

Financial Audit Experiences in Quality Control in the Audit Process and Post Audit Quality Assurance

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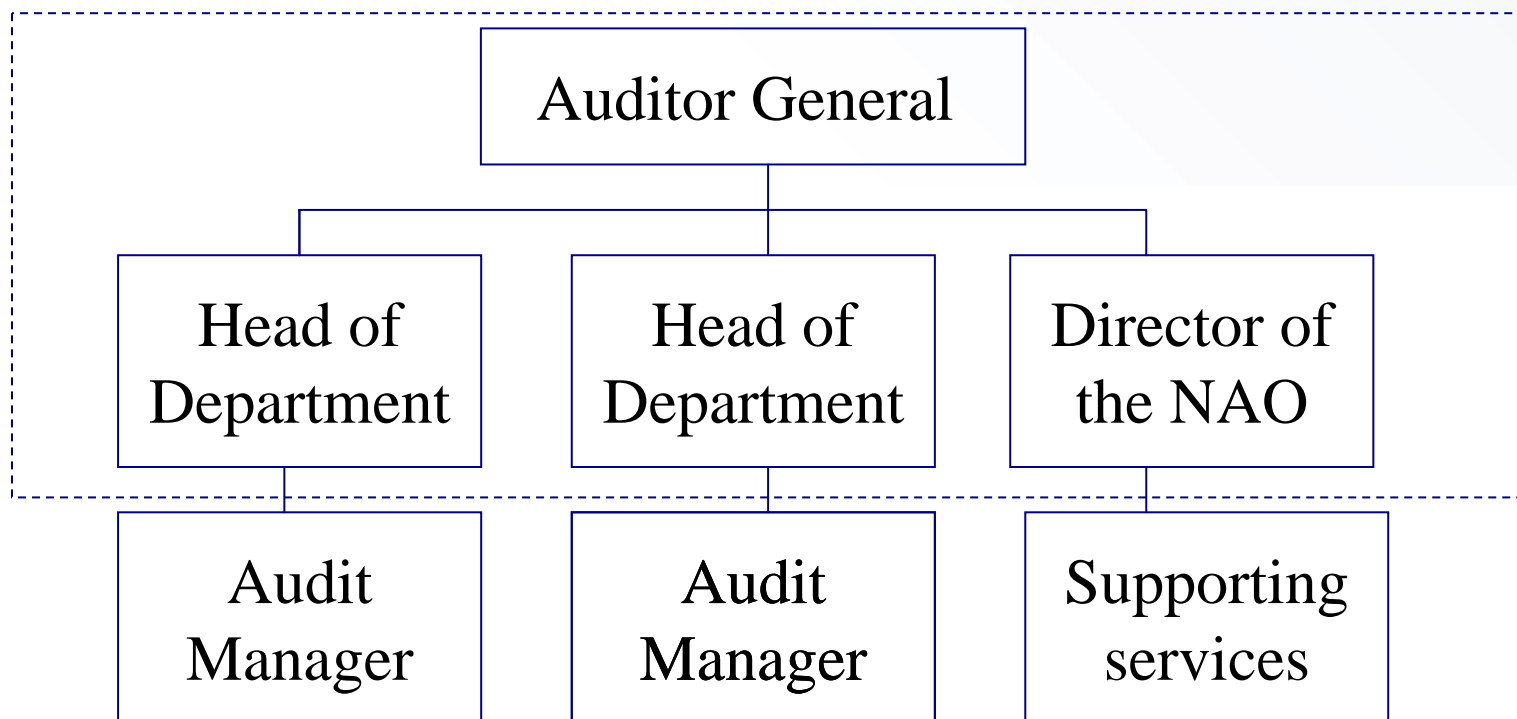
Introduction

- The consolidated annual accounts are prepared in accordance with International Accounting Standards
- According to the State Budget Act the Riigikontroll has to audit the consolidated annual report of the state
- The Riigikontroll has to prepare an audit report, which is presented with the consolidated annual report of the state to the Parliament
- Audit report must contain an opinion of the accuracy of the consolidated report and the legality of the transactions
- Our resources for fulfilling this obligation: approximately 20 financial auditors divided between four audit departments

The consolidated annual accounts of Estonia

- The general accounting policies of the state became effective on 1 January 2004 and these policies essentially changed the accounting principles in state organisations
- Accrual based accounting
- All together 1888 public sector accounting entities
- The consolidated annual accounts consist of:
 - State figures and state consolidated accounts (incl state owned companies, foundations)
 - Information about local governments
 - Information about public and government sector
- Information necessary for consolidation is in one database
- Every reporting entity has to insert its trial balance to the database quarterly

Riigikontroll's structure (simplified)



Components of Quality Control (model)

- Prerequisites
 - Professional competence
 - Internal written policies (manuals), document templates and auditing software
- Quality Control in the Audit Process
 - Integrity, due care, professional behaviour
 - Clear responsibilities (who will do the work and who will review)
 - Review and consultation
- Post Audit Quality Assurance
 - QA team makes an annual review

How we ensure quality in audit process

- We standardise as much as possible (and reasonable) with internal written policies (manuals), document templates and auditing software
- Audit documentation software ensures the usage of the same (and latest version) document templates over the organization
- Software makes reviewing (sign-off) easier and gives possibility to check that sign-offs are done
- For consultation we have methodology unit. Actually the unit reviews almost all audit plans and reports
- In the end of planning and report writing phases audit team has the possibility to assemble a team from audit managers who will review plan or report as external experts

Activities what we have used or are using to achieve the required quality

- SIGMA experts reviewed our audit process and highlighted areas where Riigikontroll had space for improvements. They compared our audits to international auditing standards and best practise of others SAI-s
- We have reviewed our audit process. During the review we listed our process steps and necessary document templates for every step
- We are reviewing all financial audit documentation templates
- We started using audit documentation software
- We have had lots of trainings (in accounting, auditing, project management etc).
- We started a cycle of seminars to discuss IFAC principles in our new audit manual

Planned activities to improve audit quality

- Official engagement in quality control review (before issuing an auditor's report)
- Formation and training of quality assurance team and starting that process
- Certification of auditors (minimum requirement on audit manager and head of department level)
- We are preparing amendments in law that regulate requirements of public sector entities' annual accounts audits if audit is done by private auditors.

Discussion panel

Questions,
Lessons learnt