

Quality Control for Financial Audits

Quality Control: Pre-Requisites

Staffing

- NAO invests time and money into recruiting and training good quality staff
- Retention can be a problem

Framework Contract

- Contract with eight top-20 UK Accountancy Firms
- Used to manage shortfalls of staff during peak audit season and to provide expertise in key areas

Quality Control Procedures

NAO complies with International Standard on Audit Quality Control 1 (ISQC1)

Internal

- All audits reviewed by assignment manager and director
- Standards Assurance Reviews
- Cold Review Process

External

- Quality Assurance Directorate Review
- Feedback from our clients

Review by Assignment Managers & Directors

- Objectives

- ensure work supports opinion
- ensure work complies with auditing standards
- bring more than one level of judgement to bear

Detailed Review

- By Assignment Manager
- all working papers



Overall Review

- By Assignment Director, to satisfy themselves that
 - audit conducted to auditing standards and NAO standards
 - sufficient and appropriate audit evidence
 - certificate is appropriate and supported

Standards Assurance Reviews

- If there are particular sensitivities, audit risks or difficult judgements (e.g. a qualified opinion)
- Further review by director independent of team
- Member of senior management board can also be involved
- ‘Hot Review’ - before sign-off

Cold Review Process

- Annual Process
- Set criteria for selecting audits
- Independent review teams
 - Experienced director and manager from different areas
- Audits are graded
- Good practice/lessons learnt disseminated

Selection criteria for cold reviews

- 25-30 audits - 5% by number, 8% by value of total audit base
- each director each year
- each manager at least every 3 years
- each major audit at least every 5 years
- comprehensive and balanced coverage of:
 - type of account
 - size of account
 - complexity of account

What does the review look for?

- Conclusions on Planning, Fieldwork, Completion, Management & Review
 - timely
 - complete
 - performed and reviewed by suitably qualified staff
 - properly documented and summarised
 - sound judgement / supports opinion

Results of cold reviews

- Each audit reviewed is graded
- Reports prepared for Senior Management on performance
- Office wide lessons disseminated by circulars and training courses

Quality Assurance Directorate Review

- QAD Directorate of ICAEW
- Quality assurance on audit firms
- Cold review of a selection of audits
- Whole of office procedures
- Recommendations not mandatory

Feedback from our clients

- Obtaining client feedback is important
- We use a questionnaire
- Covers:
 - Reporting and NAO Impact
 - Approach and Methods
 - Working Relationships
 - General comments