

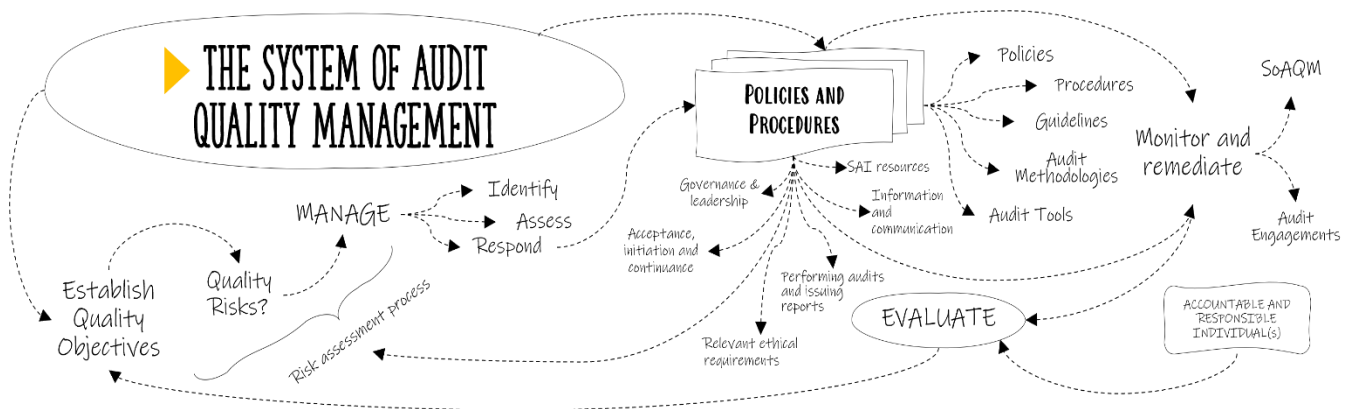
ENVELOPE 3

Setup a System of Audit Quality Management (SoAQM)

What is the System of Audit Quality Management?

Audit quality refers to the degree to which the audit engagements performed, and reports issued by the SAI comply with professional standards and applicable legal and regulatory requirements, help the SAI in fulfilling its mandate, and contribute value.

The new ISSAI 140 raises the bar on how the SAI manages audit quality through establishment of systemic, risk-based and dynamic quality management. It requires the establishment of quality objectives, aligned to the organizational objectives, the identification of risks to the achievement of those objectives, the design and implementation of response actions as per identified risks, a process of monitoring and remediation and a system of annual evaluation of the system of audit quality management as a whole. The new standard places ultimate responsibility on SAI leadership, for taking decisions related to the system, as well as evaluation of the system.



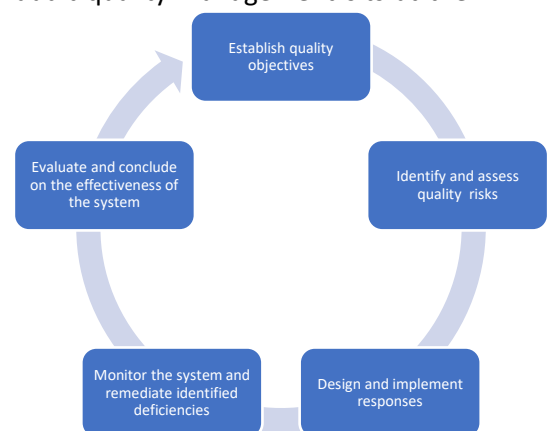
Why is there a need for SoAQM?

SAIs make a difference to the lives of citizens through their audits. To be able to fulfil their functions and ensure their potential value to the public, SAIs need to be trustworthy. To build trust, establish credibility and sustain effectiveness of SAIs, there is a need to ensure quality in the different types of audits the SAIs perform. A robust well-functioning system of audit quality management sits at the heart of SAI's audit work. It is the mechanism through which a SAI provides assurance to its stakeholders about the quality and value of its audit work.

How can the SAI establish SoAQM?

We suggest that SAIs start with assessing their status *vis a vis* the requirements of updated ISSAI 140. Based on such assessment, the SAI would need to develop or revise its current policies related to quality management.

Establishing SoAQM would require the SAI to put in place and implement policies and organizational processes for establishing quality objectives, managing risk, monitoring and remediation as well as evaluation.



The SAI also needs to have in place competent people to run the system on a regular basis. However, SOAQM is scalable and needs to be fit for purpose in the SAI context. As such most of the decision making on how to set up the system is left to the SAI management. Such decisions are to be taken by the SAI leadership based on the context of each SAI.

What support will the IDI provide under this envelope?

The IDI has developed a playbook for system of audit quality management. The playbook provides detailed explanation on the upcoming ISSAI 140 and different options that the SAI can exercise for designing and implementing a 'fit for purpose SoAQM'.

As a part of Phase I, each SAI would have examined its processes for ensuring performance audit quality. In Phase II we will build on that work and:

1. Help the SAI in assessing needs for an overall system of audit quality management in light of the requirements of the new standard.
2. Based on such needs assessment, we will help the SAI leadership in developing policies and processes for SoAQM, covering different aspects of the system, with due regard to the local context and capacities
3. Help the SAI in setting up some of these processes e.g. establishment of quality objectives, as system of assessing risks to quality
4. We also expect to facilitate awareness and understanding of SAI leadership and staff about SoAQM and help develop professional staff capacity in this area.

The size, shape and timeframe of this envelope will be decided after detailed dialogue between IDI team and SAI top management and technical leaders.