



Quality assurance for audit: interactive seminar

WHY? WHAT? HOW?

CAPA 60TH ANNIVERSARY, KUALA LUMPUR

9 NOVEMBER 2017

© ICAEW 2017

A big welcome to all

- Welcome to policy makers, regulators, government officials, PAO staff, audit practitioners and students of regulation.
- A special welcome also to representatives from the ADB-CAPA project pilot countries of Cambodia, Myanmar, Nepal and Samoa.
- Key themes in today's seminar are:
 - ✓ QA for audit matters to everyone.
 - ✓ The benefits of QA exceed the costs.
 - ✓ The public are the main beneficiaries.
 - ✓ QA should be a national priority.



Today's
seminar
designed for
everyone!

Today's presenters from ICAEW



Mark Campbell

Director, international
capacity building



Jon Hooper

Technical specialist
regulation



Bill Palmer

Technical specialist
PAO capacity building

Outline Agenda: Why? What? How?

This is an interactive seminar on:

1. *Why* establish QA for Audit?
2. *What* are the options?
3. *How* should it be done?

At each stage we will open for discussion on:

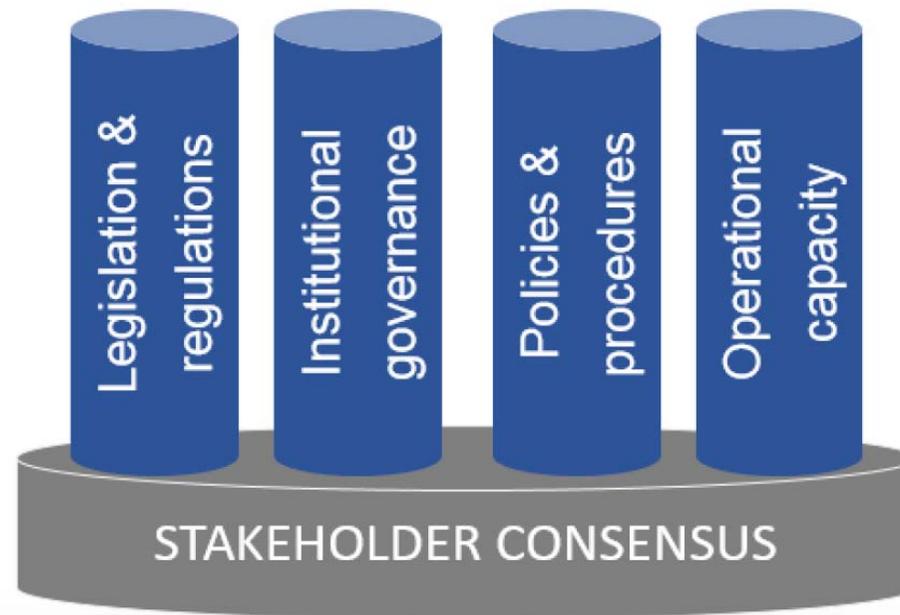
- Experiences to share
- Questions

The panel session later will explore in-country challenges and lessons.

QA for audit in context (1 of 3)

- Doctors are regulated. Auditors should be regulated too!
- QA for audit – like most forms of regulation – has 4 pillars:

The 4 pillars
of effective
regulation



© ICAEW 2017

QA for audit in context (2 of 3)

All 4 pillars
must be
good &
strong!

1. Legislation & regulations: are needed for a QA system is to be legally binding.

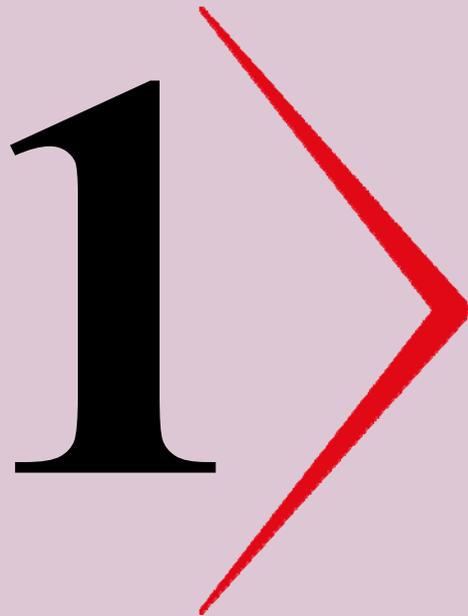
2. Institutional governance: are needed to provide oversight of QA.

3. Policies and procedures: are needed for consistent, fair and transparent QA.

4. Operational capacity: is needed if QA reviews (inspections) are to be effective.

QA for audit in context (3 of 3)

- Under the ADB Regional Technical Assistance (RETA) programme:
 - Four pilot countries were selected – Cambodia, Myanmar, Nepal & Samoa.
 - A good practice guide (GPG) was developed in consultation with the pilot countries, CAPA members and other stakeholders.
 - QA for Audit roadmaps were developed for each pilot country in consultation with the key in-country stakeholders.
 - An implementation program was initiated to implement the roadmaps. This will run until September 2018.



Why establish QA for Audit?

Why? (1 of 2)

Quality Assurance (QA) for Audit:

- Improves the quality of financial reporting
- Leads to better business confidence
- Strengthens the climate for investment
- Improves the environment for tax collection and public services
- Contributes to the foundations for economic development



The ultimate beneficiaries are the public and the nation!

Why? (2 of 2)

- Is the language around QA clear enough?
- Should PAOs do more to educate?
- Is there enough momentum across countries?
- Should more be done to raise public awareness?
- Are PAOs doing enough advocacy with key policy makers?
- What are your experiences?



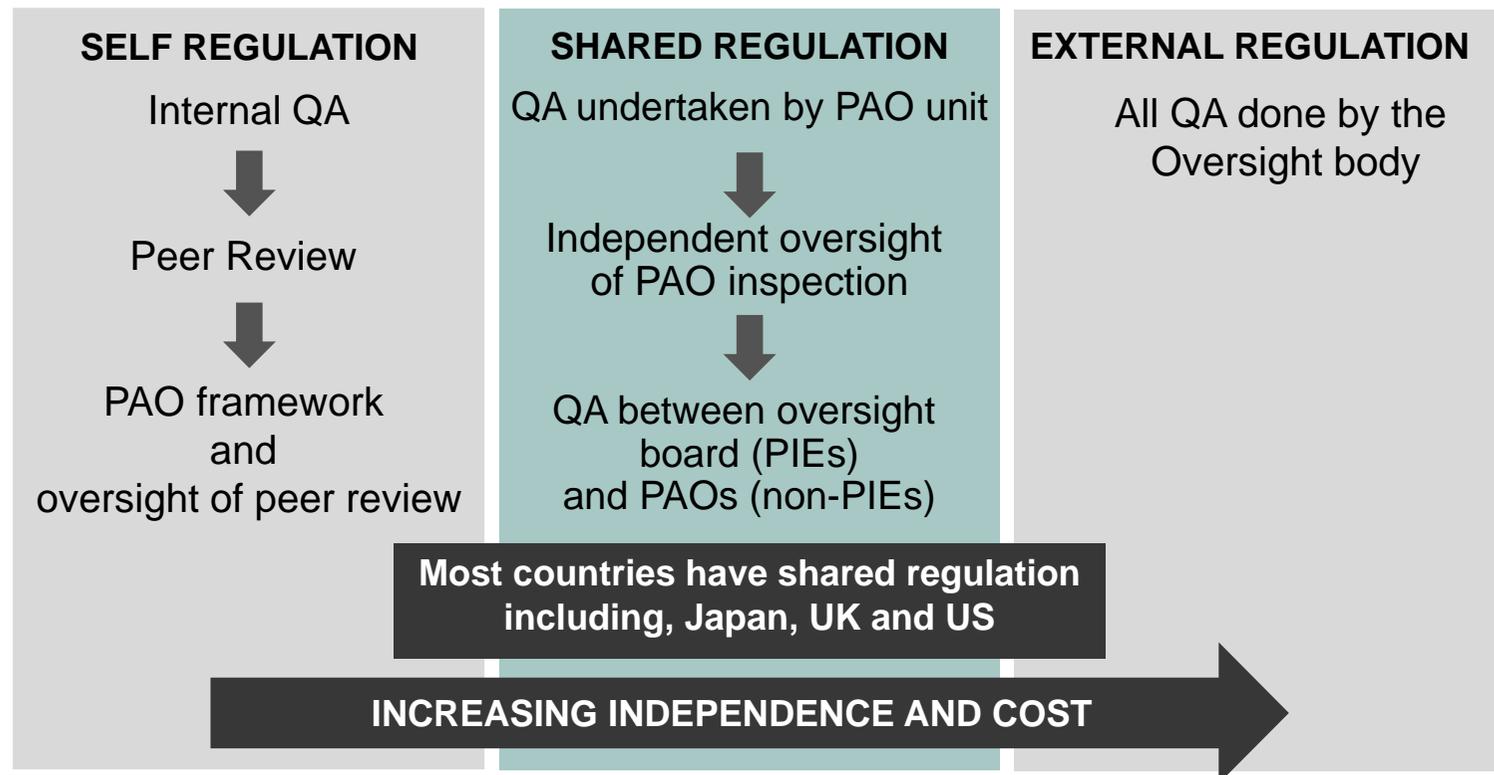


What are the options?

What? (1 of 3)

The most common options are:

- a) **Peer review**
- b) **QA unit within a PAO**
- c) **An independent regulatory agency**



What? (2 of 3)

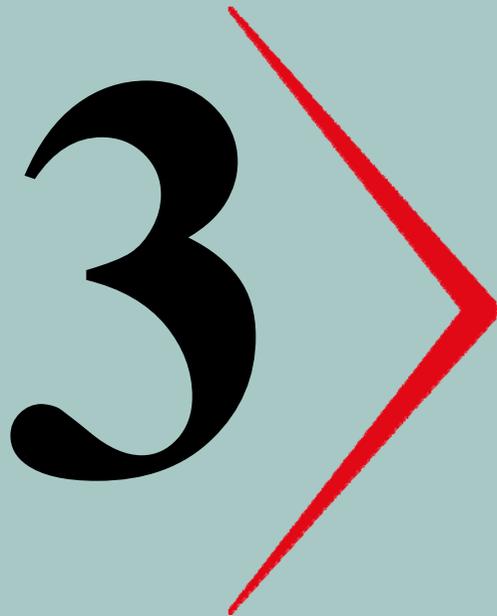
- Self-regulation involving peer review is inexpensive, but it lacks independence and can lead to conflicts of interest.
- External regulation under a regulatory agency is the most expensive.
- Shared regulation involving a PAO and regulator balances costs and benefits. IFAC's position paper (2011) highlights this balance.
- Legislation usually defines who is responsible – the regulator, PAO or both.
- While there are no international standards on QA for Audit, there are guides and benchmarks:
 - IFAC SMO 1
 - IFIAR Core Principles
 - IAASB Audit Quality Framework

What? (3 of 3)

- What are your experiences?
- Is there consensus in your country?
- What lessons can you share?
- Any questions?



© ICAEW 2017

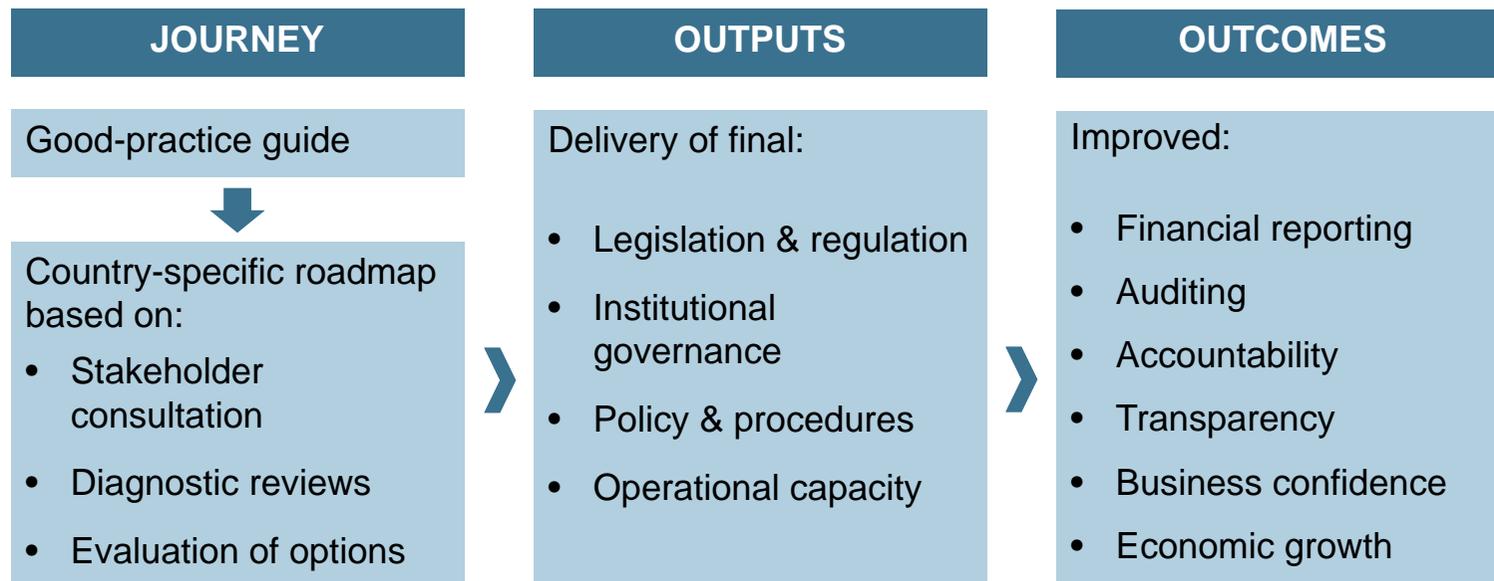


How should it be done?

How? (1 of 3)

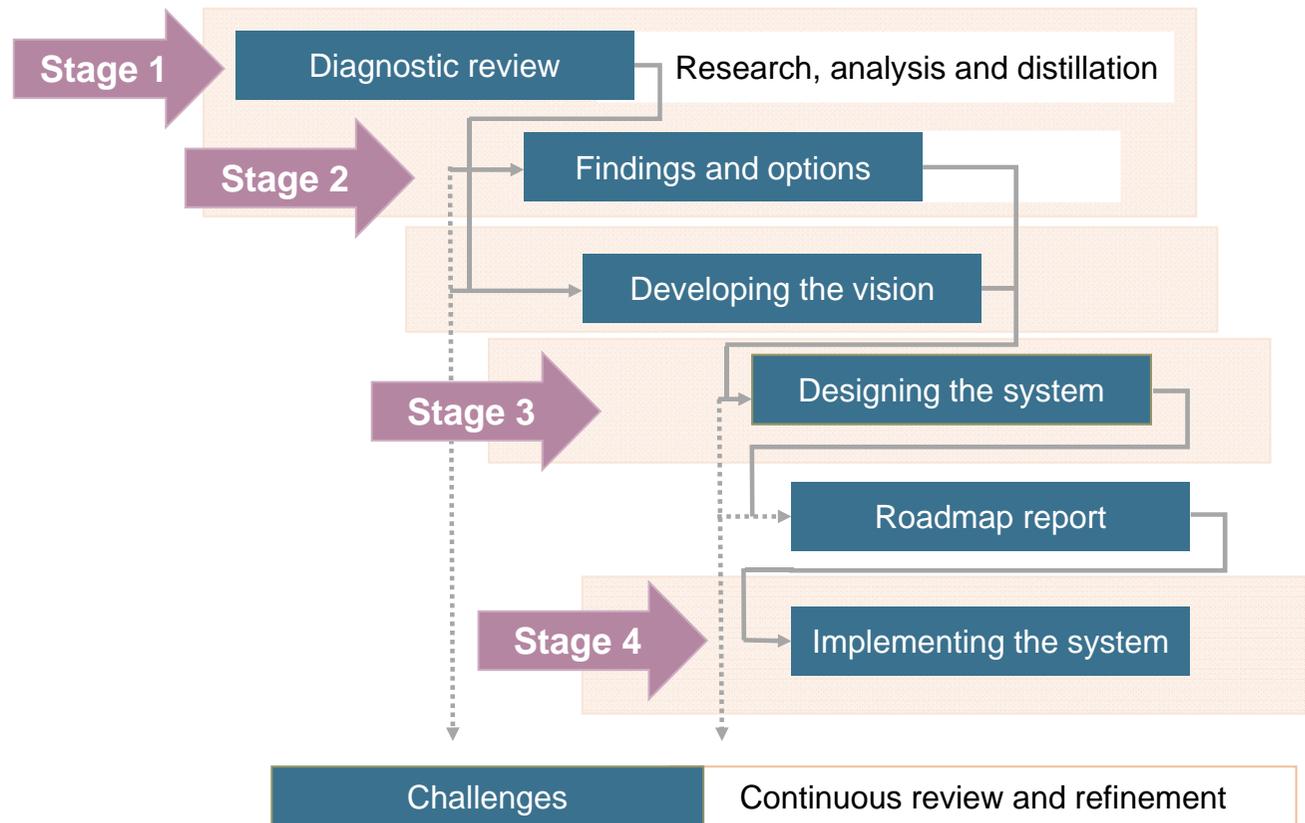
The GPG defines **4 stages** in the national journey to QA for Audit:

- **Stage 1:** Conducting a diagnostic review
- **Stage 2:** Developing the vision
- **Stage 3:** Designing the system
- **Stage 4:** Implementing the system



© ICAEW 2017

How? (2 of 3)



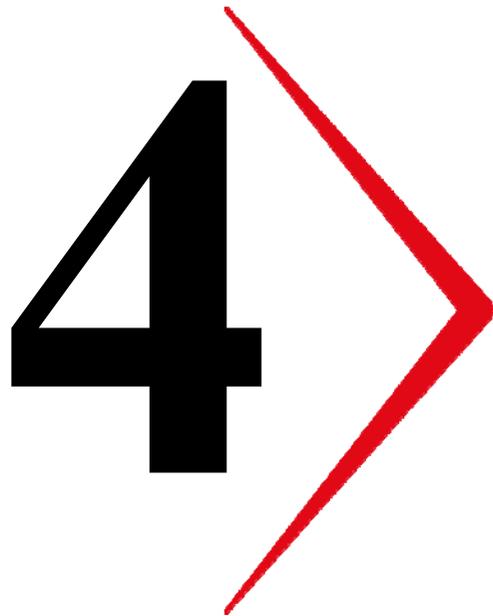
© ICAEW 2017

How? (3 of 3)

- What are your experiences?
- Have you achieved the vision?
- How satisfied are your stakeholders?
- Is your journey complete?
- Any questions?



© ICAEW 2017



Panel session
Lessons to share

© ICAEW 2017

Lessons to share – law and regulations

- Was new legislation needed for QA for Audit?
- Were new regulations (sub-decrees) issued to support the launch of QA for Audit?
- Was a new committee needed?
- How did you develop the audit inspection process and procedures?



© ICAEW 2017

Lessons to share – funding

- How is your system of QA for Audit funded?
- Who contributes – auditors, state, PAO, others?
- Can you estimate the cost?
- What were the challenges to agree the funding?



© ICAEW 2017

Lessons to share – resources

- What are the characteristics of your audit inspection team?
- What experience do they have?
- Are they full or part time?
- What are the backgrounds of members of the governing body?
- Do you have other resources in addition to the inspection team?



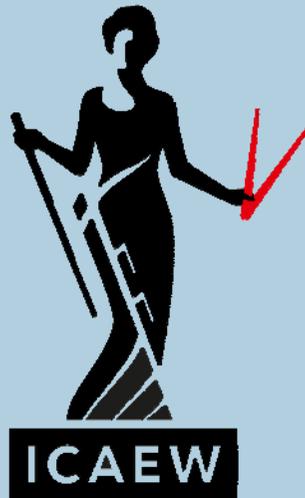
© ICAEW 2017

Lessons to share – other

- Have you got any other lessons to share today?



© ICAEW 2017



© ICAEW 2017