifying the planned approach appropriately; and
- Identifying matters for consultation or consideration by more experienced staff during the review.

Competencies

- Strong facilitation skills to guide the team on issues arising requiring changes to the QA methodology;
- Communication, negotiation and interpersonal skills to motivate staff and undertake dispute resolution; and
- High level of integrity to not be affected by the influences such as seniority and personnel relationships.

Experience and Qualifications

- Understanding the OAG's environment at an operational and management level, At least 15 years working knowledge;
- Management experience in line with any OAG's policies for a similar level of seniority;
- A formal accounting / auditing qualification; and
- At least 5 years auditing and / or review experience.

2. QAR TEAM LEADER

Outline of responsibilities

The QAR team leader is responsible for the day to day activities of the QAR team. This also involves preparing any planning, progress or final reports for the Head of QAR Unit. The management and the development of the reviewers is a fundamental part of the QAR team leader's role and he/she needs to ensure he/she supports reviewers when dealing with the audit teams during various interactions.

Key responsibilities

Key responsibilities include;

- Preparing strategic planning and operational planning documentation in line with current SAI management practices;
- Preparing the following reports:
 - Institutional level report on an agreed periodic basis;
 - Report on progress with institution level recommendations on an annual basis; and
 - Annual report summarising the key findings on the individual level reviews;
- Commenting on policies and procedures relating to quality assurance as they are required;
- Identifying resource requirements and training needs for the review team;
- Maintaining relevant management information to be used for reporting purposes;
- Coordinating arrangement for the reviewer's visits and liaising with the audit teams accordingly;
- Commenting on advice and guidance and documents issued within the SAI from a quality assurance perspective;
- Managing the reviewers in terms of planning and controlling;
- Undertaking reviews of the work completed by the reviewers to ensure that:
 - Sufficient evidence has been gathered to support the findings;
 - Work is carried out in line with prescribed methodology of quality assurance review;
 - Findings and recommendations are appropriately based on sound analysis and evidence;
 - Assessment of the significance of the findings is appropriate;
 - Judgements made are reasonable and appropriately documented;
 - Time management of reviewers is in line with time budget; and
 - Reviewer conduct is professional and all feedback from the audit team is noted and/or followed up.
- Leading discussions with the audit teams' management to discuss review findings and recommendations;

- Monitoring progress from management information on a regular basis and identifying any corrective steps required to be taken;
- The work has been performed in accordance with professional standards and regulatory and legal requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- Where there is a need, revise the nature, timing and extent of review work performed;
- Evaluate whether the work performed supports the conclusions reached and is appropriately documented;
- Evaluate the evidence obtained is sufficient and appropriate to support the reviews report; and
- Ensure that the objectives of the review procedures have been achieved.

Competencies

- Strong facilitation skills to guide the team on reporting on common issues consistently; Leading brainstorming and other sessions to assist in enhancing the QA methodology;
- Communication, negotiation and interpersonal skills to motivate staff and undertake dispute resolution; and
- High level of integrity to not be affected by the influences such as seniority and personnel relationships.

Experience and qualifications

- Understanding the OAG's environment at an operational and management level;
- At least 10 years working knowledge;
- Management experience in line with any SAI policies for a similar level of seniority;
- A formal accounting / auditing qualification;
- At least 3 years auditing and / or review experience; and
- Project management experience and training is desirable.

3. REVIEW TEAM MEMBER

Outline of responsibilities

The reviewer will be responsible for assessing whether the overall quality of the audits is in line with the audit methodology and standards. This will be undertaken through selected reviews over a number of audits and audit teams. The reviewer will be responsible for assessing audit files and other documentation in the case of institutional reviews that may already have been scrutinised by senior staff. Based on the above, the reviewer will often be expected to justify findings in discussion with more senior personnel. The reviewer will also be required to assist management as and when they require it. This can include: assistance with information gathering; maintenance of information systems; and providing assistance with logistical arrangements such as meetings.

Key responsibilities include:

- Obtaining information for supporting management in arranging institutional level and individual level reviews;
- Making arrangements for ensuring the availability of information and personnel to ensure that the operational planning requirements are met;

- Maintaining any information systems / records required for reporting on the QA function;
- Undertaking preparation for reviews including keeping up to date with accounting and auditing developments within the profession as well as practice developments within the OAG. Ensuring that other changes within the OAG's policies and procedures are identified and considered for the institutional level review / monitoring reports;
- Undertaking reviews in line with prescribed QAR methodology in a professional manner;
- Documenting findings and providing sufficient and appropriate review evidence for discussion with audit team and for the review of the team leader;
- Contributing to discussions with the audit team on the findings identified;
- Evaluating the findings from the review including consideration of causes of findings and relevant recommendations; and
- Attempting to resolve any dispute with the audit team wherever possible before involving the team leader.

Competencies

- Strong facilitation skills to guide the team on reporting on common issues consistently;
- Leading brainstorming and other sessions to assist in enhancing the QAR methodology;
- Communication, negotiation and interpersonal skills to motivate staff and undertake dispute resolution;
- Ability to analyse information and present the findings in a user friendly manner;
- Strong application of professional scepticism to assess responses provided by the audit team or management to initial findings; and
- High level of integrity to not be affected by the influences such as seniority and personnel relationships.

Experience and qualifications

- Understanding the OAG's environment at an operational level;
- At least 5 years working knowledge;
- A formal accounting / auditing qualification; and
- Project management experience and training is desirable.