



STATE AUDIT
OFFICE OF HUNGARY

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Quality Management System within the State Audit Office of Hungary

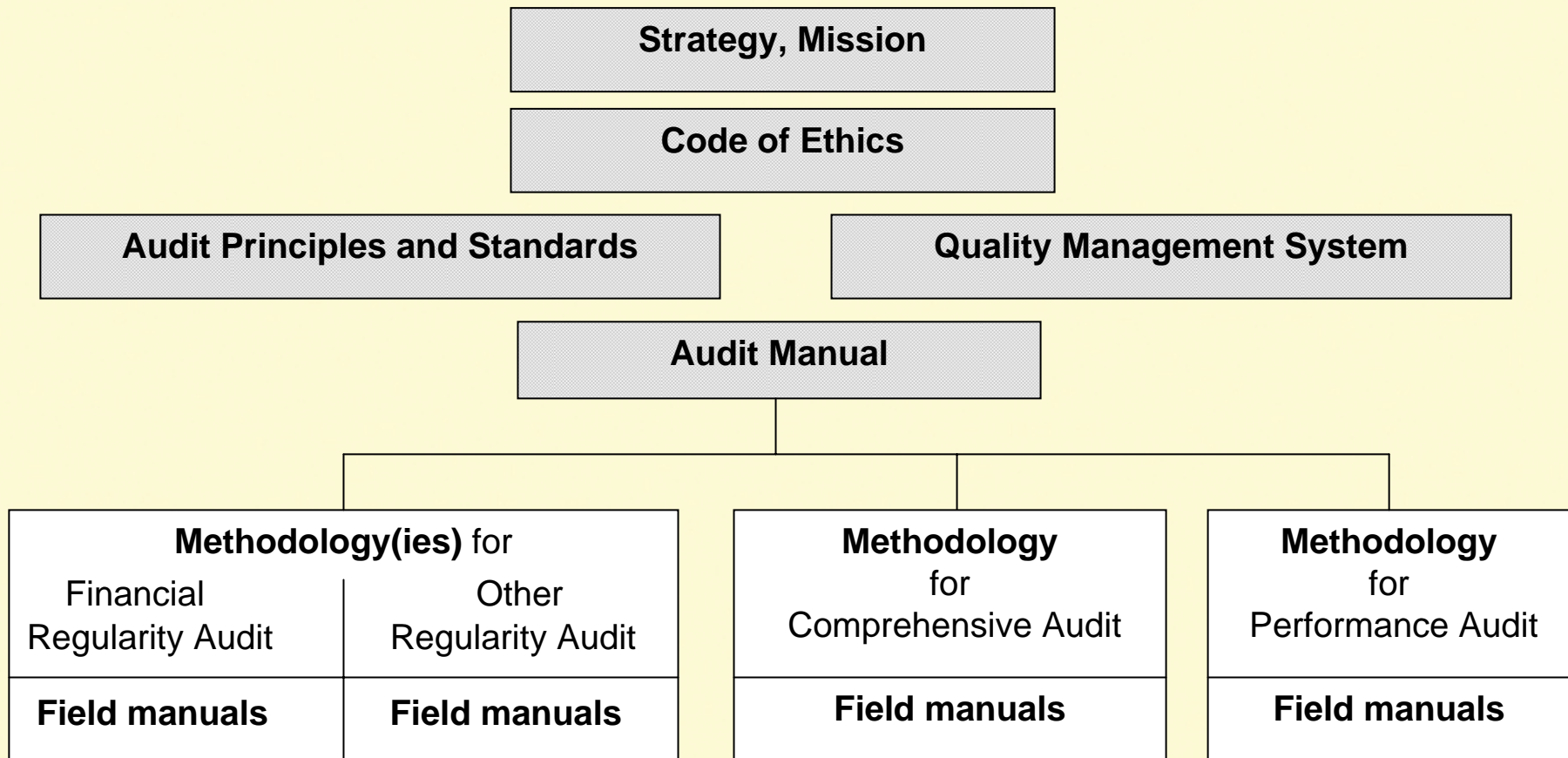
Antecedents

- Decision of the SAO President to develop an internal regulation to establish quality management system
- Background materials considered and of which provisions have been adapted to national environment:
 - Guidelines on Audit Quality
 - Common Assessment Framework (CAF)
 - ASOSAI Guidelines on Audit Quality Management System
 - Quality-related requirements of other SAIs
 - ISO standards on quality
 - Quality regulation of large accounting and consulting companies

Precondition to further develop the quality management system at the SAO:

The SAO has its own audit principles, standards and manuals based on international standards (such as INTOSAI standards, IFAC standards). They are altogether called the regulation system of the audit work.

Elements of the professional regulation system of the SAO



Elaboration of the 'Quality Document' (i)

Carrying out an in-depth review of the legal status, duties and tasks of the SAO which – among others – include audits in respect of:

- system of public finances
- local governments
- political parties receiving subsidies from the central budget
- National Bank of Hungary
- foundations, public foundations
- non-profit and non-governmental organisations
- statutory collegiate bodies
- natural and legal persons receiving public subsidies

Elaboration of the 'Quality Document' (ii)

Major measures taken to ensure an adequate quality of the audit work and results:

- establishment of an independent Quality Assurance Unit (carrying out hot and cold reviews)
- setting up of internal quality controls
- putting supervisory and review procedures in place

Elaboration of the 'Quality Document' (iii)

Basic objective of further developing the quality management system:

Ensuring an evenly good quality of the audit work and results, comprising the findings, conclusions and recommendations included in the reports and opinions.

Elaboration of the 'Quality Document' (iv)

The 'Quality Document' is an internal regulation, which:

- describes and regulates in a comprehensive manner factors and conditions having an impact on audit quality and is tightly interrelated with the internal professional regulation system;
- focuses on aspects, requirements, procedures to be taken into account, met and followed respectively in order to ensure adequate quality;
- covers all organisational structures, procedures, processes and resources that are absolutely necessary to ensure the good quality of audit work and reports;
- covers all elements of the audit activity.

Elaboration of the 'Quality Document' (v)

Main Chapters of the 'Quality Document':

1. Introduction
2. General Provisions
3. Leadership and Direction
4. Human Resource Management
5. Audit Activity
6. External Relations of the SAO
7. Continuous Development and Improvement

Elaboration of the 'Quality Document' (vi)

Subchapters of the 'Quality Document':

1. General Provisions

- 1.1. Goal of establishing the quality management system
- 1.2. Interrelations between the quality management system and the professional regulation system
- 1.3. Quality requirements
- 1.4. Elements of the quality management system

Elaboration of the 'Quality Document' (vii)

Subchapters of the 'Quality Document':

2. Leadership and Direction

2.1. Principles of direction

2.2. Elements of leadership and direction

2.2.1. A working environment designed to serve the fulfilment of the high professional requirements set by the top management

2.2.2. The SAO's vision, mission, basic values and the audit standards

2.2.3. Strategic direction and planning

2.2.4. Strategic and annual audit planning

2.2.5. Identifying, assessing and managing risks

Elaboration of the 'Quality Document' (viii)

Subchapters of the 'Quality Document':

3. Human Resource Management

- 3.1. Ensuring adequate HR-conditions,
recruitment / replacement
- 3.2. Training, Human Resource development
- 3.3. Performance requirements and evaluation
- 3.4. Personal allowances, welfare measures

Elaboration of the 'Quality Document' (ix)

Subchapters of the 'Quality Document':

4. Audit Activity

- 4.1. Supervising the audit work
- 4.2. Reviewing the audit work
- 4.3. Audit team
- 4.4. IT tools
- 4.5. Tools and guidance supporting the audit work
- 4.6. Legal support
- 4.7. Hiring external experts
- 4.8. Preparing for the audits
- 4.9. Audit evidence and documentation of audit work
- 4.10. On-site audit
- 4.11. Developing the draft audit reports
- 4.12. Independent review of draft reports

Elaboration of the 'Quality Document' (x)

Subchapters of the 'Quality Document':

5. External Relations of the SAO

5.1. Communicating the audit messages

5.2. Relations with the Parliament

5.3. Feedback from the users of audit results

Elaboration of the 'Quality Document' (xi)

Subchapters of the 'Quality Document':

6. Continuous Development and Improvement

6.1. Continuous review and monitoring

6.2. Quality assurance review

6.3. Self-assessment

6.4. External opinions

6.5. Other ways of continuous improvement

Elaboration of the 'Quality Document' (xii)

As the 'Quality Document' does not apply to all operations of the SAO, it cannot be regarded as a Total Quality Management system. (For instance, it does not include any provisions on supporting services.)

Elaboration of the 'Quality Document' (xiii)

The further development of the quality management system should bring other benefits beyond the appropriate audit quality. It should enhance further the integration of:

- external outputs necessary to methodological development activities;
- results of external and internal assessments of the SAO;
- data gathered and documented during the audits.

Summary

The document on the Quality Management System within the State Audit Office of Hungary has been developed in line with the key elements of existing regulations on auditing. The integration of the SAO's audit quality regulation into all internal controls will promote the achievement of good quality of audit results.

Some lessons learnt

- From the aspect of successful completion, it was important to know and thoroughly consider, even in the early stages, the views that auditor colleagues had when developing the 'Quality Document'.
- Making the colleagues aware of the role of the 'Quality Document' was of great importance.
- At the time of developing the document, it was also important to clear and resolve any temporary contradictions that prevailed between rules of the existing regulation in force and the prospective 'Quality Document'.
- The main advantage of the 'Quality Document' is that it treats quality as an individual system in the SAO's organisation, and based on existing internal regulations it pools all requirements and procedures necessary for ensuring quality into a single structure.
- The application of checklists describing self-assessment criteria may promote a continuous development quality in the audit work.

Thank you for your kind
attention!