



Quality Assurance of IDI supported Cooperative Audits – A Guidance



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1. ABOUT THE GUIDANCE

What purpose does this guidance serve?

A quality assurance review (QAR) is a key step in IDI supported cooperative audits. QARs help us in supporting SAIs in enhancing audit quality. The purpose of this guidance is:

- to create a common understanding about the QAR process, its purpose and requirements amongst IDI staff, QA reviewers, SAIs and other key stakeholders; and
- to provide a basis for a uniform and consistent process of conducting and communicating the results of high-quality QARs in IDI supported cooperative audits.

The quality assurance reviews referred to in this guidance are reviews of the quality of individual audit engagements taken up as a part of the cooperative audit. These reviews do not include examination of the quality of SAI audit practice as a whole.

Who are the intended users of this guidance?

This guidance will be useful for:

- SAI management to make an informed decision on agreeing to the terms of reference and statement of commitments and taking action on the recommendations of the QA.
- SAI teams for being informed about the required quality checks.
- Resource persons training QA reviewers, for the training on the model.
- Quality Assurance Reviewers conducting the QARs, for a common understanding of their role, the process to be followed and expected outputs.
- Senior managers and managers in IDI responsible for managing quality assurance processes in different cooperative audits.
- IDI management for getting assurance on the process and communicating the results with the SAI.

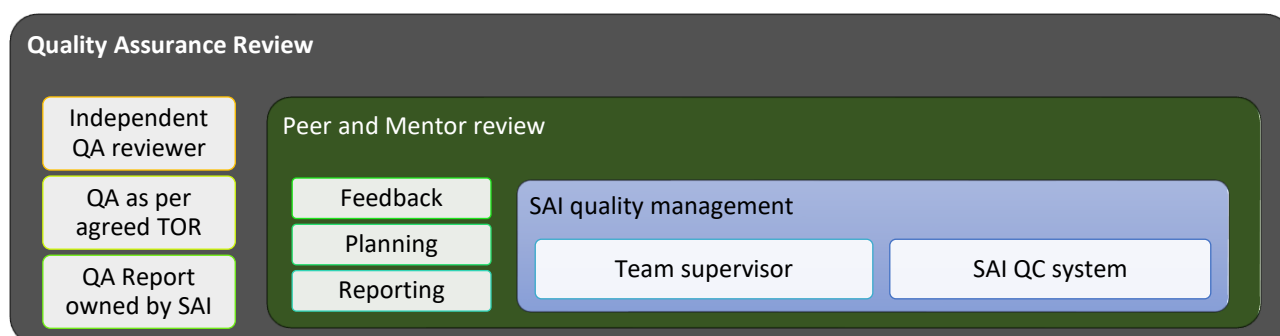
2. IDI'S COOPERATIVE AUDIT SUPPORT MODEL

IDI supports SAIs in conducting ISSAI based cooperative audits as one of the ways of facilitating ISSAI implementation. As ensuring audit quality is one of the main aims of cooperative audit support, facilitating quality assurance reviews is a key component of cooperative financial, performance and compliance audits supported by the IDI. The IDI Cooperative Audit Support Model provides holistic support to participating SAIs in planning, conducting, reporting, following up on the audit and facilitating audit impact. The nature of delivery of such support varies based on circumstances e.g. outbreak of the COVID-19 pandemic and subject matter to be audited. By and large the model consists of the following components:

1	NEEDS ASSESSMENT & AGREEMENT ON SAI COMMITMENTS	<ul style="list-style-type: none"> Needs assessment, stakeholder consultations and framing of the cooperative audit. Agree on SAI commitments with SAI leadership. Signed Statement of Commitment, including SAI readiness affirmation.
2	PARTNERSHIPS & RESOURCES	<ul style="list-style-type: none"> Explore & establish partnerships within and outside the INTOSAI community. Mobilise an international/regional team of resource persons to design, develop and deliver education and audit support for SAIs. Train the mentor team.
3	SAI LEADERSHIP & STAKEHOLDER ENGAGEMENT	<ul style="list-style-type: none"> Facilitate a platform for SAI leadership and key stakeholders e.g. audited entities, CSOs, multilateral organisations, academia, professional bodies to come together to share knowledge and experiences about the subject matter and network.
4	INTEGRATED PROFESSIONAL EDUCATION & AUDIT SUPPORT PLATFORM	<ul style="list-style-type: none"> Provide integrated professional education and audit support to SAI teams & SAI supervisors. This would cover educational contents, social learning, other resources, and audit support. The nature of the blend – online or in person will depend on needs and circumstances. Audit support could be provided online, through in person review workshops, through on-site support or arranging for local support.
5	MONITORING	<ul style="list-style-type: none"> Monitor that participating SAIs conduct the audit as per agreed milestones Participating SAIs responsible for finalising their audit reports and issuing the report in a timely manner as per their legal mandates.
6	LESSONS LEARNED & SUSTAINABILITY PLAN	<ul style="list-style-type: none"> Facilitate lessons learned and sustainability planning discussions amongst SAI leadership, SAI teams and supervisors and key stakeholders and resource persons. Document lessons learned – what went well and what could be improved. Document sustainability plans. The sustainability plans include SAIs plans to sustain the learning from the cooperative audit in the future.
7	ENSURE AUDIT QUALITY	<ul style="list-style-type: none"> Facilitate audit quality by - providing guidance on quality controls to be exercised during the audit, education of SAI supervisor and SAI team in implementing quality control during the audit, review of audit products at key stages and independent quality assurance reviews after audits are issued.
8	FACILITATE AUDIT IMPACT	<ul style="list-style-type: none"> Audit impact considerations mainstreamed in the audit process. Facilitate audit impact through robust follow up mechanisms and strong stakeholder coalitions after the audit has been issued.

3. ENSURING AUDIT QUALITY IN IDI SUPPORTED COOPERATIVE AUDITS

Ensuring audit quality is mainstreamed through all the different components of IDI's Cooperative Audit Support Model. Using a three-pronged approach, the IDI supports SAIs in taking quality control measures throughout the audit process and facilitates quality assurance reviews after the reports are issued. While IDI acts to facilitate audit quality, it is ultimately the responsibility of the SAI to ensure the quality of its audit.



IDI takes the following actions to support audit quality in a cooperative audit:

1. Requires the SAI to nominate a competent team to conduct the audit and an audit supervisor to carry out quality control checks.
2. Develops an ISSAI compliant audit methodology for the subject matter of the cooperative audit.
3. Provides integrated education and audit support for the SAI supervisors and SAI teams for conducting high quality audits as per standards. The audit support is provided at each phase of the audit (planning, conducting, reporting) by a team of experts and mentors.
4. Facilitates quality assurance reviews – SAI commitment for conducting quality assurance reviews is a part of the overall statement of commitments for the cooperative audit. After the SAI report is issued, IDI constitutes a panel of independent and competent QA reviewers, agrees on a TOR with the participating SAIs, arranges for the QA to be conducted, processes and issues the QA report to the SAI along with recommendations for improving audit quality.

The SAIs participating in cooperative audits are expected to take the following actions to ensure audit quality:

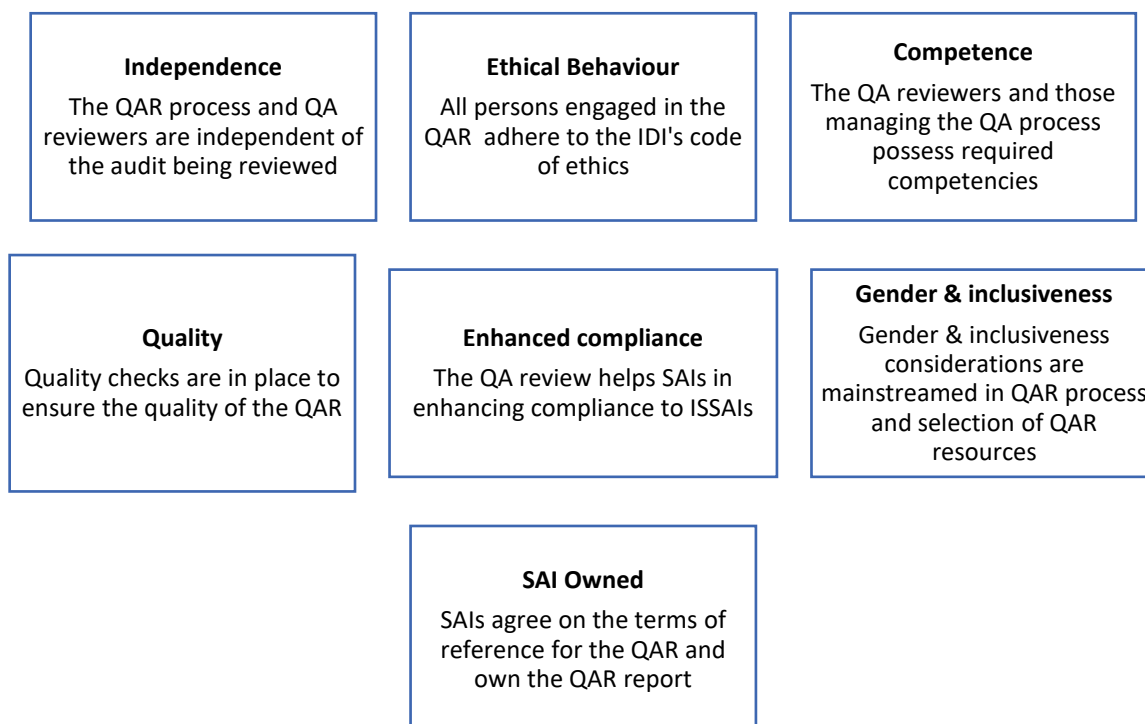
1. Ensure that the audit team is composed of competent persons.
2. Ensure that the audit supervisor carries out the required quality control checks. The SAI audit engagement supervisor has the overall responsibility for managing and achieving the quality of IDI supported cooperative audit. To fulfil this responsibility, the supervisor is expected to be involved sufficiently and appropriately throughout the audit process so that she or he has the basis to determine whether the significant judgements made, and conclusions reached are appropriate given the nature and circumstances of the audit.
3. Ensure that the team follows an audit methodology that meets quality requirements.
4. Agree on the terms of reference for the QA and cooperate with the quality assurance reviewers during the QA process by providing required documentation and information.
5. Publish the QA report, to the extent possible.
6. Act on the recommendations for the QAR for improving audit quality.

4. OBJECTIVE OF QUALITY ASSURANCE REVIEW

The objective of the Quality Assurance (QA) Reviews of IDI supported cooperative audits is to ascertain the extent to which the audits meet applicable ISSAI requirements and provide recommendations for enhanced compliance with applicable requirements.

5. PRINCIPLES OF QARs

IDI facilitates quality assurance reviews (QARs) considering the following seven principles



6. SCOPE OF THE QA REVIEW

The QA review examines an individual audit conducted as a part of the cooperative audit to check:

- The extent to which the different phases of the audit (planning, conducting, and reporting) complied with applicable ISSAIs and the reasons for lack of compliance, if any.
- That audit working papers were prepared and maintained consistently throughout the audit process and were of appropriate quality.
- The quality control procedures throughout the audit were applied appropriately and consistently.

7. ROLES AND RESPONSIBILITIES FOR MANAGING QA REVIEW

The responsible initiative managers/ or assigned managers working on the initiative, will have the primary responsibility to manage the QA reviews of IDI supported cooperative audits. The overall governance and oversight role will rest with Deputy Director General responsible for the work stream

and the Director General. The responsibility matrix given below outlines the roles and responsibilities of different actors in managing the QA reviews.

Responsibility Matrix

Tasks, process, and decision		Responsible actors		
		Initiative Manager	Deputy Director General	Director General
1	Provide QA plan in cooperative audit	Prepare QA plan	Review & approval	
2	Constituting panel of QA reviewers	Recommend	Approval	
3	Facilitate training of QA reviewers	Identify trainers & recommend	Approval	
4	Develop or modify ToR for QA reviewers	Develop/modify	Review, Approval & Signing	
5	Develop or modify ToR for SAls	Develop/modify	Review & Approval	Approval & Signing
6	Identify and appoint independent reviewer	Recommend	Approval	
7	Manage QA review process	Manage		
8	Arrange for independent review	Manage		
8	QA review reporting	Review	Review & Recommend	Approval & Signing
9	Follow up QA review recommendations implementation	Follow up & Appraise DDG	Consider inclusion in the PAR	Consider inclusion in the PAR
10	Monitoring & communication	Monitor & communicate		

The process of carrying out these responsibilities is further explained under the section on QA review engagement mechanism.

8. COMPETENCIES OF A QA REVIEWER

The QA reviewers should possess the following competencies:

- a) **Functional competencies:** The QA reviewer should be competent in understanding and application of ISSAIs applicable to the type of IDI supported cooperative audit for which the QA reviewer is engaged for (*i.e. either financial audit, compliance audit, or performance audit streams*). Possess competence to review ISSAI based audits. In case of QARs of performance and compliance audits, familiarity and understanding of the audit subject matter e.g. audit of SDGs, would also be desirable.
- b) **Cross cutting competencies:** The QA reviewer should demonstrate the following cross cutting competencies:
 - Ethical behaviour in all situations.
 - Ability to communicate effectively (verbally and in writing) with different stakeholders.
 - Ability to work effectively in an online environment.
 - Gender sensitivity and respect for diversity.
 - Professional judgement & scepticism as a QA reviewer.
 - Holds oneself to account for agreed responsibilities.

- Delivers results to time and quality.
- Team player.

9. MANAGE RISKS TO QAR

In order to have a high-quality QAR that meets stated objectives, it is important to manage risks. Senior manager and managers responsible for the QARs are also responsible for identifying and managing risks. Some of the key risks that could emerge, and mitigating measures are identified below.

No.	Risks	Risk mitigating measures
1	Non availability of adequate pool of competent QA reviewers	<ul style="list-style-type: none"> • Look for persons with potential and train them in QA review • Foster a community of QA reviewers
2	Non-compliance to ethical standards by QA reviewers and independent reviewers	<ul style="list-style-type: none"> • Train QA reviewers on the requirements of IDI code of ethics • Declaration by QA reviewers and independent reviewers to comply with ethical standards as required by IDI policy • Compliance monitoring on regular basis
3	Lack of support from SAI leadership	<ul style="list-style-type: none"> • Include QAR in the Statement of Commitments • Discuss and agree on the TOR with SAI leadership • Arrange entry and exit meetings with SAI leadership for the QA
4	QA review reports may not be of the desired quality	<ul style="list-style-type: none"> • Arrange independent review of QA reports • Review by responsible IDI manager • Train QA reviewers on the agreed reporting template
5	Challenges in ensuring a gender balanced QA team	<ul style="list-style-type: none"> • Maintain a gender balanced pool of QA reviewers from which a QA panel can be drawn • Create cross regional QA review panels • Keep the process of conducting QAs flexible, so that it can be done without travel, if necessary.
6	SAI does not implement QAR recommendations	<ul style="list-style-type: none"> • Keep the recommendations doable and realistic in the local context of the SAI. • Include a commitment to implement QAR recommendations in the TOR • Communicate and agree on the recommendations with SAI leadership • Base QA recommendations on a causal analysis of non-compliance • Monitor, follow up and report on implementation of QAR recommendations

10. QUALITY ASSURANCE REVIEW MECHANISM

A robust mechanism is necessary to ensure that the QA review engagement of IDI supported cooperative audits are of high quality and have the desired results. The IDI mechanism for facilitating quality assurance reviews is detailed below.

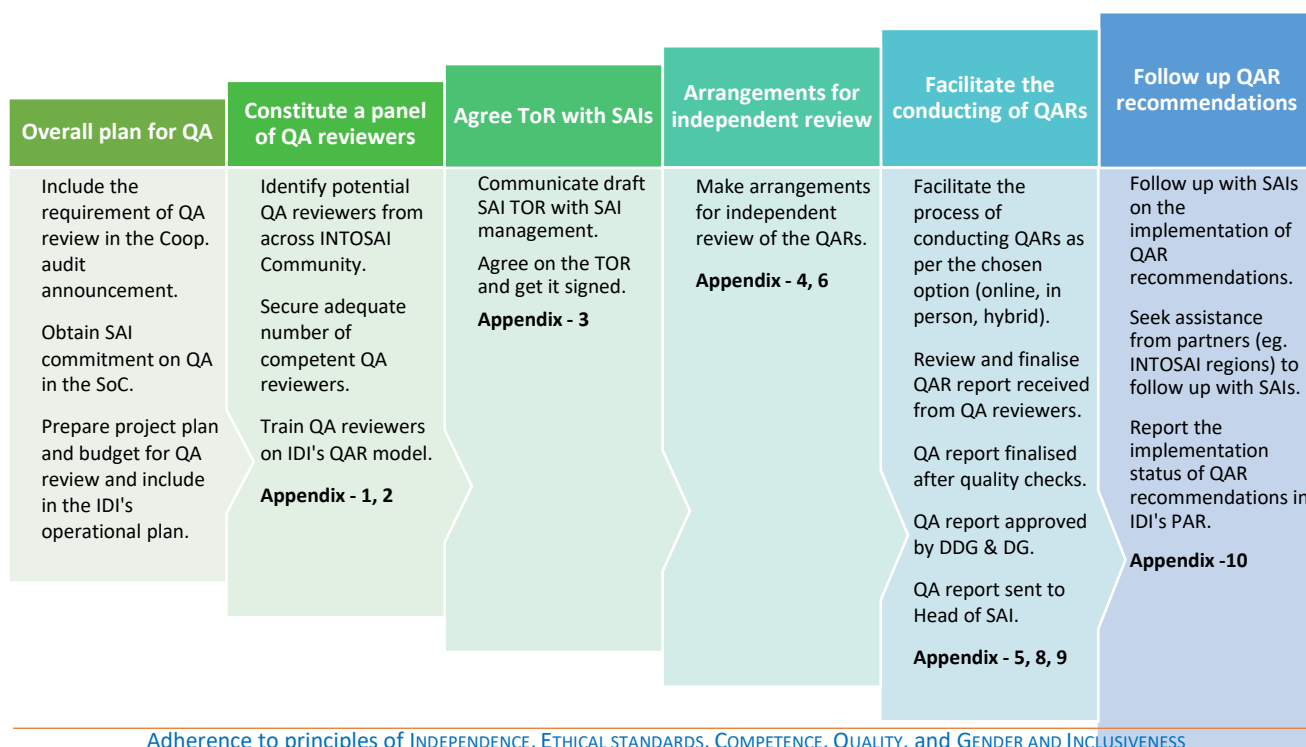


Figure 10.1: QA review engagement mechanism of IDI supported cooperative audits

10.1 OVERALL PLAN FOR QA REVIEW

The importance and the value of conducting the QA review of IDI supported cooperative audits are disseminated through an announcement document on cooperative audit while inviting SAIs to participate. The specific requirements are then spelt out in the Statement of Commitment (SoC). Depending on the turnaround time for the cooperative audit, the responsible initiative manager needs to prepare the project plan on time and propose the budget for implementing the QA review plan. Some of the elements of such a plan are dates for review, review approach, number of reviewers, number of participating audit teams, and number of resource persons who will train QA reviewers.

10.2 CONSTITUTE A PANEL OF QA REVIEWERS

The most important resource for the QAR is the quality assurance reviewer. It is important to ensure that the QA panel set up for the audit has adequate number of independent and competent QA reviewers.

It is the responsibility of the initiative manager to find QA reviewers. The subcommittees of PSC, IDI trained ISSAI facilitators, participants from 3i programme, regional QA pools, IDI trained QA pools, QA reviewers used for other coop audits, etc. could be potential sources for getting QA reviewers.

Before inviting people to join the QA panel, it is important to compare their experiences and competencies with those prescribed in the TOR for QA reviewers. The initiative manager can ask potential QA reviewers to send in their CVs or information for this purpose. Prospective QA reviewers who fall short of some competence, but show potential, can also be included in the panel and trained for conducting the QA. The analysis can be documented using **Appendix – 1**, which will form the basis for approval of a panel of QA reviewers. The QA panel needs to be approved by the DDG concerned. On receiving approval from the DDG, the QA reviewers can be contacted and the TOR for QA reviewers (**Appendix 2**) can be informally agreed with them. After such agreement, a formal request letter for engaging the QA reviewers, along with the TOR, would be sent to Heads of SAIs for approval. The TOR for QA reviewers is signed between IDI and the QA reviewer.

After constituting the panel of QA reviewers, the responsible manager will facilitate training of the QA reviewers. The responsible manager needs to ensure that:

- training is conducted before the QA reviews,
- standard IDI courseware developed for the purpose is used. The manager responsible for ensuring audit quality will be responsible for keeping the training courseware up to date. He/she will work with the rest of the 3i team for updating such material.
- training is conducted by competent resource persons. Managers in IDI can also act as resource persons.
- an informed decision is taken about the training format - in person or online. Such decisions will depend on the resources available and circumstances. IDI encourages using online blended (synchronous and asynchronous) formats for such training.
- the quality control of course material developed by resource persons was checked to ensure that they are as per the applicable standards. The education expertise at the IDI or any other external expertise as engaged by the IDI will quality assure the course material.

10.3 AGREE TOR WITH SAIs

The activity of constituting a QA reviewers panel and agreeing the TOR with SAIs can be taken up at the same time. **Appendix-3** provides a standard ToR format that can be adapted to the concerned audit. The TOR needs to be agreed with the SAI and signed by both IDI and the competent authority at the SAI.

10.4 ARRANGEMENTS FOR AN INDEPENDENT REVIEW

The manager responsible will make arrangements for independent review of the QAR to ensure quality. An independent reviewer needs to be independent of the QA and possess required competencies. **Appendix-4** provides a template ToR for independent reviewers.

Depending on the nature and circumstances, an independent reviewer can be engaged through different arrangements, which are given below:

QA review team leader	If a team leader has been appointed for QA review team, she/he can perform an independent review of work done by the team members. The work done by the team leader can be reviewed by someone external to the QA review team, for instance by a QA review trainer.
Peer review	A peer review format can be adopted to perform an independent review. The QA reviewers can review each other's work and still achieve the purpose of an independent review.
Peer audit engagement supervisor/team leader	A peer audit engagement supervisor or team leader can also be appointed as an independent reviewer, preferably from the different region.
QA reviewers' trainer	It may also be very effective to engage QA reviewers' trainer as an independent reviewer as he/she will have adequate exposure to QA review process and methodology.

10.5 FACILITATE THE CONDUCTING OF QA REVIEWS

The responsible manager assumes the lead responsibility to facilitate the commencement and completion of QA reviews. It also requires administrative and technical coordination, both internally and externally. The manager will be supported by IDI and local coordinators on administrative matters. The extent of such support will depend on the approach followed for QA reviews.

Depending on the situations and circumstances, the responsible manager may recommend any of the following approaches for conducting the QA reviews. Such a recommendation can be made after having adequate deliberations within the team, especially with the responsible coordinator on administrative and logistic matters. The participating SAIs may also be consulted to better understand the local context. This kind of consultation is important for conducting the QA reviews in an economic, efficient, and effective manner.

VIRTUAL/ONLINE	IN PERSON	HYBRID
<ul style="list-style-type: none"> • Collaborative virtual working area created at the time of conducting cooperative audit. • Audit working papers are available on the workspace. • Audit quality review trail within the workspace. • Availability of audit methodology and other relevant resources at one place – one stop shop. • Audit files shared via different online arrangements during review • Online arrangement with SAI's liaison. <p>ADVANTAGES:</p> <ul style="list-style-type: none"> • Facilitates desk review of audit working papers (off-site work). • Flexibility in planning and performing the review. • Generate quick response to QA reviewer's queries. • Minimises on-site visit days. • Maybe the only alternative when travel is not possible. <p>DISADVANTAGES:</p> <ul style="list-style-type: none"> • Language barrier of audit engagement team may reduce efficiency of QA review. • Requires stable internet connectivity. • Some audit engagement team may have inadequate IT and computer skills. 	<ul style="list-style-type: none"> • QA review exercise organised at a venue hotel or at SAI's training centres or at the SAI itself. • Participating SAI's team leaders invited to the venue. • Physical audit files are made available to QA reviewers at the venue. • Allocate two to three days to complete the QA review. <p>ADVANTAGES:</p> <ul style="list-style-type: none"> • One-to-one interaction in person expedites rapid turnaround on response to QA reviewers' queries. • Breaks the language barrier since the review queries can be explained in alternative ways. • Reduced waiting time for QA review queries – on the spot responses. • Ease of administrative and logistic arrangements (travel & accommodation). <p>DISADVANTAGES:</p> <ul style="list-style-type: none"> • Limited access to audit files in advance –affects proper planning of QA review. • Lack of flexibility as the QA review must be completed within allocated days. • The reviewer cannot interact with the entire team and with the SAI management. 	<ul style="list-style-type: none"> • Blended approach of online and onsite review. • Desk review done on virtual workspace and visit participating SAI's for finalisation. • Where there is no virtual workspace, completed audit files shared via different online arrangements during review. • Complete the review online and invite audit teams to a particular venue for finalisation of review. • Engage SAI's QA function, if in place to perform the QA review. <p>ADVANTAGES:</p> <ul style="list-style-type: none"> • Greater flexibility in allocating the time for both online work and onsite visits. • Much of the work can be completed online before making onsite visits. • Adequate time for planning. • Opportunity for QA reviewers to interact with SAI's leadership. <p>DISADVANTAGES:</p> <ul style="list-style-type: none"> • Administrative burden in making logistic arrangements for onsite visits as it requires coordination with several SAI's.

The QA review report will be based on the format (**Appendix-5**) provided by the IDI. The report format covers objective of the review, methodology used, review findings, conclusion, and recommendations.

After receiving the draft QA review reports from the reviewers, the responsible manager will:

- review the reports to see whether they meet the reporting requirements prescribed by the IDI.
- review whether the findings and recommendations are consistent.
- review whether SAI's responses have been incorporated appropriately.
- arrange for an independent review of QA review report. Ensure that an independent reviewer conducted the review by using the checklist in **Appendix - 6** and formed conclusion whether the QA review was done in accordance with the relevant standards and ToR for QA reviewer

- ensure that the draft reports were shared with the respective Heads of SAls for comments and were incorporated accordingly in the reports.

The responsible manager can use checklist in **Appendix - 7** to perform the above review. He/she will facilitate the approval of reports by DDG and DG by submitting a memo (modify the memo given in **Appendix - 8**).

After completing the responsible manager's review of QAR report, the DDG will:

- perform the final review of the QAR reports.
- approve the final report and forwarding letter of the report for consideration by the DG (modify the forwarding letter given in **Appendix -9**).

The DDG's review will be performed before the QA report is signed off by QA reviewer and team leader.

10.6 FOLLOW UP OF QA RECOMMENDATIONS

Follow up on implementation of QA recommendations is an important element in the mechanism to ensure that the participating SAls have acted upon those QAR recommendations. The responsible manager will follow up either directly with the concerned SAls or in collaboration with the INTOSAI regional partners. The initiative manager will prepare the follow up report and apprise the DDG, which will then be considered for reporting in the IDI's PAR. The follow up report can be prepared in a format given in **Appendix 10**. The current status of the implementation of QAR recommendations needs to be communicated back to SAls.

As the nature and the time required for implementation of different QAR recommendations will differ, the follow up needs to be done on a periodic basis until all recommendations have been implemented. SAls may also be encouraged to keep IDI informed as and when the recommendations have been implemented.

11. ENSURING THE QUALITY OF QA REVIEW PROCESS

The responsible manager needs to ensure the quality of QA review process. This may be achieved through a coordinated effort with responsible actors given in the responsibility matrix, and by ensuring that the QA reviewers and independent reviewers have followed the respective ToRs. Any significant issues relating to quality of the QARs may be escalated to the DDG and the DG.

12. IMPLEMENTATION OF QA REVIEW PROCESS

Figure 12.1 is the QAR process that is expected to be followed and implemented by the QA reviewers. This process is further elaborated in the ToR for QA reviewers. The responsible manager will monitor to ensure that the QA reviewers implement and follow this process.

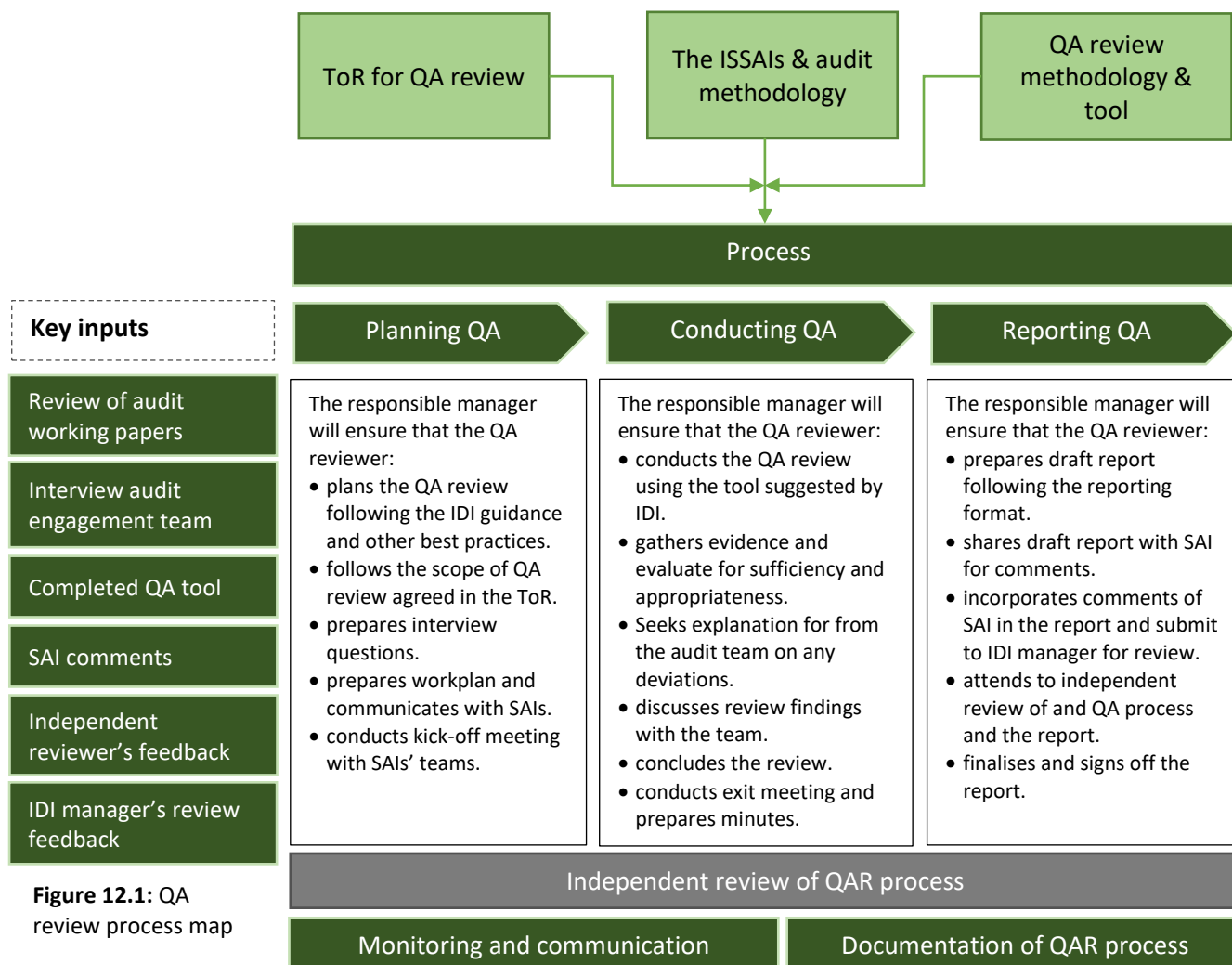


Figure 12.1: QA review process map

Independent review of QAR process: The responsible manager will ensure that an independent reviewer conducts the review of the entire QAR process using the review checklist in **Appendix-6**.

Monitoring & Communication: The responsible manager will monitor the progress of QA review process to ensure that the QA reviewers perform the review as per the timeline outlined in the ToR with SAIs. Any hindrances to the progress may be escalated to the responsible DDG and suggest appropriate interventions for successful completion of the review. Some matters may also need to be communicated to both the QA reviewers, audit engagement teams and SAIs.

Documentation of QAR process: The responsible manager will ensure that the QA review process has been well documented and archived in the designated IDI share point/Teams. He/she will ensure that the QA reviewer had handed over the QA review working papers (either in the form of electronic or hard copies). The completed QA review tool is the primary documentation, while there could be other

supporting documents such as minutes of the meeting, emails, etc. He/she will also ensure that an independent reviewer had handed over all the relevant working papers.

13. DOCUMENT LESSONS LEARNED AND WAY FORWARD

Upon issuing all the QA review reports to participating SAIs, the responsible initiative manager will compile critical findings and recommendations from the reports. The root causes of non-compliance to standards and quality control procedures for IDI supported cooperative audits can be analysed which will be useful for initiatives.

The lessons learned from the QA review exercise needs to be documented, which will provide the basis to either correct or further strengthen the future QA review process. The lessons learned may cover administrative, operational, and technical matters and each of these needs to be dealt with appropriately and followed up regularly.
