



Internal Quality Management Manual

October 2026

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LIST OF ABBREVIATIONS

AG	Auditor General/Head of SAI
QM	Quality Management
SoQM	System of Quality Management
SAI	Supreme Audit Institution
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Auditing Standards
ISSAI	International Standards of Supreme Audit Institutions
ICBF	Institutional Capacity Building Framework
AFROSAI-E	African Organisation of English-speaking Supreme Audit Institutions
SAI-PMF	Supreme Audit Institutions-Performance Measurement Framework
ISQM	International Standard of Quality Management
TORs	Terms of Reference

DEFINITIONS

Deficiency (in the SAIs system of quality management)	This exists when: (a) an appropriate quality objective is not established, or established incorrectly; (b) a quality risk, or combination of quality risks, is not identified or properly assessed; (c) a response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response(s) is not properly designed, implemented, or operating effectively; or (d) another aspect of the system of quality management is absent, or not properly designed, implemented or operating effectively, such that a requirement of this standard has not been addressed.
Engagement	Any work carried out by the SAI that is within the scope of the ISSAIs.
Engagement quality review	An objective assessment, performed by the engagement quality reviewer and completed before the date of the audit report, of the significant judgments made by the engagement team and the conclusions reached.
Engagement quality reviewer	An individual or a team, within the SAI or external, with appropriate experience and professional knowledge to perform the engagement quality review independently from the engagement team.

Engagement team	Individuals performing the engagement, and any other individuals who are responsible for, or perform, procedures on the engagement, excluding an external expert and internal auditors who provide direct assistance on an engagement.
Findings	In relation to a system of quality management, information about the design, implementation and operation of the system of quality management, which indicates that one or more deficiencies may exist.
Risk owners	This is an individual (s) responsible for managing specific risks within their areas of control, such as the line managers/directors.
Quality objectives	Desired outcomes to be achieved by the SAI in relation to the components of the system of quality management.
Quality risk	A risk that has a reasonable possibility of both (a) occurring and (b) individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.
Response	Policies and procedures designed and implemented by the SAI, and actions undertaken within the system of quality management to address one or more quality risks. (a) policies are statements of what should, or should not, be done to address a quality risk; (b) procedures are actions to implement policies

CHAPTER 1: INTRODUCTION

1.1 Introduction

SAIs are uniquely suited to providing independent views on the quality of public sector management and the extent to which the government is operating within the law, and commenting on the effectiveness of its public financial management systems. The quality of the SAI's audit services affects its reputation and credibility and ultimately its ability to execute its mandate effectively.

Quality management is not a separate function of the SAI; it is the integration of an **organisational culture** that demonstrates a commitment to quality within the SAI's strategy, operations and processes.¹ Setting up such a system involves a need to define roles and responsibilities in the system, as well as define the processes that should be used.

The revised ISSAI 140 represents a paradigm shift in how SAIs approach the management of quality for the services they provide. The change from a control to a management perspective signifies an evolution from reactive quality checks to a proactive, comprehensive, and risk-based approach to quality management. This requires the SAI to reflect and recognise that a shift in the mindset of the heads of SAI and management teams is needed.

One of the central tenets of the revised ISSAI 140 is the risk-based approach, requiring SAIs to identify and respond to risks that could affect the quality of their engagements. This approach encourages SAIs to consider both their different nature and circumstances and tailor their quality management efforts accordingly. It's a shift that acknowledges the diverse and nuanced challenges faced by different SAIs, promoting scalability and flexibility.

ISSAI 100 – Fundamental Principles of Public-Sector Auditing requires each SAI to design, implement and operate a system of quality management. A robust system of quality management is fundamental in ensuring the provision of reasonable assurance that the SAI carries out all audits and other engagements at a consistently high level of quality and in accordance with the ISSAIs, or other relevant standards and applicable legal and regulatory requirements.

¹ ISSAI 140:24.

1.2 The Objectives of the Manual

This manual outlines the actionable steps to help SAIs implement the revised ISSAI 140 seamlessly and manageably, creating a tailored system of quality management that aligns with the revised standard. This will assist SAIs to unlock the benefits of a robust quality management framework as outlined in ISSAI 140. While this transition may seem daunting, it is an opportunity for SAIs to strengthen their quality processes, enhance efficiency, and stay ahead in an increasingly complex environment. There are many ways of implementing the requirements, and they will depend on the context of the SAI.

Specifically, this quality management manual will assist in addressing how the SAI can comply with the requirements of the revised ISSAI 140. For example, it addresses issues relating to the following:

- How SAIs can organise the process for setting up a quality management system following the requirements in ISSAI 140
- Considerations in establishing roles and responsibilities for the system of Quality Management
- Considerations in setting objectives, identifying risks, identifying responses, implementing responses, monitoring the system and evaluating it.

1.3 How to Use this Manual

This manual is a guidance document, not a quality management manual for SAIs to adopt as it stands, and SAIs are discouraged from doing so. ISSAI 140 requires each SAI to design a system of quality management suited to its own nature and circumstances, and a system copied without adaptation from a regional manual is unlikely to meet that requirement. SAIs should instead use this manual to inform how they design, implement and review their own systems. It is the SAI's own policies, registers and procedures, not this manual, that describe and evidence its system of quality management.

Distinguishing requirements from guidance

To help SAIs see what they must do and what they may choose to do, the manual uses three conventions throughout:

- **Requirement (ISSAI 140):** Text that uses "shall" restates a requirement of ISSAI 140, with the relevant paragraph of the standard given in a footnote. These are the only mandatory elements of the manual.

- **Recommended practice:** Text that uses "should" or "is advisable" describes an approach that AFROSAI-E considers good practice in the region. ISSAI 140 does not require it, and an SAI may meet the underlying requirement in another way.
- **Illustrative option:** Text that uses "may" or "could" is illustrative only, as are all examples, rating scales, templates, tables and the case study in Appendix III. SAIs should adapt or discard these to suit their circumstances.

Keeping the system proportionate

The effort an SAI puts into its system of quality management should match its size, its complexity and the quality risks it faces. A small SAI can meet the requirements of ISSAI 140 with a lean system. For example, it can:

- assign operational responsibility to one senior person rather than a committee;
- build quality objectives, risks and responses into its existing strategic plan, operational plan and risk register, rather than creating parallel documents;
- rely on existing controls where they already address the quality risks; and
- describe the system in one short document supported by a single register.

The more detailed arrangements in this manual, such as project structures, advisory committees, multi-level rating scales and separate registers, are options for larger or more complex SAIs. They are not expected of every SAI. However well a system is designed on paper, it will not provide reasonable assurance if the SAI cannot maintain it with its available resources.

What the SAI should end up with. By the end of the process, the SAI should have its own documentation of its system of quality management. At a minimum, this should evidence the matters ISSAI 140 requires:

- the assignment of responsibilities;
- the quality objectives;
- the quality risks and their assessment;
- the responses to those risks;
- the monitoring and remediation process; and
- the annual evaluation of the system and the conclusion on it (see Chapter 8).

What the Manual Covers

The manual is divided into eight chapters and is based on addressing the ISSAI 140 requirements and application of the components with the SAI's system of quality management. In general, the SAI's system

of quality management addresses the following interconnected components in a continual and iterative manner:

- SAI's risk assessment process.
- governance and leadership.
- relevant ethical requirements.
- acceptance, initiation, and continuance of engagements.
- performing engagements.
- SAI resources.
- information and communication; and
- monitoring and remediation process.

The components mentioned above are key to the System of Quality Management (SoQM), while the requirements specify what must be designed, implemented, operated, monitored and documented within the system of quality management.

The requirements as per the revised ISSAI 140 are as follows:

- Establishing the system of quality management,
- Establishing quality objectives,
- Identifying and assessing quality risks,
- Designing and implementing responses,
- Monitoring the system of quality management and remedying identified deficiencies,
- Evaluating and concluding on the effectiveness of the system of quality management,
- Documenting the system of quality management.

1.4 Application of the Quality Management Standards

SAIs are uniquely positioned to apply quality management standards, either ISQM1 and 2 or ISSAI 140. The decision on which quality management standards to apply rests with the Head of the SAI. The decision is influenced by certain considerations such as:

The type of auditing standards being used by the SAI.

- If the SAI is conducting financial audits in accordance with the International Auditing Standards (ISAs), then the quality management standards to be used are ISQM 1,2 and ISA 220.

- If the SAI is conducting financial audits in accordance with the INTOSAI Standards for Supreme Audit Institutions (ISSAIs), the quality management standard to be used is ISSAI 140.

This manual is based on ISSAI 140.

1.5 Institutional Capacity Building Framework (ICBF)

It is critical that SAIs develop their professional and institutional capacity to discharge the requirements of their mandates most efficiently and effectively. In addition to requirements in the auditing standards, there are also additional legislative requirements placed on the SAI depending on its context and environment. These requirements could also be incorporated into the system of quality management to ensure a holistic approach in delivering services by the SAI. To address this gap, the region adopted the AFROSAI-E Institutional Capacity Building Framework (ICBF) as a tool to assist the development and review of the SAI's system of quality management. SAIs may also consider using the SAI-Performance Management Framework (SAI-PMF) for the same purpose to address issues that are not adequately covered by the ISSAI 140 requirements.

The ICBF enables and supports member-SAIs to develop and sustain their roles and capacity. The ICBF provides information and insights to SAIs and can be used as a self-assessment tool, enabling SAIs to identify quality management gaps and areas requiring improvement and how these can be achieved from an institutional perspective (own capacity building). This provides management with information to guide their strategies, identify risks, develop appropriate responses, and track progress against planned initiatives. Further, the ICBF is primarily a framework for the SAI to support its endeavours to reach an established level (level 3) and beyond in the best possible way in compliance with standards. As such, the ICBF was developed to promote institutional development and benchmark SAIs in the region.

Adopted in 2006 by the AFROSAI-E Governing Board, the framework makes provision for the requirements of the standards, with additional aspects to be considered by member SAIs. The requirements are grouped into five domains, namely:

- Independence and legal framework.
- Organisation and management.
- Human resources.
- Audit standards and methodology; and
- Communication and stakeholder management.

These domains go beyond the system of quality management outlined in the newly revised ISSAI 140 to include regional best practices. For example, the ICBF elements also provide for measuring the extent to which the SAI is performing in the areas of operationalising SAI independence, human resources development, governance, integrity control systems, communication, and others. In addition, the framework provides a comprehensive approach to understanding the business of the SAI and explains how the audit disciplines are affected by the performance of other elements in the institution. To maintain this complete picture of the elements needed for the effective functioning of the SAI, the ICBF is used in AFROSAI-E as the primary vehicle for SAIs in setting up a working system of quality management.

The table illustrates the comprehensive nature of the ICBF and gives examples of how the INTOSAI principles and ISSAIs are incorporated into the five domains. The ICBF is therefore a useful support when setting up and reviewing the system of quality management, but it is not a substitute for it, as explained below.

Table 1 A: Mapping of ISSAIs against ICBF

	1. Independence and Legal Framework	2. Organisation and Management	3. Human Resources	4. Audit Standards and Methodology	5. Communication and Stakeholder Management
ISSAI 140	Requirement 1	Requirements 1, 2, 3, 4 & 5	Requirement 1	Requirement 7	Requirement 1 & 8
INTOSAI P-1	Sections 5 and 16		Section 14	Sections 13 and 17	Section 15
INTOSAI P-10	Principles 1, 2, 3, 4, 5, 6, 7 and 8	Principle 3	Principle 6	Principles 3 and 7	Principle 3
INTOSAI P-20	Principle 6	Principles 2, 4 and 6	Principle 6		Principle 8

Table 1 B: Using ICBF results in the ISSAI 140 processes

ISSAI 140 process	How ICBF results can be used	Point to watch
Establishing quality objectives (Chapter 3)	Low-scoring domains and elements indicate where the quality objectives suggested in ISSAI 140 may need to be supplemented or made more specific to the SAI.	The quality objectives must still relate to the ISSAI 140 components; the ICBF domains do not replace them.

ISSAI 140 process	How ICBF results can be used	Point to watch
Identifying and assessing quality risks (Chapter 4)	Weaknesses identified in the ICBF assessment are conditions or circumstances that may give rise to quality risks, and the assessment evidence helps rate their likelihood and impact.	A low ICBF score is a symptom. The SAI still needs to state how the weakness could adversely affect a specific quality objective.
Designing and implementing responses (Chapter 5)	Improvement actions agreed after an ICBF assessment, or already included in the strategic plan, can serve as responses to quality risks, provided they are linked to the risks they address.	Avoid a separate SoQM action plan that duplicates actions already in the ICBF improvement plan or the strategic plan.
Monitoring and remediation (Chapter 6)	Periodic ICBF self-assessments and peer reviews provide information on whether the system is operating, particularly at the institutional level.	The ICBF does not test individual responses or engagements. It complements, but does not replace, monitoring activities such as engagement inspections.
Evaluating the system (Chapter 7)	Changes in ICBF results over time are one of the sources the person(s) responsible can draw on when concluding on the system.	The conclusion must be reached against the ISSAI 140 criteria for the system, not the ICBF maturity level.

A practical way to use both frameworks is to align their cycles: the results of the most recent ICBF self-assessment feed the periodic review of quality objectives and quality risks, and the improvement actions arising from both are managed in one plan, so that the SAI is not running two parallel improvement processes.

CHAPTER 2: ESTABLISHING THE SYSTEM OF QUALITY MANAGEMENT

This chapter addresses the application of requirement 1 of ISSAI 140, which, in summary, states that the SAI shall design, implement, and operate a System of Quality Management (SoQM) considering the changing nature and circumstances in which the SAI operates. The system shall be integrated into the SAI's operations, and the head of the SAI shall take the ultimate responsibility for the system of quality management. The SAI shall also design and implement a risk assessment process to a) establish quality objectives; b) identify and assess quality risks; and c) design and implement responses to address the quality risks.²

The primary intention in this chapter is to give suggestions, but not a prescriptive approach in designing and establishing a SoQM.

2.1 Key Principles for the Establishment of SoQM

SAIs are encouraged to adopt project management principles when initially establishing the SoQM.³ On a general level, three different approaches can be identified – a centralised system, a decentralised system and a hybrid between the two. The approaches all have their advantages and disadvantages. SAIs may choose any of the approaches depending on their nature and circumstances.

In a ***centralised system***, the responsibility for the quality management system as a whole, as well as for setting objectives, identifying risks and responses, is done at the central level, while the responses are implemented by different departments. For example, a quality manager can be appointed, supported by a quality function to take this responsibility, while other parts of the organisation are required to provide input and implement the decided mitigation measures.

This enables a good overview of the system, making it easier to ensure standardisation, consistency, coordination, and avoid duplication. On the other hand, the risk is that such a system becomes bureaucratic, slow, less flexible and less adapted to varying needs. It is also likely to lead to less interest and commitment to quality from managers and staff, since it is a responsibility at the central level.

² ISSAI 140 para 20 - 23

³ The setup of a System of Quality Management (SoQM) should be guided by clear objectives, strong leadership, and active stakeholder engagement to ensure shared understanding and accountability. It requires structured planning, adequate resources, effective communication, and risk-based thinking to support successful implementation. Continuous monitoring, proper documentation, and commitment to improvement ensure the SoQM remains effective, relevant, and aligned with quality objectives.

An alternative is to establish a **decentralised system** for quality management. This would likely mean that the full responsibility for quality management is delegated to heads of departments – or even to managers at a lower level. They would decide on quality objectives, identify risks and responses, as well as implement the responses, monitor and evaluate the system. There may still be a central function for quality management, but on a more overall level, providing support and guidance for those responsible.

Such a system can be quicker, more adapted to each department's needs and situation, as well as promote ownership and commitment to quality. The risk, however, is that it leads to duplication of work, inconsistencies and difficulties in coordinating quality management in different departments; for example, a greater likelihood that risks that have consequences in another department are not sufficiently considered and prioritised. In a decentralised system, there is a risk of objectivity being compromised. To mitigate this, the people who will be evaluating the effectiveness of the quality management system need to exercise a high level of integrity.

A third alternative is to combine the previous alternatives by using elements from both, establishing a **hybrid quality management system**. For example, the responsibility of the system can be at the central level, and there may be central functions deciding on overall goals and instructions, as well as monitoring and evaluating the system. Departments can still be given the freedom to decide in more detail on specific risks and responses.

Advantages of the hybrid set-up could be that there is a balance between control and flexibility. Central functions can increase coordination, promote consistency and ensure independent monitoring of the system. At the same time, the system becomes more flexible, enabling departments to adjust to specific needs and events, which is likely to promote ownership and commitment to quality. Disadvantages, however, can be that it requires good communication between central functions and departments and that there is a risk of conflicts between them.

2.2 Steps in Establishing a SoQM

It is expected that if these steps are followed while adhering to the principles outlined in ISSAI 140, a SAI can establish a robust system of quality management that enhances the effectiveness, efficiency, and credibility of its audit activities. The steps to establish the SoQM can include the following:

- Understanding ISSAI 140
- Assigning responsibilities

- Identification and alignment of gaps
- Establishing the process for setting quality objectives
- Establishing a risk assessment process
- Allocation of appropriate and adequate resources
- Identifying and developing training programmes
- Establishing a process of monitoring and evaluation
- Documenting the system of quality management
- Information and communication in a system of quality management

The relevant organisational requirements chapters will further elaborate on some of the steps listed above.

Step 1: Understanding ISSAI 140

The first critical step in the design of the SoQM is to obtain a better understanding of the requirements of ISSAI 140, and the standards it refers to (ISSAI 130 and 150). It is important to remember that the establishment of a system of quality management in an SAI is an iterative process through the project life cycle. As such, the SAI could adopt a systems thinking approach, recognising that each component is part of the whole and therefore defects in each sub-system can affect the whole.

Additionally, SAIs need to understand the structural problems that affect the public sector, including their individual SAI mandates. For instance, brainstorming sessions or other collective discussions can be organised using SAI-PMF results, ICBF outcomes or other appropriate tools to assess the SAI's current state of quality in relation to its environment and goals, including the ISSAI 140 requirements. This is an opportunity to get different ideas on the table for consideration before prioritisation.

At the end of this process, the SAI may collate all the different interpretations and agree collectively on the shared understanding of quality gaps and challenges the SAI may be facing. It could be noted that introducing a SoQM to meet the requirements of ISSAI 140 is a change process that will require significant internal communication to enable smooth implementation. Previously, SAIs focused on the quality control standards, and this mindset has led SAIs to develop and document policies and procedures (outcomes) into a manual. Following the revision of the standards, the focus should now move from a more stagnant set of documents to a dynamic process of managing, considering quality objectives, assessing risks and implementing responses as an ongoing process.

Consistent quality in professional services is needed. The reputation of an SAI is based on the quality of its outputs. Quality is rarely achieved spontaneously but needs to be built into the organisational culture and leadership mindset to ensure continuous improvement. It follows then that specific, consistent and deliberate procedures be applied at all levels using a system of quality management that is based on appropriate objectives, principles and strategies.

To meet the requirements of the revised ISSAI 140, a risk-based approach is required to achieve quality objectives. Documenting the process(es) geared towards designing and establishing the “system”, including documenting quality objectives, risks and responses, is also iterative. A clear and shared understanding of these requirements is fundamental before embarking on the project of establishing SAI’s system of quality management.

Step 2: Assigning responsibilities

The second step is to assign responsibilities for developing a proposal roadmap for the SoQM on how to integrate it into existing processes and develop new processes as needed. A practical option would be to establish a project for this and assign the responsibility to a Project Lead. The assigning of responsibilities may be followed by a roadmap with clear terms of reference.

Allocating responsibilities for the SAI’s SoQM

The Head of the SAI shall⁴ take the ultimate responsibility for the system of quality management. However, the responsibility to operate the SoQM can be delegated. This means understanding the purpose of the system in the SAI and putting in place an appropriate system of governance to oversee its operation. To operate the SoQM, the head of the SAI may assign delegated responsibilities to individuals for the system and hold them accountable for the way they exercise those responsibilities. This may involve:

- Assigning the responsibilities and accountability for the SoQM to one person or a group of persons.
- Assigning the operational responsibility for specific aspects of the system to one person or a group of persons.

⁴ ISSAI 140:21

In the latter case, a reasonable interpretation is that the responsibility and accountability for the system as a whole rest with the head of the SAI, who is then also required to evaluate it. This may entail consideration of four main options for allocating the responsibility and accountability as follows:

- The Head of the SAI maintains overall responsibility and accountability.
- Allocation of responsibility to an appointed quality management manager.
- Allocating the responsibility to a quality management committee.
- Decentralised system – allocating responsibility to each head of department or each member of the top management team.
- A hybrid system - a combination of two or more of the above.

The Head of SAI maintains overall responsibility and accountability.

The first option, with the Head of SAI maintaining overall responsibility and accountability for the system, requires careful consideration of the extent to which there is a need to make any modifications to the existing organisational structure of roles, or potentially adding new functions to the structure, and/or merging functions or modifying the existing functions. An advantage, however, is that the requirements in ISSAI 140 can be integrated into existing organisational structures and processes. The implementation of the revised ISSAI 140 involves introducing a more systematic and documented way of working, ensuring and improving quality, rather than drastic changes in roles and responsibilities for different parts of the organisation.

If the SAI has already established processes for assessing risk, strategic and operational planning, setting objectives, identifying needs for improvement, monitoring, and others, consider whether there is a need to modify anything in the existing functions or change the system altogether. It can be noted that for many AFROSAI-E SAIs, establishing a SoQM that is aligned and compliant with the requirements of the revised ISSAI 140 would entail radical organisational changes and development of additional competencies across the organisation. Consequently, SAIs may adopt a project management approach when establishing the new SoQM.

If the current roles and responsibilities in SAIs are centralised or decentralised, the SAI may reflect on different ways to strengthen coordination and collaboration to ensure ownership and commitment by different role players. It is important to point out that the top management team is a critical coordination mechanism. However, the important consideration may be to determine whether it is sufficient or if there is a need for promoting ownership and coordination through other structures, like an advisory committee with representatives from different parts of the SAI. For example, such a committee could develop

materials and proposals related to the SoQM for consideration and approval by top management and the Head of SAI. Coordination could also be strengthened by assigning additional tasks to a central function.

The person or persons assigned responsibility and accountability for the SoQM shall evaluate and conclude on the system of quality management. The evaluation shall cover a defined period and be performed at least annually⁵. For example, if the Head of the SAI retains the overall responsibility and accountability for the quality management system, it is the Head of the SAI who will evaluate the SoQM.

However, ISSAI 140 is silent on who the evaluator in that case should be reporting to and accountable to. A solution could be for the Head of the SAI to make a summary of the evaluation of the system explicit and publicly available through statements in the annual report.

Allocation of responsibility to one quality management manager.

Allocating responsibility for the SoQM to one quality management manager would mean a strong concentration of power in one person, which is likely to change the balance in the top management team in most SAIs, including the role of the Head of the SAI. In case such a quality manager is the head of a quality monitoring function, or even an employee of a different function, it would impair the independence in monitoring the system, as it is the quality manager who is responsible for it. However, if the quality manager is not linked to the monitoring function, the independence of the monitoring function can be maintained.

As a complement, an advisory committee could also be established in this alternative. For example, with the quality manager as the chairman, with the decision-making powers and strengthening the involvement and ownership of other departments. With this solution, there would be a strong need for considering how the SoQM relates to and interacts with other systems for planning and management.

Allocating the responsibility to a quality management committee.

Allocating the responsibility and accountability for the system to a quality management committee has many similarities with allocating it to a quality management manager. A main difference is that the committee in that case is collectively responsible, which strengthens the role of other departments and leads to less concentration of powers. The question of how it would affect the balance in the top management team and how the system of quality management may relate and interact with other

⁵ ISSAI 140:70

systems remains the same. While it probably would have advantages to include a representative for a quality monitoring function in such a committee, it would also undermine the independence of the monitoring function. A special challenge/problem may be that most SAIs may not be used to collective decision-making.

Decentralised system – allocating responsibility to each head of department or each member of the top management team.

A fully decentralised system where the head of department or a member of the top management team is responsible and accountable for the quality management system is likely to require similar changes to be made in other management systems, otherwise, it would be difficult to integrate them. Coordination in such a system largely depends on the willingness for, and interest in coordination in different departments, even if the Head of the SAI can influence it to some extent. It is more difficult to maintain consistency in such a system. A special problem for SAIs with more than one department for financial audit is that it seems highly questionable to have different quality objectives in different departments, most likely requiring at least this to be coordinated.

Step 3: Identification and alignment of gaps

The third step is to identify gaps and align the SAI's current processes and procedures with the understanding of the requirements of ISSAI 140. Some of the key questions to answer here are:

- What are the existing processes for planning, risk management, monitoring and evaluation, etc., in the SAI?
- What are the current gaps?
- What do you need to do as an SAI to ensure that the gaps are addressed in a systematic order?

For example, this could be a joint discussion with all senior managers and the respective team leaders, as well as the project lead and members of the project group. This will ensure that all current processes are captured in the gap analysis. At this stage, it is advisable to develop a sketch of what the SAI structure would look like after a SoQM is established.

Step 4: Establish a Process for Setting Quality Objectives

The fourth step is to establish a process for establishing quality objectives. The process may preferably connect with other processes for strategic and annual operational planning. The process could specify the timing and responsibilities for establishing and updating quality objectives. As a best practice, quality

objectives may be reviewed and updated annually together with the SAI's annual operational planning process. At this stage, the SoQM project lead could work alongside a project group established principally to assist him/her. Members of the project team may be drawn from different departments and/or divisions in the SAI, as the case may be. The objective of this cross-functional mix is to ensure that all aspects of the SAI's gaps and challenges are identified and addressed by the relevant expertise. The SAI may consider establishing SMART quality objectives that can be evaluated and are aligned with the organisation's strategic goals (refer to ISSAI 140 requirement 2 on setting objectives). The SAI may consider further guidance in the following paragraphs:

Roles in setting and revising objectives

Regardless of how decisions are taken, there are strong arguments for involving all the SAI departments/divisions in the process of setting and revising objectives. Without such involvement, the ownership and commitment to the quality objectives are likely to be compromised. It is not the responsibility of the quality monitoring/management team to determine the quality objectives.

While it is possible that some variation may be necessary because of different audit types, most quality objectives could be the same within the same type of audit. However, many regional SAIs have different and separate departments working with financial compliance and performance auditing. Consequently, the project lead may establish appropriate mechanisms for coordinating the setting of quality objectives.

An even stronger argument for the need for coordination mechanisms is that different risks in one department may have consequences in another. Clearly, this is the case for departments/divisions with cross-cutting responsibilities, such as finance, HR, legal, communication, and others, which may affect the work of other SAI functions. There may also be mutual influences between departments working with different types of audits. The implication is that the objectives, the risks and relevant responses may affect more than one department, and thus there is a need to coordinate the quality objectives and consider different departments' contributions.

The following three options may be considered when establishing coordination mechanisms:

- To let the top management team issue directives for establishing quality objectives and ensure coordination.
- To establish a quality management champion on a technical level from different departments/divisions.
- To assign coordination responsibilities to a central function other than the top management team.

Step 5: Establish a risk assessment process

After the establishment of the process of developing quality objectives, the fifth step is to design a risk management process to identify, assess, and mitigate risks that could affect the realisation of the quality objectives. Refer to organisational requirements 3 and 4 for specific steps that the SAI may need to consider. The process may clarify timing and responsibilities regarding risk assessment. The risk assessment process should be aligned and preferably integrated with the SAI's risk management process.

The Head of the SAI is responsible for ensuring that there is a clearly defined framework within the SAI that governs the process of quality risk management, appropriate to the environment in which the SAI operates. The risk management processes should be aligned and in compliance with the provisions of ISSAI 140.

The process of risk identification and assessment could involve the line managers/process owners of the SAI, who could be recognised as the drivers and as the risk owners. This could be achieved by having in place a Risk Management Policy which is consistent with the provisions of ISSAI 140. Where the SAI already has a Risk Management Policy, this needs to be revised to align it with the requirements of ISSAI 140. The SAI should then communicate the framework for quality risk identification and assessment to all staff, with a special emphasis on the risk owners. Further, the framework should clearly define the scope and boundaries of the risk assessment process, including key definitions and terminology, as provided in ISSAI 140. Key within the framework is the need to define the roles of the key players in the risk management process. Additional information is provided in the roles and responsibilities section.

Roles in identifying risks and mitigating measures

Identifying risks and responses can probably largely be delegated to the departments. However, if risks and appropriate measures are likely to be similar in different departments, for example, a department working with financial and compliance audit, there may be efficiency gains to be made by cooperating in analysis.

There are advantages in sharing experiences of working with quality management between departments in general. An advisory committee on a technical level could be one mechanism for this.

Roles in implementing mitigating measures

The implementation of responses is usually handled by the concerned department, even if there may be situations where different departments need to cooperate in this.

Step 6: Allocation of appropriate and adequate resources

The sixth step is for the SAI to ensure that there are appropriate and adequate resources, including competent staff, technology, financial resources and sufficient time to support the effective implementation of the SoQM.

Step 7: Identify and develop training programmes

In order to support the new roles that may have been established, the seventh step is for the SAI leadership, in consultation with those developing the system, to identify any training gaps and develop necessary training programmes to enhance the competencies of staff involved in all of the activities, ensuring they have the necessary skills and knowledge to perform their roles effectively.

Step 8: Establish a process for monitoring and evaluation

Step 8 requires the establishment of mechanisms to monitor and evaluate the performance of the SoQM, including internal audits, management reviews, and stakeholder (internal and external) feedback mechanisms. The process may specify the timing and responsibilities regarding monitoring and evaluation. Further details are given in chapters 6 and 7.

Roles in monitoring

If the SAI has already established functions monitoring the quality control system, as in the old ISSAI 140, which expired at the end of 2024, the possible option might be to transform such functions to monitoring the system of quality management as per the requirements of the new revised ISSAI 140. On the other hand, if the SAI have already established a specialised function for organisational risk management, there may be a need for coordination or cooperation between functions monitoring the system of quality management and other functions for organisational risk management. In which case, there may also be a need to review and clarify differences in the role of the different functions.

Roles in evaluation

The person/committee responsible for the system of quality management should evaluate it at least on an annual basis⁶. The person/ committee responsible can be supported by other persons. It is advisable for the monitoring function and evaluation function to be separate functions in the QM system. In situations where an SAI is smaller, the person/committee performing the evaluation may be directly involved in the monitoring and remediation. They will therefore be aware of the information that supports the evaluation of the SoQM. In such a situation, an option could be for whoever is assigned to monitor the SoQM to issue an analytical annual report and submit it to the Head of the SAI and those responsible for the system of quality management. Based on their knowledge and information from subordinate managers, together with the annual report, those responsible can evaluate and conclude on the function of the quality management system. This could be more practical given that the Head of the SAI would also have access to the independent annual report from the monitoring function, integrated with the annual evaluation conclusions.

On the other hand, the Head of SAI can appoint a senior person/committee different from the monitoring function to carry out such responsibilities.

Step 9: Document the System of Quality Management

This can, for example, be done in one or several policies, manuals and/or descriptions of responsibilities and processes. See further organisational requirement 7 (chapter 8) on documentation.

Step 10: Information and Communication in a System of Quality Management

Why information and communication matter

ISSAI 140 emphasises that information, both internal and external, should be identified, captured, and communicated to support the design, implementation, and operation of the SoQM. Without strong communication processes, even well-designed policies and procedures may fail to embed quality into daily practice.

Good practices

1. Relevance and reliability of information

Information used to manage quality must be relevant, accurate, and timely. This includes audit evidence, staff performance data, stakeholder feedback, and regulatory updates. SAIs may establish systems to validate and periodically review the information they rely on.

⁶ ISSAI 140:70

2. Two-way communication

Communication may not only flow top-down from leadership but also bottom-up from staff and laterally across teams. This ensures that quality issues identified at any level are surfaced and addressed promptly.

3. Appropriate channels

SAIs may use clear and accessible channels that suit their structure and resources. These may include:

- Formal policies, manuals, and intranet portals.
- Regular staff briefings, team meetings, and leadership updates.
- Feedback loops such as surveys, workshops, and suggestion mechanisms.
- Secure digital systems for sharing audit guidance and templates.

4. Integration into daily Practice

Communication about quality management should not be treated as an occasional exercise. It must be embedded into daily operations so that staff consistently understand expectations and their role in upholding quality.

Practical guidance for SAIs

- **Document and share policies:** Ensure that all staff have access to updated quality policies, methodologies, and guidance documents in user-friendly formats.
- **Promote awareness:** Conduct regular training and briefings on quality objectives, risks, and responsibilities.
- **Feedback mechanisms:** Establish structured ways for auditors and managers to raise concerns about quality issues and suggest improvements.
- **External stakeholder communication:** Externally, communicate quality commitments in annual reports, performance statements, and public engagements. This strengthens transparency and trust.
- **Technology use:** Where feasible, employ digital platforms to track quality indicators, share information in real time, and maintain version control of audit documentation.

Outcome

When information and communication are effectively managed, SAIs create an environment where quality considerations are understood, shared, and acted upon at all levels. This not only supports

compliance with ISSAI 140 but also fosters a culture of continuous improvement and credibility in the eyes of citizens, parliament, and other stakeholders.

2.3 Conclusions

Each SAI needs to consider how to integrate a SoQM meeting the requirements of ISSAI 140 and what organisational adjustments may be needed to do so. SAIs are encouraged to consider this as a change management process, providing opportunities to rethink old solutions and find new ways for improvement.

But not everything has to change immediately. Rather than using a theoretical approach and asking the question of how roles and responsibilities and systems for quality management can be best organised, SAIs can start their analysis from what is already in place, using an incremental, practical approach, which entails:

- Use the current organisational structures, roles and responsibilities and the current systems for planning, risk management, monitoring, etc., as the point of departure.
- Consider how the requirements in the revised ISSAI 140 can be integrated into the current structures and systems and identify areas where this will work well and where it will not work well.
- Try to identify modifications, minor changes and additions to overcome the problems identified in bullet 2 above.
- Start to work more systematically with quality management in line with the requirements in the ISSAIs and regularly consider if there are any needs for modifications to roles, responsibilities, or processes to make the system work better.

CHAPTER 3: ESTABLISHING QUALITY OBJECTIVES

Establishing quality objectives under ISSAI 140 ensures that an SAI translates its quality management processes into clear, measurable outcomes.

3.1 Establishing quality objectives

The SAI shall establish quality objectives, appropriate to its nature and the circumstances in which it operates, that the system of quality management is intended to address. The quality objectives shall relate to each of the components, that is:⁷

- Governance and leadership
- Relevant ethical requirements
- Acceptance, initiation, and continuance of engagements
- Performing engagements
- SAI resources
- Information and communication

The quality objectives proposed in ISSAI 140 are a good starting point and could be taken as they are when the SAI first establishes quality objectives. These suggested quality objectives may be found in Appendix 1. There is a need for the SAI to also consider if it should modify, exclude or add any objective to make them relevant for the context in which the SAI operates. The SAI may also decide to use the results of the ICBF or any other relevant assessment tools to guide the establishment of quality objectives.

Where the SAI uses the results of the ICBF, the relationship between the ICBF domains and the components in ISSAI 140 can be found below. This can assist the SAI in establishing more quality objectives or finding clearer sub-domains related to the ISSAI 140 quality objectives.

Table 2: Relationship between ISSAI 140 quality objectives and ICBF

ISSAI 140 Quality objectives	1. Independence & Legal Framework	2. Organisation & Management	3. Human Resources	4. Audit Standards & Methodology	5. Communication & Stakeholder Management
Governance & Leadership	X	X			

⁷ ISSAI 140:29

Relevant ethical requirements	X	X	X	X	X
Acceptance, initiation and continuance of engagements		X	X	X	
Performing engagements			X	X	X
SAI Resources	X	X	X		X
Information & communication		X		X	X

If we consider the “SAI resources” quality objective in Table 2 referring to the ICBF, it will be clear that obtaining and ensuring appropriate and adequate resources is dependent on the financial and administrative autonomy of the SAI, its governance and leadership, human resources and others, as shown in the table.

Establishing quality objectives for the first time could preferably be done in a brainstorming session and/or needs assessment. The SAI is also encouraged to use its own ICBF average scores for the different ICBF elements to identify gaps and challenges before prioritising the relevant objectives. SAIs should ensure that these quality objectives are aligned and linked to the objectives of the SAI strategic plan. This process can be integrated with the strategic and operational planning processes. When developing the quality objectives, it is important to obtain feedback from different parts of the organisation. This feedback may be used to establish whether there is a need to change or amend the quality objectives.

If the SAI uses other performance assessments, these results can also be correlated or incorporated.

The SAI leadership should ensure effective communication of the quality objectives, policies, and performance throughout the organisation, as well as with stakeholders and the public. The quality objectives may not change much over time and could possibly remain the same over a longer period, preferably during a strategic period. The objectives may be reviewed annually or at an earlier appropriate time to establish relevance and appropriateness during a strategic period.

The SAI may consider developing appropriate milestones and activities with specific outputs to ensure the achievement of its long-term quality objectives. To facilitate effective monitoring, these milestones may be SMART, meaning they could possess the following characteristics:

- **Specific:** Clearly define what needs to be done, detailing the exact actions required.
- **Measurable:** Include criteria to measure progress and success, allowing for the tracking of achievements.
- **Achievable:** Ensure that the actions are realistic and attainable given the resources and constraints.
- **Relevant:** Align with the SAI's overall quality objectives, ensuring they contribute meaningfully to the desired outcomes.
- **Time-bound:** Set deadlines and timeframes for the completion of actions, ensuring timely progress.

By establishing SMART milestones, the SAI can systematically monitor and evaluate the progress towards meeting its quality objectives, ensuring that the intended outcomes are effectively achieved.

The following is an example of how the quality objectives could be set out:

EXAMPLE 1

Quality Objective: To enhance the quality of the SAI's work through demonstrable commitment to quality by its leadership.

Intended Outcome: Leadership provides support and leads by example through their actions and behaviours to promote quality.

Key Outputs:

- Quality policies and frameworks developed by 31 September 2025.
- Training and development programs for leadership conducted by the end of each quarter of 2024.
- Quality expectations for 2025 communicated to all staff by the Head of the SAI through a Directive issued on 10 December 2025.

Key Activities:

- Develop and implement quality policies by 31 September 2025.
- Organise quarterly training sessions for leadership on quality management.
- Annual update to all staff on quality expectations communicated through a directive from the Head of the SAI.

EXAMPLE 2

Quality Objective: To enhance the effectiveness and reliability of the work of the SAI by ensuring that its personnel possess and maintain the necessary competence to perform audit engagements.

Intended Outcome: Systems and processes are implemented to ensure the competence and continuous development of personnel to perform quality audit engagements.

Key Outputs:

- Comprehensive training programs for audit personnel established by 31 January 2026.
- Quarterly professional development opportunities provided.
- Quarterly reviews of staff competence to ensure that they meet certification and qualification requirements.

Key Activities:

- Develop training programs tailored to audit needs by 31 January 2026
- Provide access to professional development resources to all audit staff and encourage the use of the resources at least on a quarterly basis
- Assist audit staff in obtaining and maintaining relevant certifications and qualifications, and review their progress at the end of each quarter.

3.2 Assessment of changes to the quality objectives

The SAI shall assess whether changes to quality objectives are needed to reflect changes in the nature and circumstances in which the SAI operates and/or its engagements. If such changes are needed, the SAI shall establish additional quality objectives or modify quality objectives already established.⁸

The quality objectives must be regularly reviewed to reflect changes in the SAI's operating environment, strategic priorities, or emerging risks that may affect the achievement of these objectives. Such changes may include shifts in legislative mandates, stakeholder expectations, resource availability, or operational processes that influence the SAI's ability to maintain quality in its audits and assurance activities.

⁸ ISSAI 140:30

The assessment of quality objectives can be incorporated into the **annual planning process**, ensuring that the quality management system is integrated into the SAI's overall management cycle and that adjustments are made efficiently and systematically.

It is recommended that the SAI designate a **responsible function or person** to gather relevant information, coordinate the assessment, and propose updates to quality objectives when necessary. This approach ensures a structured and proactive review process, enabling the SAI to respond effectively to both internal and external changes.

3.3 Conclusions

The quality objectives established by the SAI should be appropriate to its nature and the circumstances in which it operates. The SAI's quality objectives should relate to each of the components.

The SAI should regularly assess whether changes to quality objectives are needed to reflect changes in the SAI's operating environment before establishing additional quality objectives or modifying the existing quality objectives. The review of the quality objectives can be integrated with annual operational planning processes and other organisational processes. Designing clear and logical quality objectives will enable a better understanding of the outcomes, outputs and activities required to achieve them.

CHAPTER 4: IDENTIFICATION AND ASSESSMENT OF QUALITY RISKS

The SAI shall identify and assess quality risks. The SAI shall assess whether changes to, or assessments of quality risks, are needed because of changes in the SAI's operating environment. If such changes are needed, the SAI shall identify and assess new quality risks or modify the assessments of existing quality risks.⁹

4.1 Identification of Quality Risks

A quality risk is a risk that has a reasonable possibility of occurring individually, or in combination with other risks and adversely affecting the achievement of one or more quality objectives¹⁰. It is important to note that a quality objective may have more than one quality risk attached to it.

To identify quality risks, the SAI may gather input from various sources, such as:

- Previous quality monitoring and remediation reports
- Audit reports
- Stakeholder feedback reports
- ICBF, SAI PMF and other internal assessment tools
- Other external reports

Workshops and interviews with audit teams and relevant stakeholders, as well as tools such as the SWOT analysis, risk brainstorming sessions, and root cause analysis, could also be used.

The scope of the risk identification process should be directly related to the quality objectives.

In identifying the quality risks, the SAI could take into consideration the following matters:

- a) how the condition, event, circumstance, action or inaction would affect the achievement of the quality objectives;
- b) how frequently the condition, event, circumstance, action or inaction is expected to occur;
- c) how long it would take after the condition, event, circumstance, action, or inaction occurred for it to have an effect, and whether in that time the SAI would have an opportunity to respond to mitigate the effect; and

⁹ ISSAI 140:45 - 46

¹⁰ ISSAI 140 para 18

- d) how long the condition, event, circumstance, action or inaction would affect the achievement of the quality objective once it has occurred.

In addition, the following matters may assist the SAI in assessing the conditions, events, circumstances, actions or inactions that could adversely affect the achievement of its quality objectives, and how these risks may materialise:

- e) complexity and other attributes of the SAI's organisational and operating environment;
- f) the SAI's strategic and operational processes;
- g) characteristics and management style of SAI leadership;
- h) resources available to the SAI;
- i) the ISSAIs as well as laws, regulations and other relevant standards required in the environment in which the SAI operates;
- j) any partnerships in the SAI operations;
- k) the nature of engagements that are performed by the SAI;
- l) the types of reports that the SAI issues; and
- m) the bodies that the SAI audits.

4.2 Recording of risk

The SAI then needs to record all the identified quality risks in a risk register or database with specific categorisations being the potential area of impact, such as audit process, legal, technological, financial, etc. The risk register will have a comprehensive list of the identified risks, including the descriptions of the risks, the causes and the consequences of the risks. Consideration could be given to guide the analysis of risks identified to avoid duplication of risks. See attached template for a risk register.

4.3 Assessment of risks

i. Assessing Inherent Risk

The risk assessment process begins with evaluating the inherent risk, which is the level of risk present before any control measures or interventions are applied by the SAI. This step involves identifying potential risks in their natural state, considering the likelihood and impact without any mitigating actions. There are various risk rating systems from which the SAI may opt to use, for example, the 5-band scale system.

The SAI could consider using the following Risk Rating System:

Likelihood Rating:	Impact Rating:	Rating
Rare	Insignificant	1
Unlikely	Minor	2
Possible	Moderate	3
Likely	Major	4
Almost Certain	Catastrophic	5

An example of one could be as shown in the table below:

Likelihood/Impact	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Rare (1)	1	2	3	4	5
Unlikely (2)	2	4	6	8	10
Possible (3)	3	6	9	12	15
Likely (4)	4	8	12	16	20
Almost Certain (5)	5	10	15	20	25

Note: The higher the score, the higher the need to ensure that priority is given to mitigating the quality risk.

ii. Documenting and Assessing Control Effectiveness of Existing Controls

Once inherent risks have been identified, document the controls already in place and rate their effectiveness, that is, the extent to which each control achieves its intended purpose.

In determining the rating scale, the SAI could consider the following:

- **None:** No controls are in place.
- **Require Improvement:** Controls exist but are insufficient and need significant enhancement.
- **Adequate:** Controls are satisfactory but may require minor improvements.
- **Strong:** Controls are robust and provide a high level of assurance.
- **Effective:** Controls are highly effective and mitigate the risk to an acceptable level.

Table 3: Residual Risk Rating

Inherent Risk Rating	Control	Residual risk
High (5)	No control	High
	Requires significant improvement	High
	Adequate	Moderate
	Strong	Minor (Low)

	Effective	Insignificant (No residual risk)
Moderate	No control	Moderate
	Requires significant improvement	Moderate
	Adequate	Minor
	Strong	Insignificant
	Effective	Insignificant

This assessment helps ascertain the residual risk, which is the level of risk remaining after considering the effectiveness of existing controls.

The conclusion may be that the existing controls are stronger than necessary or overlapping, and that some controls should be removed.

iii. Determining residual risk

Once the effectiveness of existing controls is evaluated, the residual risk can be determined. This involves reassessing the risk, considering the controls in place, to understand the remaining level of risk that the SAI must manage.

While documenting existing controls, the SAI should also look for any that are duplicated or out of proportion to the risk. A duplicated control might be the same working paper reviewed at several levels for the same purpose. A disproportionate control is one that is stronger or more costly than the risk warrants. Where the SAI finds these, it should consider simplifying, merging or removing them. This frees resources for higher risks and keeps the system manageable, which matters most for smaller SAIs. Before a control is reduced or removed, the SAI should record the reason for the decision. It should then reassess the residual risk to confirm that it remains acceptable.

Strong, effective controls can significantly lower residual risk, whereas weak or partially implemented controls may leave it at a level that requires additional mitigation.

4.4 Review and Update of Quality Risks

The risk owners should regularly review the risk registers or database to ensure they reflect the current operating environment and engagement circumstances. This could be done through scheduled periodic reviews (e.g. monthly, quarterly or biannually) or trigger reviews when significant changes occur (e.g., regulatory changes, changes in audit standards or new audit engagements). The risk owners should also

assess whether changes in the SAI's nature or circumstances require new quality risks to be identified or existing assessments to be updated, as well as modify the assessments and ratings as necessary to reflect current conditions.

Table 4: Example of identified risks

Quality objectives	Identified Risk	Assessed Risk	Risk Rating	Identified Controls	Effectiveness of the Controls	Risk Owners
1. To enhance the quality of the work of the SAI through demonstrable commitment to quality by its leadership.	Lack of commitment to quality by Senior Management on audit engagement	Likelihood: <i>Likely (4)</i> Impact: <i>Major (4)</i>	16 (High)	Financial Audit Manuals	Require Improvement	Deputy auditor general – operations
	Lack of relevant training of SAI senior and operational managers			Annual Training Plan	Require Improvement	Director Training & Development
2. To enhance the effectiveness and reliability of the work of the SAI by ensuring that its personnel possess and maintain the necessary competence to perform audit engagements	Inadequate number of professional staff.	Likelihood: <i>Likely (4)</i> Impact: <i>Major (4)</i>	16 (High)	Recruitment Policy	None	Director- Human Resources
	Delayed completion of audit engagements and reports			Audit Manuals	Adequate	Line managers
	Lack of skills to effectively perform audits on emerging issues.			Annual Training Plan	Require Improvement	

4.5 Conclusion

A structured approach to risk assessment ensures comprehensive risk management, enabling the SAI to address the quality risks proactively and maintain high standards of quality and performance in line with the requirements of ISSAI 140. At the end of the risk identification and assessment process, SAIs should have a comprehensive risk management framework that will enhance the process of designing and implementing risk responses.

CHAPTER 5: DESIGNING AND IMPLEMENTATION OF RESPONSES

The SAI shall design and implement responses to address the quality risks in a manner that is based on, and responsive to, the assessments of those risks. The SAI shall assess whether changes to responses are needed because of changes in the nature and circumstances of the SAI or its engagements. If such changes are needed, the SAI shall design and implement additional responses or modify responses already implemented.¹¹

5.1 Designing Responses to Identified Quality Risks

The SAI should have a process for designing quality risk responses. The starting point is the review of the risk assessments, which will result in the prioritisation of the quality risks based on their respective ratings as guided in the section above.

The risk owner is expected to facilitate a mechanism where there can be a brainstorming opportunity on potential responses for quality risks that are considered unacceptable by the SAI in line with the risk management framework. Mitigation considerations may then be made on whether to transfer, accept, reduce, or avoid the said quality risk. The risk owner may then develop specific, actionable responses that are tailored to each risk, including clear steps, attachment of responsible persons, and setting the implementation timelines. At times, one risk response may mitigate several risks. The risk owners could consider consulting with risk management experts to ensure that the responses are practical and effective.

When designing and implementing responses to address quality risks, the SAI may consider the following:

- (a) the nature, timing and extent of the responses;
- (b) the appropriate level at which to implement the responses (e.g., at the institutional level, engagement level, or a combination of both); and
- (c) the necessity of documenting and communicating the response to ensure consistent implementation.

¹¹ ISSAI 140:51 - 52

5.2 Document Response Plans

As outlined in Chapter 4, responses should be documented in a risk register. This documentation ensures that each response is clearly linked to the identified risk and includes details such as implementation steps, responsible individuals, required resources, and the set deadlines. The SAI may opt to present the risk responses in a separate document, such as a risk response register.

The documentation should include appropriate mitigating measures. Depending on the SAI's Risk Management Framework, these measures can be determined through one of the following risk response options, based on the level of residual risk:

- **Transfer:** Shifting the risk to another party (e.g., through insurance or outsourcing).
- **Accept:** Accepting the risk if it falls within the SAI's risk appetite and tolerance levels.
- **Reduce:** Implementing additional controls or actions to reduce the likelihood or impact of the risk.
- **Avoid:** Taking action to eliminate the risk or choosing not to engage in the activity that generates the quality risk.

After selecting the appropriate risk treatment options, the SAI must develop clearly defined risk treatment actions. As a best practice in the region, these actions should be:

- **Specific:** Clearly define what needs to be done.
- **Measurable:** Include criteria to measure progress and success.
- **Achievable:** Ensure that the actions are realistic and attainable.
- **Relevant:** Align with the SAI's quality objectives.
- **Time-bound:** Set deadlines and timeframes for the completion of actions.

By following these regional criteria, the SAI ensures that risk response actions are well-planned and effective in mitigating the identified quality risks.

Appropriate responses to address quality risks should be proportionate to the assessed level of these risks. Professional judgment helps the SAI in ensuring that responses are aligned with the extent to which conditions, events, circumstances, and actions or inactions negatively impact the achievement of one or more quality objectives.

Review and approval of responses

The SAI may establish a process to review and approve the responses identified by the risk owners to ascertain the appropriateness and availability of required resources to implement the responses in line with the SAI's risk management framework.

Responsibilities of risk owners in implementing risk responses

Risk owners are responsible for ensuring the effective implementation of risk responses. These responsibilities include:

1. **Assigning responsibilities:** Risk owners are responsible for assigning specific tasks related to each risk response to the appropriate staff members. This will ensure that every aspect of the risk response is managed by someone with the relevant expertise and authority.
2. **Allocating necessary resources:** Risk owners have the responsibility of mobilising the necessary resources for the successful implementation of risk responses. These resources include sufficient personnel, budgetary provisions, adequate time, and the required tools and equipment.
3. **Providing training and guidance:** To guarantee that staff can effectively carry out their assigned tasks, risk owners are expected to enable comprehensive training and ongoing guidance. This training may cover all aspects of the risk response, including specific procedures, the use of implementation tools, and any other relevant knowledge.

By fulfilling these responsibilities, risk owners play a pivotal role in managing risks and ensuring that the SAI's risk responses are effectively implemented, thereby ensuring that the SAI's quality objectives are met.

It is important to note that, depending on the risk escalation protocols of the SAI as stipulated in the Risk Framework, responses may be undertaken on a higher level than the risk owners. Further, it is worth noting that one response may mitigate various risks.

5.3 Monitor and Review Responses

The risk owner has the responsibility of regularly monitoring progress and providing support to ensure the timely and effective implementation of risk responses, as well as tracking the implementation status of each response using monitoring tools and progress reports. Additionally, the risk owners need to conduct regular reviews to evaluate the effectiveness of the responses in mitigating identified quality

risks. The SAI has the liberty to decide the appropriate frequency for assessing whether changes to the responses are necessary.

The following are examples of responses the SAI may design and implement to address quality risks:

1. Establishing policies and procedures for:
 - Identifying, evaluating, and addressing threats to compliance with ethical requirements.
 - Identifying, communicating, evaluating, and reporting breaches of ethical requirements, and responding to such breaches in a timely manner.
2. **Annual compliance confirmation:** This can be done by obtaining documented confirmation of compliance with independence requirements from all personnel required to be independent, as set by the standards on ethics.
3. **Handling complaints and allegations:** This can be achieved by establishing policies and procedures for receiving, investigating, and resolving complaints and allegations about failures to perform engagements according to relevant requirements.
4. **Engagement acceptance:** The SAI can establish policies and procedures for situations when the SAI is legally mandated or requested to accept an engagement.
5. Engagement quality reviews: The SAI may establish policies and procedures to determine when an engagement quality review is an appropriate response to quality risks. These policies may cover:
 - Identification of specific engagements requiring quality reviews.
 - Eligibility criteria for engagement quality reviewers.
 - Conditions impairing the reviewer's eligibility.
 - Procedures for performing the engagement quality review.

The example for risk responses is given in Table 4.

Table 4: Designing responses to identified risks

Quality objectives	Identified Risk	Risk	Risk Rating	Identified risk response	Timeline	Resources required	Responsible person/s
1. To enhance the quality of	• Lack of commitment	Likelihood: <i>Likely (4)</i>	16 (High)	• Introduce performance	Within six months	Workshop budget	HR Director

the work of the SAI through demonstrable commitment to quality by its leadership.	to quality by Senior Management on audit engagement • Lack of relevant training of SAI senior and operational managers	Impact: <i>Major (4)</i>		contracts for all senior management • Identify and implement a certified management training programme with an appropriate business school	Within 12 months	Training budget	Line Managers HR Director Line managers
2. To enhance the effectiveness and reliability of the work of the SAI by ensuring that its personnel possess and maintain the necessary competence to perform audit engagements	• Inadequate number of professional staff. • Delayed completion of audit engagements and reports	Likelihood: <i>Likely (4)</i> Impact: <i>Major (4)</i>	16 (High)	• Introduce a professionalisation programme for all staff • Refresher courses for audit supervisors and reviewers	Within 12 months Before the start of the next audit cycle	Training budget Training Budget	HR director Training manager Line managers

5.4 Conclusion

The effective design and implementation of responses to address risks ensures that the SAI can maintain a robust system of quality management. It is important that the SAI addresses risks with well-thought-out solutions that are practical, scalable, and relevant to its specific circumstances. Ensure that risk responses are aligned with the key activities and key outputs identified when setting the quality objectives and intended outcomes. It is important to ensure that, where various responses are identified, the SAI must choose the most effective in responding to a quality risk.

CHAPTER 6: MONITORING THE SYSTEM OF QUALITY MANAGEMENT AND REMEDYING IDENTIFIED DEFICIENCIES

6.1 Establishment of monitoring and remediation functions

The SAI shall establish a monitoring and remediation process:

- a) provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management;
- b) identify potential strengths and deficiencies in the design, implementation, and operation of the system of quality management;
- c) take appropriate action to respond to identified deficiencies such that they are remediated on a timely basis; and
- d) enable it to assess compliance with ISSAIs and applicable legal and regulatory requirements and with policies and procedures it has established to address quality risks¹².

The implementation of monitoring and remediation processes enables the SAI to proactively and continually improve engagement quality and the SoQM. Identification and remediation of deficiencies are essential for the effectiveness of the system of quality management.

Monitoring consists primarily of understanding the SAI's quality management system and evaluating whether policies, procedures or other aspects of the SoQM are designed, implemented and operating effectively. It also includes developing recommendations to improve the system where weaknesses are detected, standards and/or the legal requirements have changed.

The SAI may assign the monitoring and remediation functions to a person or group of persons. However, it should not be the same person or group of persons assigned both functions.

The SAI can use the already existing structures like the quality monitoring function, Internal audit/risk management function, monitoring and evaluation function **or** come up with a group of persons from various functions of the SAI to form the monitoring team on an ad hoc basis.

The remediation function should be performed by the process owners.

¹² ISSAI 140:57

It is advisable that those who are charged with monitoring have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the system of quality management.

However, the SAI may consider establishing a committee that oversees the monitoring and remediation process, and this can be one of the already existing committees, like the Quality Evaluation Committee or Audit and Risk Committee.

If established, the oversight committee will receive all the monitoring reports and share these results with the Head of the SAI to facilitate the evaluation of the SoQM. Other roles of the oversight committee may include approving monitoring policies and procedures, monitoring plans and monitoring assessment/evaluation criteria/framework.

The committee may consist of the Head of the SAI, those charged with operational responsibility for the SoQM and an external member, if possible.

The process owners/component heads will be entrusted with the responsibility of designing and implementing the remediation actions, and those charged with the responsibility of monitoring will evaluate the appropriateness of the design and implementation of the remedial actions.

6.2 Functions of Monitoring and Remediation

Those charged with the responsibility of monitoring and remediation may perform the following functions:

- Develop and update the QM policies and procedures on monitoring.
- Develop a three-year strategy plan and a remediation plan.
- Develop annual monitoring plans and individual monitoring activity plans.
- Perform monitoring activities/reviews of the system of quality management and completed audit engagements.
- Maintain a database of engagement review results of engagement managers and directorates, which is reviewed annually and includes the name of the engagement manager, region, name of engagement reviewed, and rating received.
- Maintain a register of all threats to objectivity for the individuals within the unit that performs monitoring activities, and keep a record of how the threats, if any, were mitigated.
- Communicate results of the monitoring process.

6.2.1 Competence, capabilities and objectivity of individuals performing the monitoring activities

The role of monitoring may be entrusted to a person or persons who have sufficient and appropriate knowledge of the SAI's system of quality management. They should have the skills, experience, authority and sufficient time to carry out the activities.

The SAI shall establish policies and procedures that address the objectivity of the individuals performing the monitoring activities.¹³

Those carrying out the monitoring should be independent and uphold ethical values; for example, those conducting the monitoring are not involved in performing the engagement that they were involved in during the audit. As a way of documenting the objectivity, the SAI may develop a declaration form to be completed for every monitoring activity.

The SAI will clearly spell out the roles and responsibilities of the different individuals involved in the monitoring and remediation process. For example, those charged with overseeing the monitoring and remediation process, the head of the monitoring and remediation process, and the other staff involved in the monitoring and remediation process.

6.3 Reporting on monitoring activities

Timely communication of identified deficiencies to those responsible for specific components of the system of quality management to enable them to take action to address the deficiencies in accordance with their responsibilities.

6.3.1 Evaluating Findings and Identifying Deficiencies

The monitoring and remediation process shall include:

- a) evaluating findings to determine whether deficiencies exist;
- b) evaluating the severity, pervasiveness and root cause of identified deficiencies;
- c) designing and implementing appropriate remedial actions to address those deficiencies; and

¹³ ISSAI 140:61

d) evaluating whether the remedial actions have been appropriately designed, implemented and are effective.¹⁴

At the end of the monitoring activity, the results (including information on strengths and weaknesses) will be compiled.

The findings will be evaluated to determine if a deficiency exists. A deficiency exists when:

- (a) an appropriate quality objective is not established, or established incorrectly;
- (b) a quality risk, or combination of quality risks, is not identified or properly assessed;
- (c) a response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response(s) are not properly designed, implemented, or operating effectively; or
- (d) another aspect of the system of quality management is absent, or not properly designed, implemented or operating effectively, such that a requirement of this standard has not been addressed.¹⁵

In addition to the above factors/guidance, the reviewer might also exercise professional judgement in determining whether the finding, individually or in aggregate, constitutes a deficiency.

The SAI may need to consider the relative importance of the findings in the context of the quality objectives, quality risks, responses or other aspects of the system of quality management to which they relate.

This evaluation should be documented.

After identifying the deficiencies, the reviewers should establish the root causes for such deficiencies.¹⁶ Root cause analysis helps identify and understand the circumstances that caused the deficiency. This can be done in consultation with the process owners or audit owners.

The root cause analysis enables the SAI to:

- Evaluate the severity and pervasiveness of the identified deficiency.

¹⁴ ISSAI 140:58

¹⁵ ISSAI 140:10

¹⁶ ISSAI 140:58

- Appropriately remediate the identified deficiency.

The deficiencies will then be evaluated for severity and pervasiveness. When carrying out this evaluation, the following factors may be considered.

- The nature of the identified deficiency, including the aspect of the firm's system of quality management to which the deficiency relates, and whether the deficiency is in the design, implementation or operation of the system of quality management.
- In the case of identified deficiencies related to responses, whether there are compensating responses to address the quality risk to which the response relates.
- The root cause(s) of the identified deficiency.
- The frequency with which the matter giving rise to the identified deficiency occurred.
- The magnitude of the identified deficiency, how quickly it occurred and the duration of time that it existed and had an effect on the system of quality management.

The results of the assessment of the severity and pervasiveness of the deficiencies will feed into the evaluation of the SoQM.

6.3.2 Remediation

The monitoring and remediation process shall include designing and implementing appropriate remedial actions to address those deficiencies.¹⁷

For the identified deficiencies, remedial actions that are consistent with the established root causes should be designed and implemented.

The monitoring process shall evaluate whether the remedial actions:

- (a) Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and
- (b) Implemented to address previously identified deficiencies are effective.

If monitoring indicates that the remedial actions are not appropriately designed and implemented or are not effective, the individual(s) assigned responsibility for the remediation process may take appropriate action to redesign or modify the remedial actions such that they are effective.

¹⁷ ISSAI 140:58(c)

6.3.3 Communication of monitoring results

Individual(s) assigned operational responsibility for monitoring and remediation will communicate with the individuals who have ultimate responsibility and accountability for the system of quality management, and with those who hold operational responsibility for the system, through the persons designated to oversee the monitoring and remediation process.

Reporting will include reporting on the identified deficiencies, the status of implementation of the remedial actions designed.

For further guidance on monitoring and remediation, refer to the monitoring and remediation guideline.

NOTE: The monitoring and remediation guidance is not a mandatory document. It is designed to give an alternative approach to implementing the monitoring and remediation requirements of ISSAI 140.

CHAPTER 7: EVALUATING AND CONCLUDING ON THE EFFECTIVENESS OF THE SYSTEM OF QUALITY MANAGEMENT

The person or persons assigned responsibility and accountability for the system of quality management shall evaluate and conclude on the SoQM. The evaluation shall cover a defined period and be performed at least annually.¹⁸.

The conclusion is focused on whether the SoQM provides reasonable assurance that:

- (a) The system of quality management provides the SAI with reasonable assurance that the objective of the system of quality management is being achieved.
- (b) Except for matters related to identified deficiencies that have a severe but not pervasive effect on its design, implementation, and operation, the system of quality management provides the SAI with reasonable assurance that the objective of the system of quality management is being achieved.
- (c) The system of quality management does not provide the SAI with reasonable assurance that the objective of the system of quality management is being achieved.

The point in time at which the evaluation is performed can be decided by the SAI and could be based on the circumstances, such as the budget period, the financial year or the period that the SAI deems fit. The evaluation shall draw on information about how the SoQM has performed over the period. This will then form the basis for determining whether it is providing reasonable assurance that the objectives of the SoQM are being achieved.

7.1 The Evaluation Structure

- Depending on the nature and context of the SAI, the person(s) assigned responsibility and accountability for the system of quality management shall decide on the appropriate structure. The structure should have a hierarchy where the Head of the SAI is the ultimate consumer of the results of the evaluation and conclusion of the SoQM.
- The person or persons assigned responsibility and accountability for the SoQM shall evaluate and conclude on the system of quality management. Their output is the report to the Head of SAI.
- The person or persons assigned responsibility and accountability for the system of quality management may be assisted by other individuals in performing the evaluation. The SAI may

¹⁸ ISSAI 140:70

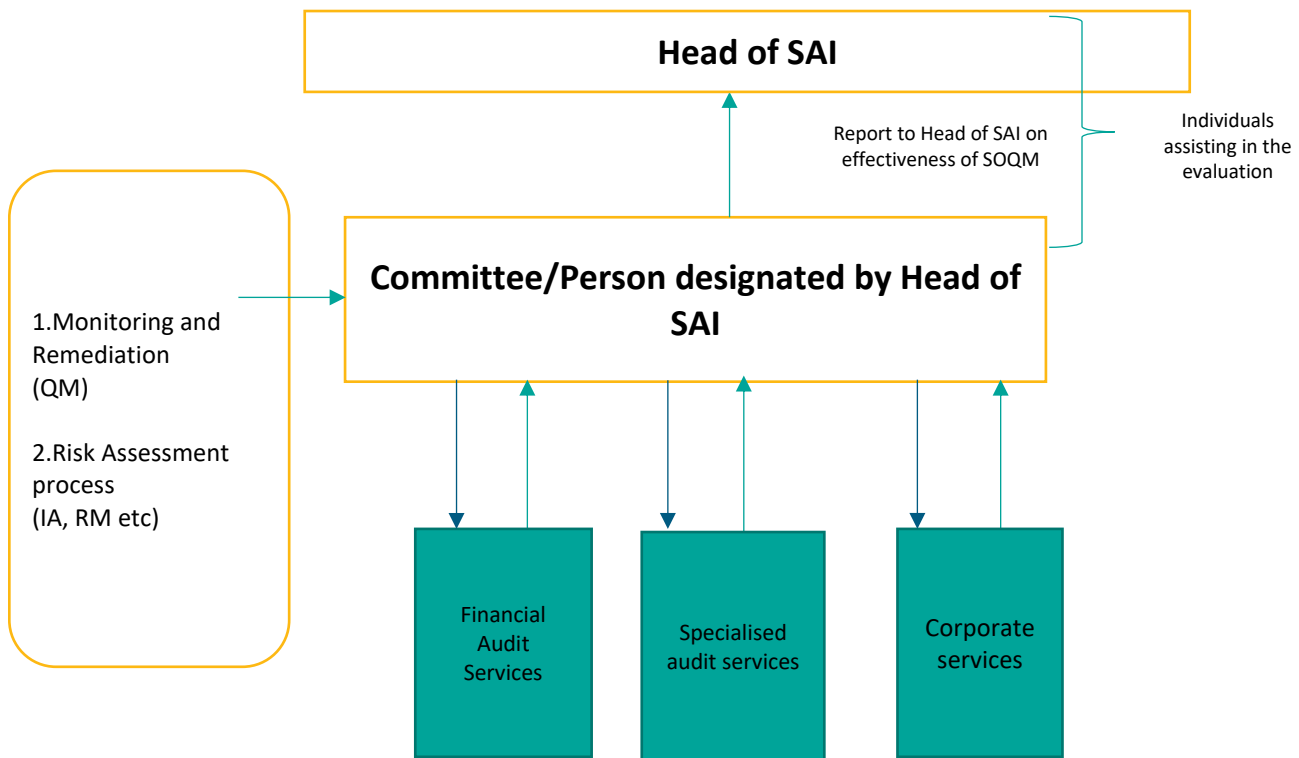
determine the individuals to assist the person(s) assigned the responsibility and accountability, depending on its nature and circumstances.

7.2 Sources of Information

In concluding on the system of quality management, the person or persons assigned responsibility and accountability for the system of quality management may consider the following:

- **Risk management process** (such as risk management reports from either the internal audit or risk management function), including its quality objectives, quality risks, and a description of the responses and the extent to which the SAI's responses address the quality risks.
- **Monitoring and remediation results** (such as monitoring and remediation reports done by the monitoring and remediation function), the results of the monitoring and remediation process, considering:
 - Identified strengths in the design and operation of the SoQM,
 - The severity and pervasiveness of identified deficiencies, and the effect on the achievement of the objectives of the SoQM.
 - Whether remedial actions have been designed and implemented by the SAI, and whether the remedial actions taken up to the time of the evaluation are effective; and
 - Whether the effect of identified deficiencies on the SoQM has been appropriately corrected, such as whether further actions were taken.
- **Monitoring and Evaluation results** (Monitoring and evaluation reports done by the planning or monitoring and evaluation function)
- Any other internal and external assessments done in the SAI, e.g. internal audit, human resources records, training reports, complaints registers, governance/leadership reviews, etc.

Using diverse sources ensures that the evaluation is comprehensive and reflects the full picture of how the SoQM has operated. The information obtained should be compared and assessed for consistency, as conflicting or incomplete evidence may weaken the basis for the conclusion. By reconciling results from across the SAI, the evaluation provides a more reliable foundation for determining whether the SoQM is achieving its objectives and for identifying areas requiring further improvement.



7.3 Evaluating Severity and Pervasiveness of Deficiencies

A **severe deficiency** is one that, while material in nature and with the potential to significantly impair quality, does not extend across several departments, audit teams, or audit types in different regions or sectors. Instead, it is confined to a specific area or function within the organisation. The severity arises from the magnitude or nature of the deficiency, for example, a breakdown in leadership tone, ethical culture, or compliance within a particular function rather than from how widespread it is.

A **pervasive** deficiency could be one that affects several departments, audit teams, or types of audits across different regions or sectors. An identified deficiency may have a **pervasive** effect on the design, implementation, and operation of the quality management system when, for example:

- The deficiency impacts several components or aspects of the quality management system.
- The deficiency is limited to a specific component or aspect of the quality management system but is essential to the overall system, e.g., a deficiency identified on the quality objective associated with governance and leadership on the organisational structure and assignment of roles and responsibilities.

- c) The deficiency affects several divisions or geographical locations of the supreme audit institution.
- d) The deficiency is limited to a particular division or geographical location, but that division or location is critical to the institution's overall functioning, e.g. a deficiency identified on the quality objective associated with resources on how personnel are recruited, trained, and retained.
- e) The deficiency affects a substantial portion of audits that are of a particular type or nature, e.g. a deficiency identified on the quality objective associated with resources on appropriate intellectual resources like methodologies and guides that are inadequate, for example, in performance audits, etc.

A comprehensive way of determining whether a deficiency is severe or pervasive is further explained in the Monitoring and Remediation Handbook.

Matrix on the conclusion of SoQM

Consequently, evaluators may then rate the deficiencies using the matrix below.

Nature of the deficiency giving rise to the conclusion	Evaluators' conclusion on the pervasiveness of the deficiencies and possible effects on the quality objectives	
	Not Pervasive	Pervasive
Not Severe	<i>Reasonable assurance SoQM is working (Para 73(a))</i>	<i>Reasonable assurance SoQM is working except for the following deficiencies... (Para 73(b))</i>
Severe	<i>Reasonable assurance SoQM is working except for the following deficiencies... (Para 73(b))</i>	<i>Reasonable assurance cannot be obtained (Para 73(c))</i>

Where the conclusion is given in a more standardised format, the responsible person or persons may conclude, based on the results of the matrix above, one of the following:

- a) The system of quality management provides the SAI with reasonable assurance that the objective of the SoQM is being achieved.
- b) Except for matters related to identified deficiencies that have a severe but not pervasive effect on its design, implementation, and operation, the system of quality management provides the SAI with reasonable assurance that the objective of the SoQM is being achieved.
- c) The SoQM does not provide the SAI with reasonable assurance that the objective of the system of quality management is being achieved.

However, this standardised format is not mandatory, and the conclusion can be in a form determined by the SAI. Where this is the case, the responsible person or persons may provide assurance by explicitly explaining what information was obtained, how it was used in the evaluation, and why the resulting conclusions were drawn. The conclusion may include or be complemented by findings and recommendations.

The evaluation on whether the system of quality management is working or not lies with those who are responsible for the SoQM, and the Head of the SAI will need to satisfy herself or himself on the issues raised so that the corrective measures are taken promptly to improve the system.

It is important to note that professional judgment is needed in reaching the appropriate conclusion. For example:

- Professional judgment is needed in evaluating the severity and pervasiveness of the deficiencies.
- Professional judgment is needed in evaluating whether remedial actions have been designed and implemented by the SAI, and whether the remedial actions taken up to the time of the evaluation are effective
- Professional judgment is needed in evaluating whether the effect of identified deficiencies on the SoQM has been appropriately corrected. For example, there may be circumstances when the effect of deficiencies may be partially corrected (e.g., only some engagements have been corrected, and the correction of other engagements is in progress). In such cases, professional judgment is needed in considering the degree to which the effect of the identified deficiency(ies) has been corrected, and how this impacts the conclusion on the effectiveness of the SoQM, for example by taking into account the nature and effect of the deficiency, and the nature and timing of the action(s) taken by the SAI to correct the effect of the deficiency.

Refer to the evaluation and conclusion matrix template attached.

Communicating the results of the effectiveness of the system of quality management

It might be important for the individual(s) assigned ultimate responsibility and accountability for the system of quality management to internally communicate to members of the SAI on the results of the evaluation. The parameters that define this communication could then be designed and agreed upon by the SAI.

Where applicable laws, regulations, or other factors could create circumstances when it is appropriate to communicate the conclusion on the effectiveness of the system of quality management to external parties, it is advisable for the SAI to establish procedures as to how such conclusions are reported.

As mentioned above, it is not mandatory to have a standardised format for the conclusion, as the SAI can determine its format based on its reporting guidelines. However, for the purpose of guidance, we have included this format in Appendix II.

CHAPTER 8: DOCUMENTING THE SYSTEM OF QUALITY MANAGEMENT

The SAI shall prepare documentation of its SoQM that is sufficient to:

- provide evidence of the design, implementation and operation of the system of quality management;
- support a consistent understanding of the system of quality management by the personnel, including their roles and responsibilities within the system of quality management and in performing engagements;
- support the consistent implementation and operation of the system of quality management; and
- support the monitoring and evaluation of the system of quality management.

The SAI shall establish a period for retaining documentation for the system of quality management, considering relevant standards, laws and regulations.¹⁹

The documentation of the SoQM is a critical element in ensuring that the SAI effectively designs, implements, and operates its quality management system. Documentation comprises a set of formal records, including manuals, policies, procedures, checklists, templates, reports, and electronic communications, that define and support the SAI's SoQM.

8.1 Principles of Documentation

The following principles guide the preparation and maintenance of SoQM documentation:

- Clarity and Accessibility – Written in clear, concise language and structured logically for easy reference.
- Relevance – Limited to information necessary for understanding and operating the SoQM.
- Consistency – Policies and procedures applied uniformly across all departments and levels of the SAI.
- Timeliness – Up to date with current standards, practices, and regulations.
- Confidentiality – Sensitive information documented with due regard to legal and security requirements.

8.2 Factors Affecting Documentation

¹⁹ ISSAI 140:77- 78

The form, content, and extent of documentation may vary depending on:

- The size and complexity of the SAI and its organisational structure.
- The nature and complexity of engagements performed, and the types of audited entities.
- The degree of quality risk associated with specific activities or engagements.
- The complexity of professional judgments involved.
- The frequency and extent of changes in the SoQM (e.g., arising from new standards, reforms, or technologies).

Not every condition, event, or risk requires detailed documentation. However, areas of higher quality risk, matters involving complex judgments, or significant changes in the SoQM may require expanded documentation to ensure clarity and accountability.

8.3 Scope of Documentation

The SoQM documentation may include:

- the SAI's quality objectives and quality risks;
- a description of the responses and how the SAI's responses address the quality risks;
- information regarding the monitoring and remediation process, including evidence of the monitoring activities performed, the evaluation of findings and identified deficiencies and their underlying causes, remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions, and communications about monitoring and remediation; and
- the basis for the conclusions reached regarding the evaluation of the system of quality management.

8.4 Conclusions

In conclusion, the standard requires that the SAI maintain documentation sufficient to demonstrate the design, implementation, and operation of its system of quality management. This documentation enables a consistent understanding and application of policies and procedures by all personnel and supports effective monitoring and evaluation of the system. Ultimately, proper documentation ensures transparency, accountability, and continual improvement in the quality of the SAI's audit engagements.

APPENDIX I: ISSAI 140 QUALITY OBJECTIVES

Governance and leadership	Quality objectives associated with governance and leadership of the SAI may include one or more of the following: (a) the SAI demonstrates a commitment to quality within the organisational culture of the SAI. (b) leadership is responsible for and accountable for quality. (c) leadership demonstrates a commitment to quality through its actions and behaviours. (d) the organisational structure and assignment of roles, responsibilities, and authority are appropriate to enable the design, implementation, and operation of the SAI's system of quality management. (e) resource needs are planned, and resources are obtained, allocated, and assigned in a manner that demonstrates the SAI's commitment to quality. Leadership is not necessarily limited to senior officials and those who govern the SAI, such as the Head of the SAI.
Relevant ethical requirements	Quality objectives associated with ethical requirements may confirm that the SAI and its personnel understand and fulfil their responsibilities in relation to the relevant legal and ethical requirements (such as those set out in ISSAI 130), including those related to independence.
Acceptance, initiation, and continuance of engagements	Quality objectives associated with the acceptance, initiation, and continuance of engagements may specify that the SAI will normally accept, initiate, and continue engagements only if it: (a) complies with the ISSAIs and other relevant standards, applicable legal and regulatory requirements, and ethical requirements. (b) acts within its legal mandate or authority; and (c) has the capabilities, including time and resources, to do so. In addition, the SAI's engagements may arise (1) from its legal mandates, (2) following requests of legislative or oversight bodies, and (3) at its own discretion. In the cases of legal mandates and requests, the SAI may be required to conduct the engagement and may not be permitted to make decisions about acceptance or continuance or to resign or withdraw from the engagement.

Performing engagements	Quality objectives associated with performing engagements may set expectations on the extent to which: (a) Engagement teams understand and fulfil their responsibilities in connection to engagements, including the overall responsibility of the individual responsible: (i) for managing and achieving quality in the engagement; and (ii) for being sufficiently and appropriately involved throughout the different stages of the engagement; (b) The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed are appropriate based on the specific features of the engagements and the resources assigned or made available to the engagement teams. (c) Engagement teams exercise appropriate professional judgment and professional scepticism. (d) Consultation on significant matters is undertaken, especially for difficult or contentious matters, and the conclusions agreed to are implemented and, as appropriate, documented. (e) Differences of opinion (e.g. within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the SAI's system of quality management) are brought to the attention of officials at the appropriate level of the SAI, resolved and documented appropriately. (f) Audit reports are appropriate and address stakeholders' expectations without compromising the SAI's independence. (g) Engagement documentation is assembled on a timely basis and is appropriately maintained and retained to meet the needs of the SAI and to comply with the ISSAIs and any additional requirements in law, regulation and other relevant standards.
SAI resources	Quality objectives associated with SAI resources may include: (a) Personnel are recruited, trained, and retained who have the competence and capabilities to perform engagements of a consistently high quality and carry out responsibilities related to the operation of the SAI's system of quality management.

	(b) Personnel develop and maintain the appropriate competence to perform their roles, are assessed and held accountable for that, or recognised through appropriate incentives. (c) Individuals assigned to engagements or to perform activities within the system of quality management have appropriate competence and capabilities, including sufficient time, to perform their duties. (d) Appropriate technological resources (typically IT applications, infrastructure and processes) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the performance of engagements. (e) Appropriate intellectual resources (e.g. methodologies, guides, standardised documentation, databases, etc.) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the consistent performance of high-quality engagements. (f) Human, technological, or intellectual resources obtained from external service providers are appropriate for use in the SAI's system of quality management and in performing engagements.
Information and communication	Quality objectives associated with information and communication may include the following: (a) The information system identifies, captures, processes, and maintains relevant and reliable information that supports the system of quality management. (b) The organisational culture recognises and enhances the employees' responsibilities regarding knowledge sharing within the SAI. (c) Relevant and reliable information about the system of quality management is communicated to personnel and engagement teams to enable them to understand and carry out their responsibilities within the system of quality management or engagements. (d) Personnel and engagement teams communicate within the SAI when performing activities within the system of quality management or engagements. (e) Relevant and reliable information about the system of quality management is communicated to stakeholders and other external parties

APPENDIX II: SYSTEM OF QUALITY MANAGEMENT (SOQM) STANDARDISED FORMAT TEMPLATE

Report of the Auditor-General or delegated person (s) on conclusion of SOQM for the period XXX

Background ...

Responsibilities of the Head of the SAI for the SoQM

(Para70) (Standard format - please note the SAI can customise the format to suit their needs).

Deficiencies identified (para 73 b) (This will be based on the work done on monitoring).

Effect of deficiencies (para 73 b) (severe/ pervasive).

Remedial action to address the identified deficiency (what the SAI has done to correct the deficiency)

Conclusion (para 73).

A) The system of quality management provides the SAI with reasonable assurance that the objective of the system of quality management is being achieved.
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B) Except for matters related to identified deficiencies that have a severe but not pervasive effect on its design, implementation, and operation, the system of quality management provides the SAI with reasonable assurance that the objective of the system of quality management is being achieved

C) The system of quality management does not provide the SAI with reasonable assurance that the objective of the system of quality management is being achieved.
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APPENDIX III: EXAMPLES OF DIFFERENT SYSTEMS OF QUALITY MANAGEMENT

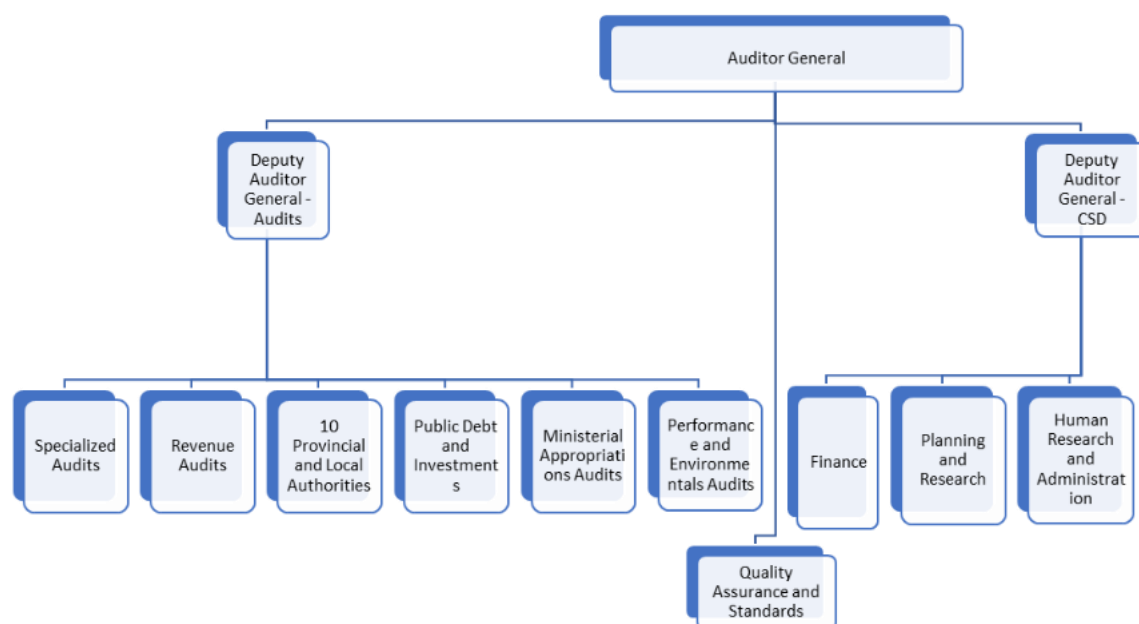
Background Information

Vatra is a developing democratic country which has faced recurring budgetary deficits in recent years. Consequently, the government introduced several austerity measures to curtail public expenditures.

The SAI of Vatra, which is modelled on the Westminster system, celebrated its 50th anniversary this year. The SAI is headed by an Auditor General who is appointed by the President on the approval of Parliament. There are 10 regional offices, located one in each province, with one national head office. The provincial offices are widespread and remote, which often require long hours of driving to reach them. The SAI has a staff establishment of 800 people. The staff establishment comprises both professional, non-professional, and administrative staff members.

The SAI has a centralised administrative hierarchy in place to coordinate and support all operational aspects of the office. The structure of the SAI is made up of two divisions headed by Deputy Auditors General (one responsible for audits and the other for corporate services, as shown in Table 1) who report to the AG. Below the DAGs, there are 19 directorates headed by directors. DAG - Audits heads 15 directorates, comprising ten provincial offices and five directorates located at the head offices. The DAG-CSD heads the other division, which comprises three directorates. The Quality Assurance and Standards directorate reports directly to the Auditor General and is headed by an Assistant Director.

Table1: Organisational Structure of the SAI of Vatra



The SAI is implementing a strategic plan approved for the period 2024 – 2029. The strategic plan has six strategic goals as follows:

1. Improve stakeholder engagement relationships
2. Enhance resource mobilisation and management
3. Improve the quality of audit services
4. Improve operational systems and procedures
5. Enhance human capital competencies and performance
6. Improve infrastructure, tools and equipment

After attending a regional Auditors General Meeting, where the implementation of the revised ISSAI 140 was discussed, it was concluded that the SAI had only partially implemented the new ISSAI 140 requirements, as it was still using the old quality control components and processes to ensure quality. The SAI has now decided to implement all seven requirements of the new ISSAI 140: Quality Management.

Quality Management Structure

In accordance with **ISSAI 140 requirements**, the Supreme Audit Institution (SAI) of Vatra decided to establish a **System of Quality Management (SOQM)** that is tailored to the nature and circumstances in which it operates. The SOQM is designed to address the full range of engagements undertaken by the SAI, including **financial, compliance, performance, and information system audits**, as well as other assurance and non-assurance engagements performed in accordance with ISSAIs.

This system is to be **integrated into the SAI's operations** at both the headquarters offices and regional offices levels and remain adaptable to changes in the SAI's external environment, legal framework, strategic priorities, and engagement portfolio.

1. Governance and Oversight Responsibility

As stipulated under **paragraphs 25 and 26(a) of ISSAI 140**, the ultimate responsibility and accountability for the SoQM resides with the **Head of the SAI**. The SAI resolved to comply with these requirements as the Auditor General has now fully accepted the overall responsibility for the SoQM. The Auditor General now provides strategic direction and oversight over the system, ensuring that it aligns with the SAI's public interest mandate, values, and ethical principles. Consequently, the Auditor-General has appointed the Quality Management Committee (QMC) to establish, operate and maintain the SAI's SoQM. The Committee is accountable to the Auditor General. The QMC's main responsibility is to support the governance and oversight roles of the Auditor-General on the operations of the SAI to include the following stipulations:

- The **Quality Management Committee (QMC)** is a high-level advisory and oversight body on all matters relating to quality management.
- The QMC is composed of senior officials, including the **two Deputy Auditor Generals, Directors of Audit**, and **Head of Quality Assurance**, and is chaired by one of the Deputy AGs. A Terms of Reference stipulating the goals, milestones, roles and responsibilities have been issued.
- In addition, the QMC is responsible for reviewing reports on quality monitoring, ensuring that remedial actions are taken, and advising the Auditor-General on the overall effectiveness of the SoQM.

2. Operational Responsibilities

In line with **paragraph 26(b)**, the **operational responsibility** for specific components of the SoQM is delegated as follows:

- The QMC is responsible for directing the establishment, operation and maintenance of the SoQM report to the Auditor General on a regular basis.
- The Quality Assurance unit led by the deputy director is responsible for monitoring and remediation responsibilities.
- The DAGs based on their departments are responsible for effective operation of the SoQM
- The Directors ensure the implementation of the systems at a supervisory level and ensure a culture of quality and is maintained throughout their areas of responsibilities.
- All lower levels of management and teams implement the system and live out the culture of quality and high performance.

Gap analysis

The establishment and operation of a SoQM requires a project management approach to both establish and maintain the system. The Auditor General approved the project for the establishment and maintenance of this new system. The commencement of the project was the carrying out of a gap analysis based on the seven requirements of ISSAI 140.

A **gap analysis** is the logical and strategic first step when transitioning from the previous version of **ISSAI 140 (focused on quality control)** to the newer **ISSAI 140 (focused on a system of quality management)**. This shift—from reactive quality control to proactive, risk-based quality management—requires a fundamental change in how Vatra SAI approaches quality. As a starting point, the QMC appointed a team to carry out a gap analysis study.

The gap analysis was based on the last ICBF assessment as a starting point. The analysis identifies gaps between past practices and the new ISSAI 140 expectations, structured across requirements. Below are the high-level outcomes of the **gap analysis** for **Vatra SAI**:

Gap Analysis for the seven requirements of ISSAI 140

1. Establishing the System of Quality Management

ICBF Domain	Current State (Old ISSAI 140)	ISSAI 140 Requirement	Gap Identified	Implication
Organisation and management	Quality is viewed as a post-engagement process managed by the QA division; no institutional-level system.	A system of quality management should be established and embedded into SAI's operations.	There is a partially established system that integrates quality into planning, governance, resources, and audit.	Lack of system-wide accountability, fragmented quality management, and poor consistency across regional offices.

2. Establishing Quality Objectives

ICBF Domain	Current State	ISSAI 140 Requirement	Gap Identified	Implication
Organisation and management	Implicit quality expectations exist (e.g., audit file completeness, timeliness) but are not defined or aligned across SAI.	Vatra SAI must establish quality objectives to support the design and operation of the SOQM and the fulfilment of its mandate.	SAI has not developed and implemented a documented set of SAI-wide quality objectives. Audit and support functions lack aligned targets.	Risk of failure to assure the SAI that its engagements are carried out in accordance with the ISSAI's Difficulty in aligning processes with organisational goals; poor measurement of quality at the system level.

3. Identifying and Assessing Quality Risks

ICBF Domain	Current State	ISSAI 140 Requirement	Gap Identified	Implication
Organisation and management	Risks to audit quality are discussed informally, usually during QA reviews or peer assessments.	Vatra SAI must identify and assess risks to the achievement of its quality objectives, considering its context.	No risk management framework No consolidated risk register, risk registers sit at divisional levels No formalised risk	The SAI has not been able to assess the degree to which a risk, individually or in combination with other risks, could adversely affect the achievement of quality objectives.

			management function	
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4. Designing and Implementing Responses

ICBF Domain	Current State	ISSAI 140 Requirement	Gap Identified	Implication
	Risk Responses are designed and implemented at the engagement level only and not at organisation-wide levels; for example, use of standard working papers, checklists, and templates as main controls.	Responses must be tailored to address quality risks in a manner that is based on and responsive to the assessment of those risks.	Currently, organisation-wide risk assessment responses are not integrated with the quality risks. Risk assessment responses were carried out in silos. For example, there was over-reliance on form over substance because quality was not adapted to emerging challenges like audits of new government digital systems. Engagement Quality Reviews were not done as a risk response.	Nature, timing and extent of responses, and the appropriate level at which to implement the responses might be misplaced.

5. Monitoring the System of Quality Management and Remedying Deficiencies

ICBF	Current State	ISSAI 140 Requirement	Gap Identified	Implication
Organisation and management	QA reviews focus on past audit files; feedback is issued but not tracked or systematically used. The monitoring role is not clearly defined, Reviewers have duties that are integrated with line management in audit engagements and thus viewed as having conflict of interest	Monitoring must provide relevant, reliable evidence about the design, implementation, and operation of the system.	Reactive rather than proactive - Reviews were often conducted <i>after audit completion</i>, focusing on whether standards were followed. - Emphasis was on identifying findings, rather than system-level deficiencies and root causes. Limited scope - QA primarily reviewed audit engagements and did not assess the entire system of quality management. - Institutional areas (HR, IT, leadership, etc.) were not routinely reviewed. Responsibility silos - QA functioned independently with limited collaboration with senior leadership and other monitoring and evaluation mechanisms in the Office.	Monitoring and Remediation does not provide adequate information on the SoQM design, implementation and operation of the system: Weak learning loop; same deficiencies recur; low trust in QA feedback.

			- There was no requirement for top leadership to evaluate or conclude on the effectiveness of the system. Weak feedback loops: - Remedial actions were suggested but follow-up was often weak or ad hoc. - Systematic monitoring of implementation was rare, and remedial actions were not tracked.	
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6. Evaluating and Concluding on the Effectiveness of the System

Current State	ISSAI 140 Requirement	Gap Identified	Implication
The QA unit prepares annual review summaries, but no formal evaluation or system-wide conclusion is drawn.	SAI leadership must evaluate the SOQM at appropriate intervals and conclude on its effectiveness.	No designated process or cycle for formal evaluation or reporting to leadership (e.g., QMC, AG).	Quality improvements are ad hoc; decisions are not based on a full system performance understanding.

7. Documenting the System of Quality Management

Current State	ISSAI 140 Requirement	Gap Identified	Implication
QA manual exists; audit manuals and policies are fragmented and outdated in some areas.	The SOQM must be documented in a manner that enables understanding,	No centralised, integrated documentation of the SOQM, nor evidence of version control or	Confusion among staff on roles, policies, and procedures; inconsistent application across regions.

	consistent application, and accountability.	accessibility across the institution.	
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The results of the gap analysis were used as inputs (together with other diagnostic tools like the ICBF and SAI-PMF) towards the development of quality objectives.

Establishing quality objectives

In 2024, the Quality Assurance Unit reviewed 15 audit files and the following transversal audit findings were noted:

- Senior management was not performing reviews on a timely basis in the 10 audit files. It has been a recurring finding in the past 8 eight years. The SAI has implemented up-to-date manuals, and the manuals clearly indicate the roles and responsibilities of individual team members. During the review process, the reviewers interviewed several senior managers. One comment that was common amongst senior management was that they have too many audit files allocated to them, and they tend to only focus on high-risk entities. The QA team confirmed that the files they had selected were not high-risk entities.
- Different versions of audit working papers were used by the auditors; this was noted in two audit files. The SAI changed its methodology in the past year. The finding was limited to one province in the northern province.
- The QA function is staffed by individuals who have appropriate competencies and capabilities, but do not have sufficient time to perform their responsibilities as they are involved in conducting audits. During the period of January to October, the QA function is tasked with performing statutory audits and other duties related to audits.

In establishing quality objectives, the SAI used information from ICBF, previous QAR findings and gap analysis. An extract of some of the quality objectives that were established by the QMC committee is:

Previous QAR Findings	Component of QM Objective	Quality objective
Senior management was not performing reviews on a timely basis.	Performing engagements	The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the specific features of the engagements and the resources

		assigned or made available to the engagement teams.
Different versions of audit working papers were used by the auditors.	SAI resources	Appropriate intellectual resources (e.g. methodologies, guides, standardised documentation, databases, etc.) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the consistent performance of high-quality engagements.

Risk Management

SAI Vstras' risk management framework states the following:

The risk assessment follows a bottom-up approach. The directors are the risk owners. Risk assessment is done per division, and a divisional risk register is maintained. The head of QA is responsible for consolidating the risk register of the SAI and identifying risks which affect the SAI at the Organisational level.

The SAI does not have a dedicated risk officer. The DAG Corporate Services is responsible for initiating risk management and directing the overall process. The internal audit function is done by the Ministry of Finance. At the SAI, there is no internal audit functions being carried out.

Furthermore, MoF trained the respective directors on how to perform risk assessment. The SAI has an approved risk framework based on the SAI's operating environment. Risk assessment is done on a quarterly basis and discussed during quarterly senior management meetings.

The SAI does not produce an annual risk assessment report. The SAI took an integrated organisation-wide approach to use the existing risk framework and then incorporate quality risks.

The SAI has a low-risk appetite and, as such, the ability to meet strategic objectives requires close attention at both the strategic and operational levels of the SAI. However, it is aware of the need to accept or retain certain risks to deliver on its mandate.

The SAI uses the following risk rating system:

Likelihood Rating:	Impact Rating:	Rating
Rare	Insignificant	1

Unlikely	Minor	2
Possible	Moderate	3
Likely	Major	4
Almost Certain	Catastrophic	5

Extract of the Risk Register

Quality objective	Identified Risk	Risk	Risk Rating	Control in place and control rating	Residual Risk
The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the specific features of the engagements and the resources assigned or made available to the engagement teams;	Lack of supervision and review by senior management will lead to An incorrect audit opinion issued	Likelihood Almost certain (5) Impact Major (5)	Catastrophic (5)	Audit manuals indicate areas that could be reviewed by senior management. Signature of senior management as evidence of review in the working papers	Major (4)
Appropriate intellectual resources (e.g. methodologies, guides, standardised	Lack of implementation of updated audit methodology will lead to Inconsistent	Likelihood Possible (3) Impact Moderate (3)	Moderate (3)	No controls	Moderate (3)

documentation, databases, etc.) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the consistent performance of high-quality engagements;	audit opinions will be issued				
Individuals assigned to engagements or to perform activities within the system of quality management have appropriate competence and capabilities, including sufficient time, to perform their duties;	Lack of sufficient time to perform monitoring activities will lead to Inappropriate conclusion reached on SoQM.	Likelihood Unlikely (2) Impact Minor (2)	Minor (2)	Policy states that the QA staff are not allowed to conduct audits. Annual QM plan to plan monitoring activities	Insignificant (1)

Designing responses and implementing responses to quality risk

In terms of the risk framework of the SAI, the SAI will implement responses to quality risk. The quality management policy states that the SAI is mandated to respond to risk based on the rating as:

Risk Rating	Action to be taken
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1	No action to be taken
2	No action to be taken
3	To monitor
4	Take action
5	Take action

In deciding on responding to risk, the risk owners will consider mitigation measures of risks. The SAI mitigation measures for quality risk responses are:

- **Transfer:** Shifting the risk to another party (e.g., through insurance or outsourcing).
- **Accept:** Accepting the risk if it falls within the SAI's risk appetite and tolerance levels.
- **Reduce:** Implementing additional controls or actions to reduce the likelihood or impact of the risk.
- **Avoid:** Taking action to eliminate the risk or choosing not to engage in the activity that generates the quality risk.

Based on the risk mitigation measures, the following approach will be followed on the quality risks identified.

Extract of the Risk Register

Quality objective	Identified Risk	Residual Risk	Mitigation measure	Risk Owners
The nature, timing, and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the specific features of the engagements and the resources assigned or made available to the engagement teams.	Lack of supervision and review by senior management will lead to an incorrect audit opinion issued.	Major (4)	Reduce	Divisional directors of audit

Appropriate intellectual resources (e.g. methodologies, guides, standardised documentation, databases, etc.) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the consistent performance of high quality engagements.	Lack of implementation of updated audit methodology will lead to Inconsistent audit opinions will be issued.	Moderate (3)	Accept	Divisional directors of audit
Individuals assigned to engagements or to perform activities within the system of quality management have appropriate competence and capabilities, including sufficient time, to perform their duties.	Lack of sufficient time to perform monitoring activities will lead to an inappropriate conclusion reached on SoQM.	Insignificant (1)	Accept	Director of quality assurance

Based on the mitigation measures, the following responses will be implemented on the identified quality risks:

Quality objective	Identified Risk	Risk response	Risk Owners
The nature, timing, and extent of direction and supervision of engagement teams.	Lack of supervision and review by senior management will lead to an incorrect audit opinion issued.	Engagement quality reviews on audits that meet EQR criteria.	Divisional directors of audit

and review of the work performed is appropriate based on the specific features of the engagements and the resources assigned or made available to the engagement teams.		Supervision and review training for senior management. Development and implementation of a robust performance management system that is linked to quality outputs.	
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Monitoring and Remediation

In response to ISSAI 140, VATRA SAI has transformed its **Quality Assurance and Standards (QAS) Division** into a specialised **Monitoring and Remediation Function**. Historically, VATRA's **Quality Assurance (QA) Division** was seen as a compliance unit focused on post-audit file reviews. It lacked sufficient staff, operated in isolation, and blurred lines between monitoring and risk ownership.

The QAS Division has been restructured with a new mandate to:

- Monitor the design, implementation, and operation of the SOQM.
- Identify and report on deficiencies and systemic weaknesses.
- Evaluate and track the design and effectiveness of remedial actions developed by operational units.

Integration

The revamped QAS collaborates with, among others:

- **Process Owners** – to understand the intended objectives and control environments,
- **Risk Management Function** – to assess the design and execution of risks and responses,
- **QMC** – to ensure remedial actions are logged, tracked, and reported.

Structure of the QA Function

The structure of the QAS Unit is designed to allow for a clear line of responsibilities and reporting and to allow for the necessary reviews of individual work. It consists of the following:

Roles	Responsibilities
Head of QAS	Oversee QA strategy, ensure alignment with ISSAI 140, and provide advice and necessary guidance to the team leaders and members about the plan,

	objectives and on conducting reviews and reports to AG.
Team Leaders (Principal QAS Officer)	Plan and supervise reviews, guide teams, review reports, and track follow-ups.
Team Members (Senior Quality Assurance and Standards Officer)	Conduct reviews, gather evidence, identify deficiencies, and prepare reports.

The team is staffed with experienced auditors possessing technical and behavioural competencies, including communication, objectivity, and assertiveness. Where needed, experts (e.g., IT auditors) are seconded or outsourced. The core QA team has been formalised and is shielded from other operational assignments to address staff shortages and fatigue. Continuous capacity-building and professional development programs are also prioritised to retain skill depth.

Monitoring and Remediation Cycle

The monitoring process is conducted at the organisational level covering the OAG's policies and procedures (monitoring the SoQM as a whole), and at the audit engagement level through the review of sample financial, performance and compliance audits.

The VATRA SAI QAS function follows a structured four-phase process:

1. Planning

- Develops long-term (3–5 year), annual review plans and Individual Monitoring Plans.
- Focuses on quality risk-prone audits and underperforming units.

2. Execution

- Uses multiple tools (file reviews, interviews, observation) to assess whether controls and responses are working.
- Reviews compliance with ISSAIs and internal policies.

3. Reporting

- Evaluate findings to identify deficiencies
- Deficiencies are evaluated for severity and pervasiveness.
- Root cause analysis is conducted in consultation with process owners.
- Reports are shared with the Reviewed teams, QMC and AG.

4. Follow-up

- QAS evaluates whether remedial actions address the root causes.

- Semi-annual status updates are reported to the QMC and the AG.
- A Deficiency and Remediation Tracker has been introduced.

Reporting Amplified

Based on the establishment of the SoQM, and the risk management process (establishment of objectives, identification and assessment of risks, and designing and implementing responses), the QAS has done its monitoring activities and observed the following findings:

- The findings are then evaluated to confirm whether they form deficiencies.
- A root cause analysis (5-why model).
- The deficiencies were then evaluated for severity and pervasiveness to the SOQM based on the root causes and recommendations made to the process owners for them to come up with remedial actions.
- The QAS team shared a report of this, together with the remedial actions proposed to the AG and with a copy to the QMC.
- The QAS, using the deficiency tracking system, reviewed the appropriateness of the Remedial Actions and their implementation and again reported the status to the AG and with a copy to the QMC.

Conclusion and Evaluation of the SOQM

In line with paragraph 26 of **ISSAI 140**, the Auditor General of VATRA established the **Quality Management Committee (QMC)** to demonstrate leadership and accountability for quality within the SAI. The committee supports the design, implementation, operation, and continuous improvement of the **System of Quality Management (SoQM)**.

In accordance with paragraphs 70 and 71 of ISSAI 140, the QMC is now formally mandated to **conclude and evaluate** the SoQM to determine whether it provides reasonable assurance that quality objectives are being achieved.

Purpose of the QMC in relation to the evaluation and conclusion of the SOQM

The QMC shall be responsible for:

- Evaluating the SoQM at appropriate intervals (at least annually), based on evidence gathered from monitoring activities, internal and external reviews, and input from functional areas.
- Concluding whether the SoQM is designed, implemented and operating effectively and whether the quality objectives are achieved.

- Reporting the conclusion of the evaluation to the Auditor General, with recommendations for remedial or enhancement actions.
- Triggering a re-evaluation if significant deficiencies are identified, or if there are substantial changes in the VATRA SAI's structure, mandate, or environment.

Responsibilities and conducting the evaluation

In fulfilling its role to **conclude and evaluate** the System of Quality Management (SoQM), the QMC shall undertake the following responsibilities:

Evaluate Monitoring and Other Relevant Information

The QMC shall consider the full spectrum of information arising from monitoring and remediation activities, risk management function reports, internal control reports, integrity committee reports, and any relevant external or internal observations, to identify deficiencies and assess their severity and pervasiveness.

Exercise Professional Judgment to Conclude on the SoQM

In line with ISSAI 140, the VATRA QMC applies **professional judgment** to reach a conclusion on whether the objectives of the SoQM are being achieved. This evaluation specifically includes consideration of:

The Severity and Pervasiveness of Deficiencies

- Determine whether deficiencies are isolated or systemic.
- Evaluate whether they impair the achievement of quality objectives.

Effectiveness of Remedial Actions

- Assess whether appropriate remedial actions have been designed and implemented.
- Determine whether actions taken up to the time of evaluation are effective in addressing the deficiencies.

Correction of the Effect of Deficiencies

- Consider whether the consequences of the deficiencies (e.g. omitted procedures, inappropriate audit reports) have been appropriately corrected.
- Apply judgment where only partial correction has occurred (e.g., some engagements corrected, others ongoing), considering the nature, timing, and sufficiency of corrective measures.

In forming their conclusion, the VATRA SAI has allowed the QMC to either use conclusion can be in a form determined by the QMC or a standardised version as outlined in ISSAI 140 paragraph 73. Document the

Evaluation and Rationale. The QMC ensures that the basis for its conclusion is clearly documented, including:

- Key findings;
- Judgments applied;
- Remedial actions considered; and
- Any limitations or uncertainty in the information relied upon.

Recommend Further Actions as Necessary

Depending on the conclusion reached, the QMC shall recommend to the Auditor General and relevant units:

- Enhancements to the SoQM.
- Urgent remediation plans.
- Additional monitoring activities.
- Communication of deficiencies or limitations to relevant internal stakeholders.

Composition and Expertise

The QMC comprises senior staff with broad experience in audit, institutional governance, and quality management. It includes:

- A Chairperson (designated by the Auditor General); this is the DAG-CS
- DAG - Audits
- QA Division Head (Secretary).
- Representatives from performance audit, financial audit, and compliance audit units.
- Heads of Institutional Review (non-audit functions).
- Legal or ethics officer (optional).

Authority and Accountability

- The QMC reports directly to the **Auditor General**.
- Its conclusions will inform strategic decisions on quality, resource allocation, and policy changes.
- The QMC has the authority to request information from any unit within the VATRA SAI.

Frequency of Evaluation

- The SoQM shall be evaluated at least **once annually**.
- A **special evaluation** may be triggered by significant events (e.g. system failure, regulatory changes, major audit failures).

Requirement 7: Documentation of the SoQM

During the initial gap analysis undertaken by VATRA SAI to transition from quality control to quality management, it was revealed that documentation practices were fragmented and lacked central coordination. Critical quality documents—such as QA reports, engagement reviews, and policy updates—were inconsistently stored, some in personal folders, others in departmental drives, and very few were version-controlled.

This undermined transparency, institutional memory, and the ability to demonstrate compliance with the principles outlined in paragraph 77 of ISSAI 140, which emphasise the importance of documentation that is:

- Sufficient and appropriate to provide evidence of the design, implementation and operation of the SoQM.
- Support a consistent understanding of the SoQM by personnel, including clarity on their roles and responsibilities within the system and during the performance of engagements.
- Enable consistent implementation and operation of the SoQM across all audit and support functions.
- Support monitoring and evaluation of the SoQM.

In addition, best practice requires that the documentation be.

- Up-to-date and readily retrievable to support monitoring, evaluation, and external assessments.
- Protected from unauthorised alteration while remaining accessible to relevant personnel.

In response, VATRA SAI has instituted a **centralised documentation and custody protocol**, supported by its internal IT infrastructure (an Intranet repository).

Chain of Custody and Documentation Framework

a. Centralised Digital Repository – The Intranet Hub

All documentation relating to the SoQM shall be uploaded, stored, and managed within VATRA's secure intranet portal, organised under the Quality Management Portal with tiered access. The following records, among others, shall be maintained:

- **The documented SoQM**, including objectives, risks, responses, and roles
- **All policies and Manuals including Quality Management Policies**
- **Monitoring Reports** (including institutional and engagement-specific reviews)
- **QMC Reports** and SoQM evaluations
- **Remediation Action Plans** and status updates

Access Rights:

- **Read access:** All audit and institutional staff
- **Update rights:** Exclusively granted to the **QMC**
- **Version control:** Managed by the **Head of QA**, responsible for ensuring historical versions are archived and changes are clearly tracked with date stamps and author identification.

b. Physical Records and Registry Division Custody

For any physical documentation (e.g., signed approvals, printed reports, legacy files), **Custody is assigned to the Registry Division**, which is mandated to:

- Log, file, and safeguard original records.
- Maintain a register of key QA and QMC documents.
- Facilitate secure access to physical records for authorised staff.

Additionally, the **Registry Division** holds the statutory responsibility for:

- Receiving financial statements from auditees.
- Logging audit-related correspondence and communications.
- Archiving SAI-wide incoming and outgoing mail, which supports SoQM traceability.

c. Updating, Retention and Disposal Protocol

- **Retention Period:** All documentation related to the SoQM shall be retained for a minimum of seven years.
- The QMC shall update documents upon approval of any changes, evaluations, or action plans.
- The Head of QA ensures all updates are reflected accurately in the digital repository and logs the version changes.
- **Disposal:** Expired or superseded documents shall be clearly marked and stored in an archive folder for historical reference. Destruction of any physical records must be authorised and logged by the Registry.

This documentation approach ensures that:

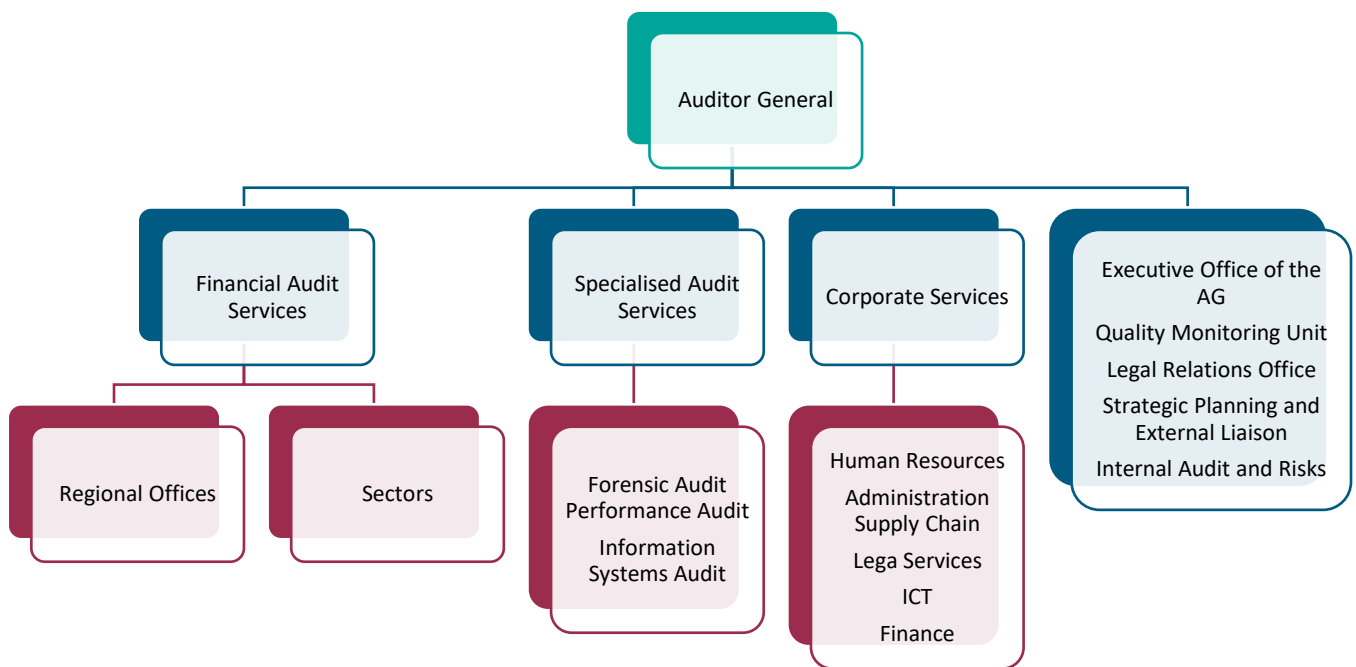
- The **design and operation** of the SoQM can be evidenced.
- VATRA SAI can **demonstrate compliance** during external assessments or peer reviews.
- The **evaluation and conclusion** process is traceable, structured, and transparent.
- All updates, remedial actions, and decisions are **well-documented and accessible** to those who need them.
- Quality management is **institutionalised**, not individualised.

Example 2

Wakanda is a democratic country which has faced recurring budgetary deficits in recent years. Consequently, the government introduced several austerity measures to curtail public expenditures.

The SAI of Wakanda celebrated its 70th anniversary this year. The SAI is headed by an Auditor General who is appointed by the President with the approval of Parliament. There are 8 regional offices, located in each province, with one national head office. The SAI has a staff establishment of 1800 people. The staff establishment comprises both professional (1450), non-professional and administrative (350) staff members.

Organisational structure



The SAI is mandated to audit all public institutions in the country, including ministries, state companies and development projects, which number about 15,000. The majority is made up of schools, which amount to 12000. Schools are required to submit an individual financial statement for audit.

Establishment of the system of quality management.

The SAI was subjected to an external quality assurance review in late 2024 by an independent body. The independent body submitted a report that pointed out several shortcomings. Further, the Anti-Corruption subjected to the SAI to a review and submitted a report. The findings from both bodies were similar and pointed to several issues that required urgent attention.

Based on the reports submitted, ISSAI 140 being effective from 1 January 2025. The Auditor General established a Quality Management Committee, QAC, to establish, implement and operate the system of quality management.

The composition of the quality management was as follows:

- Deputy Auditor General, Corporate Services, as the chairperson.
- 3 Directors from financial and specialised audit
- Deputy director of internal audit
- Director of Human Resources
- Director Legal
- Director of Communication
- Director Quality Monitoring Unit
- Director of ICT
- Director of Strategy and Planning

The QMC was given terms of reference to operationalise it. The QMC developed a project plan and a roadmap to assist in discharging its duties. The communication unit developed and implemented a communication plan for the different stakeholders to highlight the importance of the system of quality management. QMC at the start of the project would meet on a weekly basis and report to the AG on the progress of the project. The Auditor General is responsible and accountable for the system of quality management.

The QMC is responsible, amongst other duties, for establishing quality objectives based on the reports that were submitted by the independent bodies.

Being the first year of implementation, the Auditor General approved the QMC to establish a few quality objectives based on the ISSAI 140, with the aim of increasing the quality objectives in the following year from lessons learned.

The following policies and procedures are implemented:

- Terms of reference for the quality management committee
- System of quality management policy

Risk management

Wakanda has implemented the public service risk management framework. The Wakanda risk management framework is based on COSO but has integrated the public sector requirements. The risk management is currently the responsibility of Internal Audit. There are plans to create a standalone Risk Management Unit. The SAI has identified heads of business units as process owners. The 19 process owners must populate individual risk registers and submit them to the internal audit for consolidation. Internal audit then integrates the different risk registers into a strategic risk register. Internal audit every quarter monitors the risk registers. Based on the SAI rating system, the SAI focuses on the high and medium risks and develops a treatment plan for the identified risk.

The SAI risk rating is as follows:

Impact	Catastrophic	5	5	10	15	20	25
	Major	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Insignificant	1	1	2	3	4	5
	Multiplier	1	2	3	4	5	
		Rare	Unlikely	Probable	Likely	Almost certain	
	Likelihood						

The risk response on the identified risk will be proposed by the process owner and approved by the internal audit after discussion with the process owner. Each response is tailored to the identified risk.

The following policies and procedures are implemented:

- Risk management policy
- Risk management manual
- Risk registers
- Engagement quality review policy
- Engagement quality review tools

Monitoring and Remediation

The monitoring and remediation function has been primarily assigned to the quality monitoring unit. The quality monitoring unit is an independent unit which reports directly to the Auditor General and is headed by a director. The unit is staffed by personnel from the financial and performance audit on a permanent basis. The unit focuses on reviewing completed audit files, while in progress audit files are reviewed by the innovation and professional standards unit. The unit has an annual plan that prescribes the operations

of the unit for the year. The plan is approved by the Auditor General. The unit has developed the following documents on monitoring and remediation:

- Policy
- Handbook
- Code of ethics when carrying out monitoring activities.
- Handbook on assessing severity and pervasiveness

On an annual basis, the QM unit submits a results report to the AG and the Quality Management Committee on monitoring activities carried out. The report is used to feed into the evaluation and concluding into the system of quality management.

Part of the functions of the unit is to monitor the implementation of remedial action by process owners biannually. Process owners are required to come up with remedial action and monitor their own remedial actions.

Evaluating and concluding on the system of quality management.

The evaluation and concluding on the system of quality management is the responsibility of the audit AG, assisted by the chair of the Quality Management Committee and an additional DAG from audits. Different sources of information are used to feed into the assessment. The sources are relevant to the system of quality management.

- Internal audit results
- Monitoring and evaluation
- Quality Monitoring results
- Innovation and professional standards unit.
- Any other independent assessment

The Auditor General issues a reasonable assurance that the system of quality management operated effectively.

The following policies and procedures are implemented:

- Overall evaluation of the system of quality management.