# Tool 12d. Monitoring tool for review of compliance audit engagement

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| **Subject Matter** | **:** |  |
| **Audit Period** | **:** |  |
| **Audit Supervisor** | **:** |  |
| **Period of Inspection** | **:** |  |

**Note:** The criteria in this tool are based on ISSAI 4000 requirements. The tool should be updated when there are new changes in the standards, especially the changes that will be brought by the new quality management standards. Take note that since conforming amendments as a result of the revision of ISSAI 140 are not yet available, some references and terms in this tool are still referring to the old concept “quality control system” rather than the new System of Audit Quality Management.

| **REQUIREMENT** | **CA ISSAI Ref.** | **Implemented in the audit? (Yes/No/NA)** | | **Remarks** |
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| **GENERAL REQUIREMENTS OF COMPLIANCE AUDITING** | | | | |
| **Objectivity and ethics** | | | | |
| 1. The auditor shall comply with the relevant procedures relating to objectivity and ethics, which in turn shall comply with the related ISSAIs on objectivity and ethics. | ISSAI 4000.45 | |  |  |
| 1. The auditor shall take care to remain objective so that findings and conclusions will be impartial and shall be seen as such by third parties. | ISSAI 4000.48 | |  |  |
| **Audit Risk** | | | | |
| 1. The auditor shall perform procedures to reduce the risk of producing incorrect conclusions to an acceptable low level. | ISSAI 4000.52 | |  |  |
| **Risk of Fraud** | | | | |
| 1. The auditor shall consider the risk of fraud throughout the audit process, and document the result of the assessment. | ISSAI 4000.58 | |  |  |
| **Selection of areas significant for the intended user(s)** | | | | |
| 1. Where the SAI has discretion to select the coverage of compliance audits it shall identify areas that are of significance for the intended user(s). | ISSAI 4000.64 | |  |  |
| **Professional judgment and skepticism** | | | | |
| 1. The auditor shall exercise professional judgment throughout the audit process. | ISSAI 4000.71 | |  |  |
| 1. If expertise in a difficult or contentious issue is not available in the audit team, professional advice shall be sought. | ISSAI 4000.74 | |  |  |
| 1. The auditor shall exercise professional skepticism, and maintain an open and objective mind. | ISSAI 4000.77 | |  |  |
| **Quality Control** | | | | |
| 1. The SAI shall take responsibility for the overall quality of the audit to ensure that the audits are carried out in accordance with relevant professional standards, laws and regulations, and that the reports are appropriate in the circumstances. | ISSAI 4000.80 | |  |  |
| 1. The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit. | ISSAI 4000.85 | |  |  |
| **Documentation** | | | | |
| 1. The auditor shall prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached. The auditor shall prepare the audit documentation in a timely manner, keep it up to date throughout the audit, and complete the documentation of the evidence supporting the audit findings before the audit report is issued. | ISSAI 4000.89 | |  |  |
| **Communication** | | | | |
| 1. The auditor shall communicate in an effective manner with the audited entity and those charged with governance throughout the audit process. | ISSAI 4000.96 | |  |  |
| 1. Instances of material non-compliance shall be communicated with the appropriate level of management and (if applicable) those charged with governance. Other significant matters arising from the audit that are directly relevant to the entity shall also be communicated. | ISSAI 4000.99 | |  |  |
| **REQUIREMENTS RELATED TO THE COMPLIANCE AUDITING PLANNING PROCESS** | | | | |
| **Identifying intended user(s) and responsible party** | | | | |
| 1. The auditor shall explicitly identify the intended user(s) and the responsible party and consider the implication of their roles in order to conduct the audit and communicate accordingly. | ISSAI 4000.101 | |  |  |
| **Defining the subject matter and the corresponding audit criteria** | | | | |
| 1. Where the SAI has discretion to select the coverage of compliance audits, the auditor shall define the subject matter to be measured or evaluated against criteria. | ISSAI 4000.107 | |  |  |
| 1. Where the SAI has discretion to select the coverage of compliance audits, the auditor shall identify relevant audit criteria prior to the audit to provide a basis for a conclusion/an opinion on the subject matter. | ISSAI 4000.110 | |  |  |
| **Determining the level of assurance** | | | | |
| 1. Depending on the mandate of the SAI, the characteristics of the subject matter, and the needs of the intended user(s), the auditor shall decide whether the audit shall provide reasonable or limited assurance. | ISSAI 4000.121 | |  |  |
| **Determining materiality** | | | | |
| 1. The auditor shall determine materiality to form a basis for the design of the audit, and re-assess it throughout the audit process. | ISSAI 4000.125 | |  |  |
| **Understanding the entity and its environment including the internal control** | | | | |
| 1. The auditor shall have an understanding of the audited entity and its environment, including the entity’s internal control, to enable effective planning and execution of audit. | ISSAI 4000.131 | |  |  |
| **Audit strategy and audit plan** | | | | |
| 1. The auditor shall develop and document an audit strategy and an audit plan that together describe how the audit will be performed to issue reports that will be appropriate in the circumstances, the resources needed to do so and the time schedule for the audit work. | ISSAI 4000.137 | |  |  |
| **REQUIREMENTS RELATED TO PERFORMING AUDIT PROCEDURES TO OBTAIN AUDIT EVIDENCE** | | | | |
| **Sufficient and appropriate audit evidence** | | | | |
| 1. The auditor shall plan and perform procedures to obtain sufficient and appropriate audit evidence to form a conclusion with the selected level of assurance. | ISSAI 4000.144 | |  |  |
| 1. The auditor in a SAI with jurisdictional powers shall perform procedures to obtain sufficient and appropriate audit evidence regarding the liability of the public official who might be held responsible for non-compliance/unlawful acts. | ISSAI 4000.153 | |  |  |
| 1. The auditor shall select a combination of audit techniques to be able to form a conclusion with the selected level of assurance. | ISSAI 4000.158 | |  |  |
| 1. In SAIs with jurisdictional powers, the inquiry shall be carried out in written form when requested by the national law. | ISSAI 4000.170 | |  |  |
| **Audit sampling** | | | | |
| 1. The auditor shall use audit sampling, where appropriate, to provide a sufficient amount of items to draw conclusions about the population from which the sample is selected. When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. | ISSAI 4000.172 | |  |  |
| **REQUIREMENTS RELATED TO EVALUATING AUDIT EVIDENCE AND FORMING CONCLUSIONS** | | | | |
| 1. The auditor shall compare the obtained audit evidence with the stated audit criteria to form audit findings for the audit conclusion(s). | ISSAI 4000.179 | |  |  |
| 1. Based on the audit findings, and the materiality, the auditor shall draw a conclusion whether the subject matter is, in all material respects, in compliance with the applicable criteria. | ISSAI 4000.184 | |  |  |
| 1. The auditor shall communicate the level of assurance provided in a transparent way. | ISSAI 4000.188 | |  |  |
| **REQUIREMENTS RELATED TO REPORTING** | | | | |
| 1. The auditor shall communicate the conclusion in an audit report. The conclusion can be expressed either as an opinion, conclusion, and answer to specific audit questions or recommendations. | ISSAI 4000.191 | |  |  |
| 1. The auditor shall prepare an audit report based on the principles of completeness, objectivity, timeliness, accuracy and contradiction. | ISSAI 4000.202 | |  |  |
| **Report structure - direct reporting engagement** | | | | |
| 1. The audit report shall include the following elements (although not necessarily in this order): 2. Title 3. Identification of the auditing standards 4. Executive summary (as appropriate) 5. Description of the subject matter and the scope (extent and limits of the audit, including the time period covered) 6. Audit criteria 7. Explanation and reasoning for the methods used 8. Findings 9. Conclusion(s) based on answers to specific audit questions or opinion 10. Replies from the audited entity (as appropriate) 11. Recommendations (as appropriate) | ISSAI 4000.210 | |  |  |
| **Report structure - attestation engagement** | | | | |
| 1. The audit report shall include the following elements (although not necessarily in this order): 2. Title 3. Addressee 4. Description of the subject matter information, and when appropriate the underlying subject matter 5. Extent and limits of the audit including the time period covered 6. Responsibilities of the responsible party and the auditor 7. Audit criteria 8. Identification of the auditing standards and level of assurance 9. A summary of the work performed and methods used 10. Opinion/conclusion 11. Replies from the audited entity (as appropriate) 12. Report date 13. Signature | ISSAI 4000.218 | |  |  |
| **Additional report structure - SAIs with jurisdictional powers** | | | | |
| 1. In the SAIs with jurisdictional powers, the auditor shall consider the role of the prosecutor or those responsible for dealing with judgment issues within the SAI, and shall also include as appropriate, the following elements in both direct reporting and attestation engagements: 2. Identification of the responsible parties and the audited entity. 3. The responsible person(s) involved and their responsibilities. 4. Identification of the auditing standards applied in performing the work. 5. Responsibilities of the auditor. 6. A summary of the work performed. 7. Operations and procedures etc. that are affected by non-compliance acts and/or possible unlawful acts. This needs to include, as appropriate:  * description of the finding and of its cause * The legal act which has been infringed (the audit criteria), * The consequences of the non-compliance acts and/or possible unlawful acts.  1. The responsible persons and their explanations regarding their non-compliance acts and /or possible unlawful acts, when appropriate. 2. The auditor’s professional judgment which determines whether there is personal liability for non-compliance acts. 3. The value of the loss/misuse/waste created and the amount to be paid due to personal liability. 4. Any measures taken by responsible persons during the audit to repair the loss/misuse/waste created. 5. The management’s arguments on the non-compliance/unlawful acts. | ISSAI 4000.221 | |  |  |
| **Considerations related to the reporting of suspected unlawful acts** | | | | |
| 1. In conducting compliance audits, if the auditor comes across instances of non-compliance which may be indicative of unlawful acts or fraud, s/he shall exercise due professional care and caution and communicate those instances to the responsible body. The auditor shall exercise due care not to interfere with potential future legal proceedings or investigations. | ISSAI 4000.225 | |  |  |
| **REQUIREMENT RELATED TO FOLLOW-UP** | | | | |
| 1. The auditor shall decide follow up on opinions/conclusions/ recommendations of instances of non-compliance in the audit report when appropriate. | ISSAI 4000.232 | |  |  |