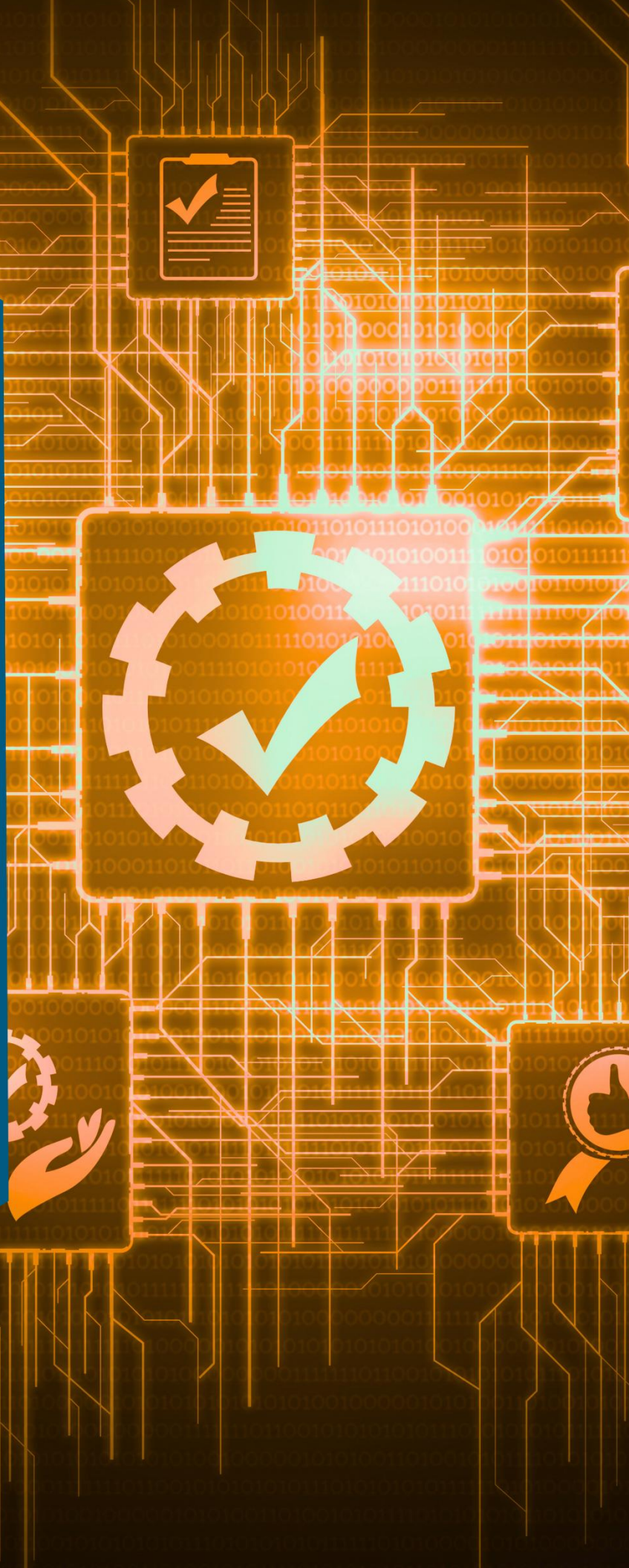
AFROSAI-E

Monitoring and Remediation Guideline

2026



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LIST OF ABBREVIATIONS

AG/HoS	-	Auditor General/Head of the SAI
QM	-	Quality Management
SoQM	-	System of Quality Management
QMR	-	Quality Monitoring Review
SAI	-	Supreme Audit Institution
INTOSAI	-	International Organisation of Supreme Audit Institutions
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
IA	-	Internal Audit
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.
Monitoring	A process that comprises continuous assessment and evaluation of the SAI's system of quality management, including a combination of periodic inspection of ongoing and completed engagements and other monitoring activities designed to provide the SAI with a reasonable assurance that the system is operating effectively.
Monitoring activity	Ongoing processes of collecting and evaluating information to assess whether the system of quality management is designed, implemented and operating in the intended manner.
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

Establishing a monitoring and remediation process is one of the prerequisites in the System of Quality Management (SoQM), ISSAI 140. The mechanism of monitoring and remediation ensures that the SoQM is constantly being improved.

The purpose of the monitoring and remediation process thus provides the SAI with:

- Relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
- An opportunity to take appropriate action to respond to identified deficiencies, and to ensure that deficiencies are remediated in a timely manner.

1.2 How to use the Guideline

This guideline addresses the critical components of quality management, including the establishment of monitoring and remediation processes, planning for quality assurance activities, and conducting thorough reviews at multiple organisational levels. It provides detailed guidance on root cause analysis methodologies, remediation strategies, and effective reporting mechanisms to ensure transparency and accountability in quality management practices. The guideline should be used in conjunction with the Quality Management Guideline, policies and procedures relating to the system of quality management. This guideline is not compulsory for adoption by the SAI.

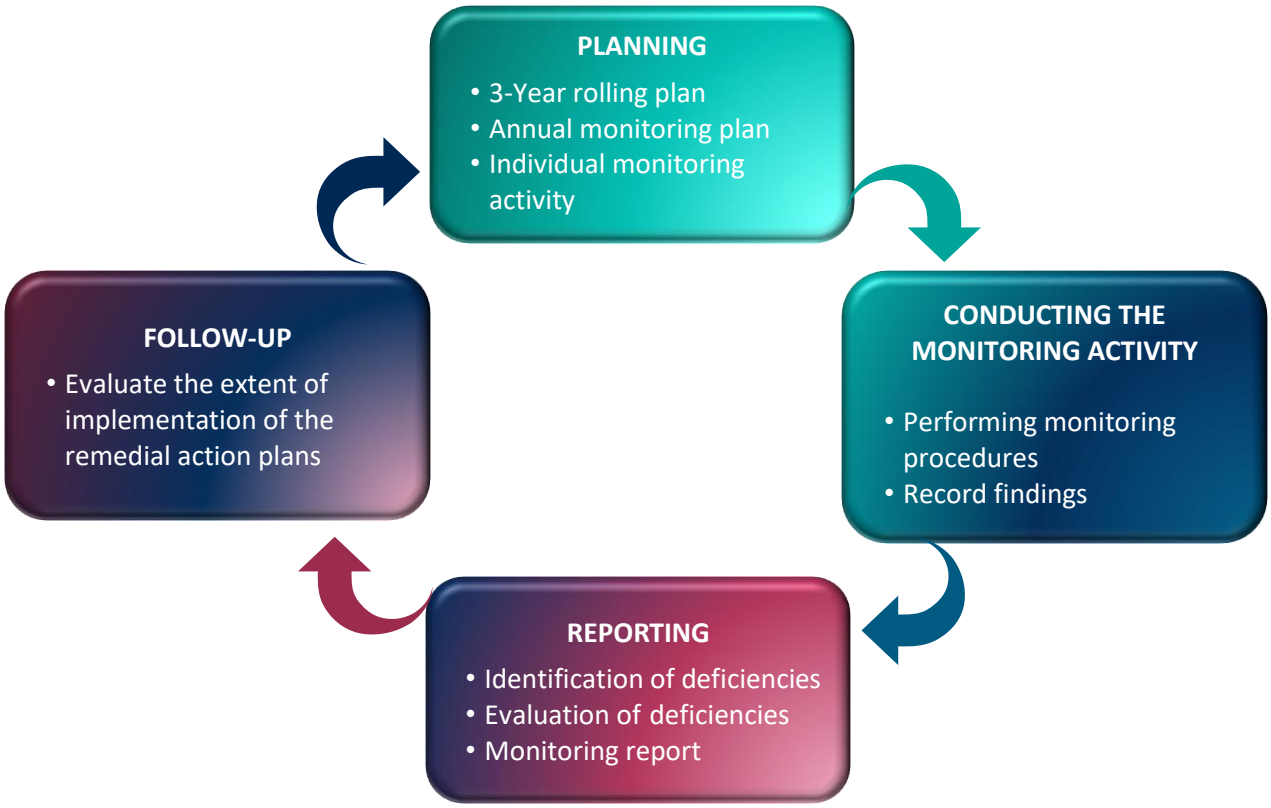
1.3 Structure and Navigation

The content is organised into distinct chapters that build upon each other, starting with introductory concepts and monitoring frameworks, advancing through planning and review procedures, and culminating in system-level quality management approaches. Each section includes practical tools, templates, and checklists to facilitate implementation, with particular emphasis on institutional monitoring activity and engagement reviews.

1.4 Monitoring and Remediation Process Flow

The Monitoring and remediation process may follow a sequence of activities from planning, conducting the review, reporting and follow-up of implementation of Quality improvement recommendations, as shown in Figure 1.

Figure 1: Life cycle of the monitoring and remediation process



CHAPTER 2: SETTING UP THE FUNCTION OF QUALITY MANAGEMENT

Monitoring of the SoQM in SAI's could preferably be done by a quality monitoring function. The process owners have the responsibility of designing and implementing the remediation actions. The quality monitoring function evaluates the appropriateness of the design and effective implementation of the remedial actions.

2.1 Objectives of the Quality Monitoring Function

The objectives of the quality monitoring function are in line with ISSAI 140 organisational requirement 5, which provides that SAI's shall develop a monitoring and remediation process to:

i. Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management.
ii. Identify potential strengths and deficiencies in the design, implementation, and operation of the system of quality management.
iii. Advise process owners or any other relevant authorities within the SAI to take appropriate action to respond to identified deficiencies such that they are remediated on a timely basis.
iv. Enable SAIs to assess compliance with ISSAIs, applicable legal and regulatory requirements, and with policies and procedures it has established to address quality risks.

The process owners will be responsible for designing and implementing the remediation actions, and the quality monitoring function will evaluate the appropriateness of the design and the effective implementation of the remedial actions.

2.2 How Information about the Design, Implementation and Operation of the SoQM and Deficiencies May Be Used

Information about the design, implementation, and operation of the SoQM, including deficiencies and remedial actions, may be used by:

i. SAI leadership in the annual evaluation of the SoQM.
ii. The SAI, or individuals assigned activities within the SoQM, to proactively and continually improve engagement quality and the SoQM. This includes engagement quality reviewers who may use the information as a basis for performing the engagement quality review.
iii. Engagement partners (business units) to manage and achieve engagement quality.

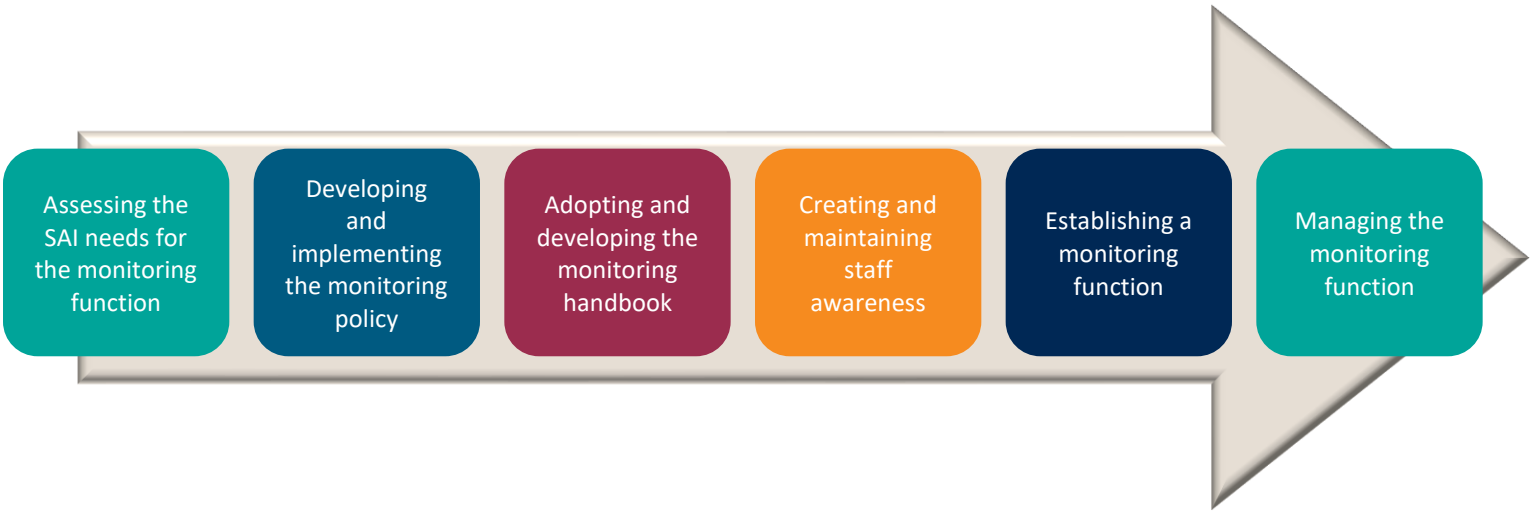
2.3 Setting up the Quality Monitoring Function in SAIs

Setting up a quality monitoring function requires attention to various activities, including:

- assessing the need for such a function and/or the need to strengthen an existing quality monitoring function,
- developing and implementing a quality monitoring policy, developing a quality monitoring guideline for practical guidance, and
- selecting the right people, and clarifying their roles and responsibilities.

The following steps are designed and implemented sequentially when establishing a quality monitoring function.

Figure 2: Key Decision Process



2.3.1 Assessing an SAI's needs for the monitoring function

The purpose of a needs assessment is to identify gaps between the requirements of professional standards and best practice and the actual practice of the quality monitoring function. The needs of an SAI to have a quality monitoring function may vary depending on its mandate, the nature of the audits carried out, the size of the SAI and the strength of the quality management framework. The assessment allows for management to help determine the contents of the policy, detailed guidelines, tools, staff, and budget, as well as the infrastructure required for effective monitoring.

While assessing the needs of the QM function, the following factors may be considered:

i. Size of the SAI.
ii. INTOSAI and International Auditing and Assurance Standards Board (IAASB) standards and AFROSAI-E guidelines on audit quality.
iii. Rules and regulations regarding the requirements of a monitoring function.

iv. Nature and average annual number of audits undertaken by the SAI.
v. Status of implementation of SoQM in the SAI.
vi. The level of development for different types of audits.
vii. Number and level of qualifications of SAI staff.

The overall result of this assessment will assist the SAI in determining different approaches for setting up the quality monitoring function.

2.3.2 Developing and implementing monitoring policies

The monitoring policies emphasise the importance of the quality monitoring function in ensuring quality. Some of the issues that monitoring policies address include:

i. Purpose of the policies.
ii. Structure of the monitoring function.
iii. Reporting lines within the function and within the SAI.
iv. Nature, frequency, and scope of monitoring reviews.
v. Monitoring tools.
vi. Reporting by the monitoring function on the implementation and effectiveness of the SoQM, including annual reporting, and on the performance of the function to the Head of the SAI and person(s) responsible for evaluation.
vii. Dispute resolution mechanisms.

2.3.3 Adopting and developing the monitoring handbook

After implementing the monitoring policies, there is a need for SAIs to compile a more detailed handbook or guidelines that specify how to conduct monitoring in practice. The document should form the basis of the Standard Operating Procedures (SOP) of the monitoring function. As soon as the policies and handbook are finalised, the SAI should prioritise training in the subject to ensure that the concept is well understood.

2.3.4 Creating and maintaining staff awareness

Quality management is the responsibility of staff at all levels in the SAI and requires a clear understanding of the SAI's SoQM. All staff should understand the overall SoQM, including the role and importance of the quality monitoring function in contributing to quality in the organisation. This requires consistent communication to all staff, and the SAI should ensure that internal communication plans provide for this.

2.3.5 Establishing a monitoring function

SAIs have several options for setting up a monitoring function, including establishing a standalone unit. The needs, the size of the SAI, the competence of staff and the expected costs and benefits can affect the approach.

An SAI can select from the following options to establish the monitoring function:

i. Allocate staff to form a standalone monitoring unit.
ii. In the case of staff shortages:
    a. Assign special monitoring duties to staff (peer reviews) in rotation (different teams can perform the monitoring function) or
    b. Form monitoring committee(s).
iii. Arrange Monitoring reviews by other SAIs or other professional bodies.
iv. Hire external experts to periodically assess the SAI's system of Quality Management.

In some instances, the SAI may acquire expertise from qualified specialists, consultants and technical experts, professional associations, and other organisations, as needed to conduct monitoring reviews. The experts may give technical advice to the SAI at the Head of the SAI's request. SAIs should ensure that the specialists and experts are qualified and have competence in their areas of specialisation and should document such assurance.

2.3.6 Managing the monitoring function

- ***Monitoring unit size***

The size of the unit will depend on the size of the SAI and the stage of its technical development. Only experienced, qualified staff who have demonstrated a good understanding of the SAI operations and engagement procedures should be assigned to the monitoring function. The SAI should consider the risk of putting too many resources into monitoring that may compromise resources available to ensure the timely completion of the actual engagements. There could also be situations where the SAI increases resources allocated to its quality review function when:

i. The SAI is in the process of rolling out new audit procedures and systems;
ii. There are new standards to comply with; and/or
iii. There are new audit areas to review.

- ***Competence and capabilities of monitoring staff***

The team should collectively possess the following competencies, amongst others:

i. Analytical skills
ii. Interpersonal skills
iii. Communication skills
iv. Facilitation skills

v. Audit experience
vi. Managerial abilities
vii. Negotiation skills
viii. Assertiveness

The reviewers should be staff who are experienced and skilled in implementing the SAI engagement procedures. Possession of the above-mentioned skills enables team members to implement review practices effectively and produce a credible report. It can also add value if the team has other skills relevant to the engagement being reviewed, such as Information Systems (IS) auditors or any other specialised audit. In instances where some requisite skills and experience are lacking in the monitoring team, the team can be supplemented by using experts in those particular areas.

The knowledge and skills of the monitoring staff are significant elements of an efficient and effective function. It is therefore essential to ensure the continuous professional development of the monitoring staff. The monitoring staff should have collective knowledge and experience to fulfil their roles and responsibilities effectively. In addition to having sufficient knowledge, skills, and competencies, it is essential that the monitoring function be led by a person with sufficient and appropriate experience and authority to undertake the task.

- ***Ethical values for quality monitoring staff***

The monitoring team shall also have appropriate ethical values. ISSAI 140 requires the SAI to establish policies and procedures that address the objectivity of the individuals performing the monitoring activities. In reference to ISSAI 130, these values include the following:

1. Independence, objectivity, and impartiality

The SAI shall design policies and procedures to ensure that the staff involved in monitoring are objective.[1] They shall be independent (i.e. not involved in performing the engagement being monitored) and uphold ethical values. The SAI should develop tools to document objectivity that are used for every monitoring activity. The head of the monitoring function should be responsible for the selection and appointment of reviewers. Reviewers should be aware that, in conducting their work, they should not make decisions for the engagement teams.

2. Integrity

Reviewers have a duty to adhere to high standards of behaviour (e.g. honesty and openness) in the course of their work and in their relationships with engagement team members. To sustain confidence, the

[1] ISAI 140 para 61

conduct of reviewers should be above suspicion and reproach. Reviewers should protect their independence and avoid any possible conflict of interest which could influence or be perceived as influencing their independence and integrity.

3. Confidentiality

Reviewers should not disclose information obtained in the reviewing process to other parties not involved in the monitoring activities without proper and specific authorisation, unless there is a legal or professional right or duty to do so.

4. Professional competence and due care

Reviewers have a duty to always conduct themselves in a professional manner and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. This requires that reviewers should:

i. Not undertake work they are not competent to perform.
ii. Know and follow applicable auditing, accounting and financial management standards, policies, procedures, and practices.
iii. Possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the SAI.
iv. Have sufficiently long experience of audit work to pick up low quality and identify the root causes.

- ***Functions of a monitoring team***

Those charged with the responsibility of monitoring will perform the following functions:

i. Develop and update the QM policies and procedures on monitoring.
ii. Develop a three-year rolling monitoring plan.
iii. Develop annual monitoring plans and individual monitoring activity plans.
iv. Perform monitoring activities/reviews of the system of quality management and completed audit engagements.
v. Maintain a database of quality management review results of engagement partners and other business units, which is reviewed annually and includes the name of the engagement partner, the name of the engagement reviewed, and the rating received.
vi. Maintain a register of all threats to objectivity for the individuals within the function that perform Monitoring activities and keep a record of how the threats, if any, were mitigated.
vii. Communicate results of the monitoring process.

- ***Structure and roles of monitoring staff***

The structure and roles of the different levels of monitoring staff are briefly explained below:

- **Head of Monitoring**

The Head of Monitoring should report to the Head of the SAI and should be responsible for the overall aspects of the function. He/ she should also formulate strategies to be undertaken by the function and measure outcomes of the function. He/ she should design the review programmes and delegate the responsibilities to team leaders.

In the implementation stage, the Head of Monitoring should provide advice and necessary guidance to the team leaders and members about the plan, objectives and conducting reviews. He/she should also monitor and ensure the monitoring and remediation process is in accordance with standards, policies, and procedures. He/she should analyse the findings and articulate the conclusions and recommendations.

In the reporting and follow-up stage, the Head of Monitoring should write or review the monitoring reports, discuss, and present the findings to line management. He or she should also follow up on any outstanding issues.

Irrespective of the SAI nature and context, it is important that the Head of Monitoring ensure all monitoring activities have adequate reviews within the function.

- **Team leader**

The team leader will report to the Head of Monitoring and assume the overall responsibilities in the following stages:

- In the planning stage, the team leader should establish review objectives, scope, time, and targets; formulate the review methodology; delegate the responsibilities to team members; and design the review programme.
- In the implementation stage, he/she should provide advice and necessary guidance to the team members about the plan, objectives, and on conducting the review; monitor and ensure the process is in accordance with standards, policies, and procedures; and analyse the findings and articulate the conclusions and recommendations.
- At the reporting and follow-up stage, the team leader should write or review the monitoring reports, discuss, and present the findings to the Head of Monitoring and follow up on any outstanding issues.

- **Team members**

Team members will report to the team leader and should conduct the review based on the plan agreed upon in the planning stage and according to standards, policies, and procedures. They should gather evidence to support findings through interviews, documentation reviews, and observations. They should

also prepare and document necessary working papers to support their findings. Finally, they should prepare monitoring draft reports on the findings.

Continuous professional development for the monitoring teams is required to enable consistent quality in reviews and the capability of the above roles. Professional workshops, seminars, talk programmes, focus group discussions and panel discussions could be organised regularly to upgrade the competence of monitoring staff in the following aspects:

i. Monitoring policies.
ii. SAI System of Quality Management.
iii. Audit standards, procedures and best practices.
iv. Roles and responsibilities of monitoring staff.
v. Ethical requirements.
vi. Soft skills relating to presentation, negotiation, group leading, etc.

The SAI may also consider seconding monitoring staff to and from SAIs with proven, strong monitoring practices and traditions to further improve their skills.

CHAPTER 3: PLANNING FOR THE QM FUNCTION

''An hour of planning can save 10 hours of doing''

Planning is the process of setting objectives, determining priorities, and organising resources in the quality monitoring function to achieve desired outcomes. It is important for an SAI because it provides direction, promotes accountability, and ensures that monitoring activities are both comprehensive and risk-focused.

Within the quality monitoring function, it is recommended that SAI's plans be structured at three levels to ensure alignment and coherence. These are:

i) Three-year rolling plan
ii) Annual monitoring plans
iii) Individual engagement plans

It is important that the different types of plans be approved at the relevant levels, with the rolling plan and the annual plan preferably approved by the Head of the SAI.

3.1 Three-year Rolling Plan

The monitoring unit could develop and maintain a comprehensive three-year rolling plan that outlines its monitoring activities in accordance with ISSAI 140 requirements. This strategic planning approach ensures systematic coverage of all components within the SAI's system of quality management while allowing for adaptive responses to emerging risks and changing circumstances.

The rolling plan begins with a review of the quality risks identified in the SoQM, identifying areas that require more frequent monitoring due to their complexity, past deficiencies, or potential impact on audit quality. High-risk areas such as new audit methodologies, recently implemented procedures, or functions with previous quality issues will receive priority attention in the monitoring schedule. The plan also considers the SAI's mandate, ensuring that monitoring activities align with the types and volume of engagements undertaken across different audit streams.

Each year of the three-year cycle focuses on different aspects of the quality management system to ensure comprehensive coverage over time. The first year should typically emphasise foundational elements such as leadership responsibilities, ethical requirements, and human resource policies. The second year shifts attention to operational components, including engagement acceptance procedures, performance

standards, and information systems. The third year concentrates on specialised areas such as expert use, quality review processes, and remediation activities.

The monitoring unit should regularly update this rolling plan to reflect changes in the SAI's operating environment, new standards or requirements, findings from previous monitoring activities, and feedback from stakeholders.

PLANNING FOR QM REVIEW

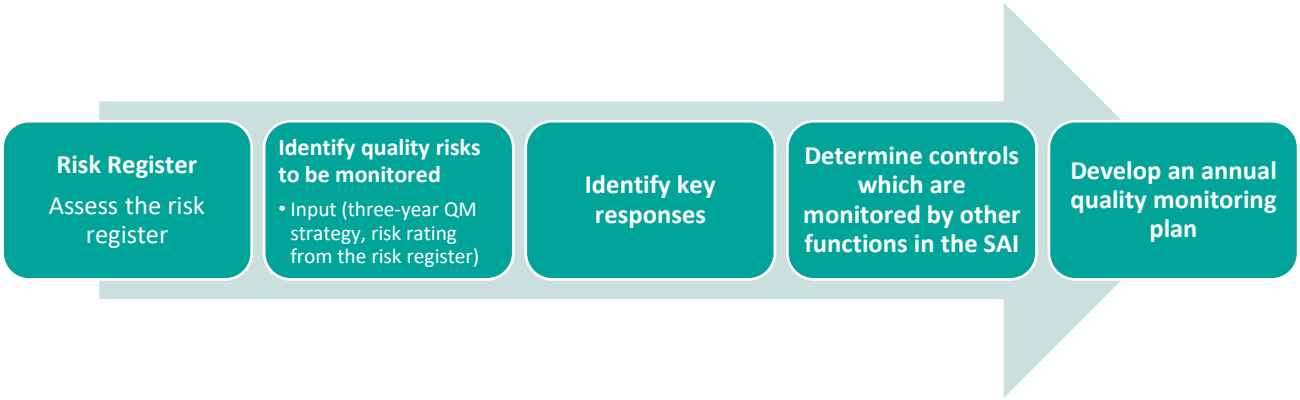
3.2 Annual Quality Monitoring Plan

The annual quality monitoring plan is prepared to support the three-year rolling plan. The volume and scope of the quality monitoring reviews should be established in the annual quality monitoring plan. The annual quality monitoring plan identifies focus areas for the year, directorates selected for the review, and key milestones for conducting and reporting the quality monitoring review (QMR). The scoping of the QMR components will be based on the combination of likelihood and impact, considering the following factors:

i. Previous monitoring results.
ii. SAI priorities.
iii. Changes in the SoQM.
iv. Complexity of the structure and size of the SAI.
v. Reasons for the assessments given to the quality risks.
vi. Design of the responses to address the quality risks.
vii. Design of the SAI's risk assessment process.
viii. Any other factors the SAI deems important.

The highest-ranking components will be scoped as an area of focus for the QMR.

Figure 3*:* Monitoring Plan Process



The process of developing the annual quality monitoring plan will follow the steps outlined in the figure above. The process will focus on monitoring the areas where the risk of not achieving quality objectives is most critical. The frequency of monitoring activities will be based on the risk register rating as follows:

Table 1*:* Risk rating and Frequency of activities

Residual Risk	Frequency of Monitoring
Critical	Annually
High	Annually
Medium	Periodical/cyclical, e.g., every two or three years
Low	No further work
Rare	No further work

The following is an example of the frequency of quality monitoring.

Table 2: Frequency of Quality Monitoring

Risk Id No.	Risk	Risk	Risk Rating	Response	Responsible Person	Risk Treatment Action	Quality Monitoring Frequency
SAI-Z/RN 1	Inadequate training leading to poor audit quality.	Likelihood: *Likely (4)* Impact: *Major (4)*	16 (High)	Develop a comprehensive training programme for audit staff.	Training Manager	• Identify training needs through a skills gap analysis. • Design training modules covering critical audit areas and quality standards. • Schedule and deliver training sessions, both in-person and online. • Evaluate training effectiveness through assessments and feedback.	Annually
SAI-Z/RN 2	Lack of commitment to quality by Senior Management on the audit engagement	Likelihood: *Likely (4)* Impact: *Major (4)*	16 (High)	Engagement Quality Monitoring Reviews	Head of Quality Monitoring	• Identify all the high-risk audits • Develop a QMR plan • Review of the high-risk audit engagements	Annually

It is important to note that some responses may take some time to implement, and as such, it may be more efficient to start monitoring after the responses have been implemented.

3.3 Gathering Information for Planning

Preparing the annual QMR plan requires the collection and preparation of necessary information. The planning process involves the selection of the type of reviews to be conducted. A decision is made whether the monitoring will be an individual engagement review (ongoing or completed) and/or an institutional review.

Methods of gathering information may include document reviews, observation, and engagement of stakeholders, among others. Other important documents to be used for this process include the annual audit plan, other departmental/unit plans, policies, and annual audit reports, amongst others. These documents provide insight into the planning, execution, and reporting of audits.

The planning team, therefore, needs to have the results of the previous QM reviews together with the status of implementation of the QMR recommendations.

3.4 Analysing and Processing Information

After gathering the information, the reviewer is required to undertake an analysis of the information received. The analysis should specifically assist in the high-level risk assessment of the SoQM. The assessment helps identify gaps in the implementation of the institutional SoQM framework and audit standards, factors contributing to the gaps, and QMR types to be carried out.

3.5 Approval and Communication of the Quality Annual Plan

The draft plan should be prepared and presented to the Head of SAI for information and comment before approval. Suggested changes to the plan should be incorporated before finalisation of the plan. The completed annual plan for the QMR will be approved by the Head of the SAI and disseminated to all QM staff before the commencement of the review assignments. This ensures that the responsible parties, on their part, prepare and plan for the QM reviews during their review engagement. The head of the QM function will allocate assignments to the function staff, and the plan will be implemented throughout the year.

3.6 Monitoring of the Quality Annual Plan

The review process can only be effective if it has a monitoring mechanism within it. The performance of the plan should be monitored on a periodic basis as determined by the SAI, and progress reports should be submitted to the person responsible.

3.7 Deciding on the Type of Review

To achieve the SoQM objectives, the review team will choose either to conduct a hot review or a completed (cold) review.

3.7.1 Ongoing review

The QM may perform hot reviews of ongoing audits to evaluate compliance with ISSAIs, quality standards and procedures at various audit stages. An ongoing (hot) review is a review conducted before the audit opinion has been issued to ensure the audit complies with the ISSAIs and any other legal and regulatory requirements, and that the report is appropriate in the circumstances. These reviews are not mandatory.

The hot (ongoing) review may be triggered by the following indicators, which are not an exhaustive list:

i. Where, due to unforeseen circumstances, the risk of the audit has increased.
ii. Significant risks of misstatement were identified in complex accounting areas requiring significant judgment (e.g., valuations, provisions).
iii. Significant disagreements with management.
iv. Significant limitations on the scope of the audit.
v. The auditor is uncertain of the audit opinion or conclusion to propose and would find benefit from an independent review, at the discretion of the Head of the SAI.
vi. Any other that the SAI may deem necessary.

It may be noted that ongoing (hot) review does not reduce the review responsibilities of the audit team, and does not relieve the owner of the audit from the final responsibility for the issuance of the audit opinion. The audit team may consult the reviewer during the audit. Such consultation should not compromise the reviewer's eligibility to perform the role. Where the nature and extent of the consultations become significant, care should be taken by both the audit team and the reviewer to maintain the reviewer's objectivity. In situations where this is seen not to be possible, another individual must be appointed to take on the role of the reviewer, or alternatively, another person must be consulted.

3.7.2 Completed (cold) review

Completed QM reviews are conducted after the audit opinion or conclusion has been issued and these reviews are mandatory. The preparation of an annual report on such reviews would be useful in terms of objectively identifying shortcomings and improvements required for future audits of a similar nature, and is a requirement of the revised ISSAI 140 paragraph 60.

Based on all reviews and additional information, a report on the quality of all the audit work, summing up deficiencies and recommendations, should be completed. Such a report may entail the analysis of SAI's

work in the previous year, including information on audit work, information on training activity, a summary of issues arising from SoQM and summaries of external reports evaluating the SAI activity and recommendations on how to improve the SAI's work. The top management should actively consider this report in detail. This report may also be distributed to all SAI staff as feedback and training material.

3.7.3 Applying sampling techniques in analysis

The population of audit engagements will be stated together with key information thereon, including the size of the audit, the methodology and the risk profile of the audit. The reviewer should utilise sampling techniques to choose a representative sample of engagements for review. The reviewer will first stratify audits in their sectors, followed by simple random or any other sampling technique for the selection of audits to ensure representation of the entire population of audit engagements by covering different audit sectors, divisions, owners of the audit (directors) and types of entities.

A reasonable sample per owner of the audit (director) will be audits based on the result of the risk assessment.

3.7.4 Criteria for Selection of engagements for quality monitoring review

To achieve the review objective and help the SAI mitigate its risk, the review team will prioritise audits of entities considered by the SAI, but not limited to:

i. The audits classified as high-risk during risk profiling.
ii. Audits that are complicated and complex in nature.
iii. Results of previous monitoring reviews.
iv. New audits conducted by SAI.
v. New or acting 'audit owner'.
vi. Compliance with the SAI's policy on cyclical coverage of audit owners.
vii. Audits that are outsourced.
viii. Composition of engagement team, such as a newly formed audit team which might not have detailed previous knowledge of the entity, significant turnover in the engagement team, or the team's limited experience with objectives or audit subject matter.
ix. Selection of at least one audit engagement from each sector implementing new audit methodology.
x. A new area of auditing.
xi. Parliamentary, media and public interest in the auditee or the audits.
xii. AG's directives.
xiii. International engagements.

xiv. Recent history of difficult or contentious engagement issues, including disagreements with management, negative conclusions in previous reports, and reservations in previous opinions and reports.

xv. Uncertainty about the entity's ability to continue operating as a going concern or to deliver its mandate.

xvi. Any other specified risk factors, such as known and potential threats to the SAI's independence.

3.7.5 Determining QMR objectives (Terms of Reference) and QMR questions

Since quality monitoring review follows a risk-based approach, the results of the risk assessment of the QM system should be used to determine the terms of reference (ToR) or specific QMR objectives. The ToR for conducting the review will be different depending on the type of review to be conducted (institutional or individual engagement review).

The objectives of the work or the assignment should dictate the specific standards that are followed. The QMR should state the aim of the review. The individual monitoring review seeks to:

i. Determine whether QM policies and procedures have been appropriately applied.

ii. Ensure that information conveyed in the reports is clear, concise and meets the expectations and needs of users/recipients of reports.

iii. Establish whether engagements are, in all material respects, planned and performed in accordance with the SAIs policies and procedures.

iv. Ensure the applicable ISSAIs and relevant regulatory and legal requirements were complied with.

The QMR questions consist of a series of enquiries for each criterion designed to yield sufficient and appropriate evidence for assessment and conclusion on that criterion. QMR questions flow directly from the audit criteria and form the basis for identifying required documents or data necessary to answer these questions.

In most cases, ask questions that produce a "complied" or "not complied" answer; for example, "Has the SAI set mechanisms to improve service delivery to the public?" Exceptions might be questions that look to explore the cause and impact of the situation. Then add the subsidiary question that would elicit how much the entity had exceeded or failed the expectation. For example,

i. Has the SAI defined what it means by quality service?

ii. Does SAI have quality service delivery commitments?

iii. Has the SAI set standards associated with its quality service delivery commitments (measurable levels of performance that clients can expect)?

iv. Has SAI set measurable operational performance targets for these standards?

When designing the QMR questions, make sure the questions:

i. fully cover the criterion;
ii. do not go beyond that criterion;
iii. are not too detailed or numerous; and
iv. address the why so **(cause)** and so what **(impact)** of the situation.

3.8 Review Plan

Before a review exercise, the monitoring review team should prepare a review plan for any type of quality monitoring review. The objective of the review should be outlined in the plan. The plan is to outline a logical series of review and examination steps that would meet the goals and standards of a review in an efficient and effective manner. The plan should cover at least: the objectives of the review, scope, team composition, review methodology and review schedule.

The reviewers will need to understand the system of quality management of the SAI. During this process, reviewers should gather background information which would be used to perfect and customise the review plan**.** This should then be used to develop a program which specifies the approach to be taken, questions to be addressed, and people to be interviewed.

The audit plan should be approved before execution by the head of quality management/monitoring function or any other body, depending on the SAI setup.

The System of Quality Management review plan should take into consideration:

i. Status of actions from previous monitoring review; when changes in the system of quality management occur, the SAI's previous monitoring activities may no longer provide it with information to support the evaluation of the system of quality management. Therefore, it is advisable to include monitoring of those changes in the SAI's monitoring activities.
ii. Changes in external and internal issues that are relevant to the SoQM.
iii. Information on the performance and effectiveness of the SoQM, including trends in:
    a. Feedback that can support the SAI in developing quality and quality management over time. Examples of sources of feedback include stakeholders, peer reviews or tools provided by INTOSAI, such as the SAI Performance Measurement Framework.
    b. the extent to which quality objectives have been met;
    c. Deficiencies and corrective actions;
    d. Monitoring and measurement results;

e. audit results; and
f. the performance of external providers;

iv. The effectiveness of actions taken to address risks and opportunities.
v. Opportunities for improvement.

3.9 Communicating the Detailed Review Plan

The planning for the review ends with the sharing of the plan with the DAG/director and the audit team. The reviewer should arrange for a meeting with the team. The objective of the meeting is for management to be aware of the review objective, scope of review, the expected timeframe and establishment of channels of communication. A walkthrough of the review process should be provided.

To ensure that all key points are covered, the lead reviewer should prepare a meeting agenda, which may include:

i. Introduction of the QMR, reviewers and audit team members, noting their specialisation; and
ii. Presentations by the team leader of QMR and discussions of scope, performance standards and working schedule.

To give a clear image of the aim, scope, and procedures, the lead reviewer should begin by outlining the review objectives in his or her presentation. If the review has already been completed, the prior status should be described, especially in relation to any remedial action that was necessary at the time. The types of documents that will be examined for both actions and records should also be specified.

All administrative matters should be clarified during the discussion. There should be mutual understanding of the schedule, approximate timing for each portion of the review, a list of persons to be interviewed, etc. The time for the post-review meeting should be identified, and a provisional list of the persons expected to attend should be established.

CHAPTER 4: PERFORMING THE REVIEWS AT THE ENGAGEMENT LEVEL

4.1 Conducting Monitoring Review

Risk Assessment Process

AFROSAI-E's risk assessment process sets out the process which the SAIs are required to follow in implementing the risk-based approach to quality management, which consists of establishing quality objectives, quality risks and designing and implementing responses to address the assessed quality risks.

Engagement quality reviews will be conducted following the specific guidelines established by each SAI. The SAI is responsible for performing a variety of audits, including financial and compliance audits, performance audits, forensic audits, information systems audits, special audits and others.

4.2 Steps of Addressing the Assessed Risk

Step 1: **Determining quality monitoring review objectives and questions**

The objective of the QMR is to provide a level of assurance on whether the engagement team complied with the relevant supervision and review requirements established by the SoQM. The QM reviewer should consider the risks associated with the engagement and formulate review objectives that pinpoint the specific areas for assessment. Based on these objectives and risks, the reviewer should then develop review questions that will gather sufficient and appropriate audit evidence to support a conclusion about the effectiveness of the implemented policies and procedures.

Step 2: Determining the quality monitoring review criteria

The criteria for the QMR will be established based on a combination of sources:

i. Primary source: SoQM framework: The foundation for the QMR criteria will be the relevant policy and procedure requirements established by the SAI's SoQM. These requirements should be documented and demonstrably aligned with ISSAI 140 to ensure adherence to international best practices.
ii. Additional standards and performance standards: In addition to the SoQM framework, the QMR may consider other relevant standards and performance standards applicable to the specific engagement. These might include:
    a. Guidelines issued by oversight bodies.
    b. Internal policies and procedures established by the SAI.
    c. Internationally recognised auditing standards, such as International Standards on Auditing (ISAs) and ISSAIs for audits.

Rationale for criteria selection:

Identifying the appropriate criteria is crucial. Meeting these criteria will provide a level of assurance that the identified quality risks have been mitigated effectively. The specific risks identified in the engagement risk assessment will be measured against the established criteria during the quality monitoring review process.

Step 3: Develop quality monitoring review procedures

As highlighted previously, the effectiveness of the QMR programme relies on a shared understanding of ISSAIs within the audit team. The QMR reviewer should ensure they have a thorough grasp of ISSAI 140 and be familiar with any relevant supplemental ISSAIs that apply to the specific engagement being reviewed.

The QMR reviewer should perform the following procedures to assess the engagement team's compliance with quality management requirements:

i. **Confirming identified risks:** Develop review procedures to verify the existence of the risks identified during the engagement risk assessment.
ii. **Gathering evidence:** Obtain supporting documentation from the engagement team, including the audit program, working papers, and other relevant materials. Access and review documentation provided by the SAI's monitoring and remediation function, particularly regarding identified deficiencies that could affect areas involving significant judgments by the engagement team.
iii. **Understanding the engagement**: Discuss significant matters with the audit owner and, if applicable, other key members of the engagement team. This discussion should focus on the nature and circumstances of the engagement.
iv. **Identifying significant judgements:** Based on the information gathered (engagement documents and discussions), identify areas where the engagement team made significant judgements. These judgements could relate to:
    a. Overall strategy and plan for conducting the engagement.
    b. Performance of audit procedures throughout the engagement.
    c. Forming a conclusion and reporting on the engagement findings.
v. **Evaluating audit procedures:** Include an evaluation of the results documented for each audit procedure performed by the engagement team.
vi. **Evaluating engagement documentation**: Review selected engagement documentation that supports the significant judgments and conclusions made by the engagement team. This evaluation should focus on:

   a. The basis for the team's judgments, including the appropriate application of professional scepticism.
   b. Whether the documentation adequately supports the conclusions reached.
   c. The overall appropriateness of the conclusions themselves.

vii. **Assessing consultation:** Evaluate whether appropriate consultations occurred on difficult or contentious matters, or those involving differences of opinion. This includes reviewing the conclusions arising from these consultations.

viii. **Reviewing deliverables:** Assess the basis for the audit owner's conclusion regarding their overall responsibility for managing and achieving quality throughout the audit.

ix. **Review the final deliverables**, which include:
   a. The financial statements.
   b. The auditor's report.

x. **Reviewing deliverables (other engagements**): For assurance or related services engagements, review the final engagement report and, when applicable, the subject matter information.

4.3 Choosing Between Review Procedures and Questionnaires

The QMR team has the discretion to choose review procedures over questionnaires in certain situations to ensure a comprehensive and effective review. This decision should be documented in the QMR plan.

Here are some scenarios where review procedures might be more suitable:

i. **Supporting inexperienced reviewers**: When a QMR team member is new to the role and requires more detailed guidance, using review procedures can provide a step-by-step approach to gathering evidence and assessing compliance with quality management requirements. This can help ensure consistency and accuracy in the review process.

ii. **Reviewing complex activities:** For complex activities where the steps involved are intricate or interconnected, review procedures can provide a clear sequence for assessing the engagement team's performance. This structured approach can help ensure all critical aspects of the activity are thoroughly reviewed.

The decision to use review procedures should be based on a risk-based assessment of the engagement and the specific needs of the QMR team. Questionnaires can still be a valuable tool for gathering information, but review procedures may offer greater depth and flexibility in certain situations.

4.4 Key Considerations

These are some key considerations for conducting QMR.

Review Planning and Customisation

The annual quality monitoring plan should define the scope and volume of QMR's for the year. This plan identifies focus areas (risks), audit owners selected for review, and key milestones for the review process. The QMR team should review and customise the plan, along with relevant tools, to adapt to current circumstances.

Documents reviewed during the QMR might include:

i. Annual overall audit plan (listing planned audits for the year).
ii. Audit guidelines (Financial Audit Manual (FAM), Compliance Audit Manual (CAM), and Performance Audit Manual (PAM)).
iii. Audit files ongoing or completed.
iv. Annual Management Letter and audit report
v. List of completed audit reports from the previous year.

These documents provide insights into how audits are planned, conducted, and reported at the SAI.

Minimum requirements for a comprehensive review

The QMR activity should be:

i. **Comprehensive:** Covering all aspects of the audit process as defined in the engagement plan.
ii. **Systematic:** Following a structured and documented approach to ensure consistency and thoroughness.
iii. **Critical:** Evaluating the quality of audit evidence, working papers, and conclusions reached by the engagement team.

The reviewer should ensure that all information necessary to support the audit opinion is documented in the working papers. Also, ensure that the working papers are complete, understandable, properly cross-referenced, signed off, and indexed.

4.5 Evaluating Audit Working Papers

The reviewers should ensure that the working papers are sufficient to support the audit conclusions made by the audit teams. The reviewer should thus assess the following aspects of the working papers and consider the validity and reliability of data sources in relation to the nature and extent of testing performed:

Reviewing considerations for financial statements fairness

To assess whether the financial statements are fairly presented, the reviewer should consider:

i. Evaluating evidence documented in the working papers to support the financial statements.
ii. The reviewer should also evaluate the engagement team's understanding of the auditee's operations and how this knowledge is reflected in the audit approach.
iii. Analysing significant fluctuations, new accounts, or changes in accounting policies, ensuring proper explanations are documented.
iv. Evaluating whether all identified financial statements and component-level risks were addressed during the audit.

Reviewing Audit Procedures and Documentation

The reviewer should assess the following aspects of audit procedures and documentation:

- **Underlying data examination:** Confirm that relevant underlying data has been examined to support conclusions on each component.
- **Sign-off procedures:** Ensure all procedural steps in the working papers are signed off, with justifications for any omitted steps.
- **Supporting information:** Verify that information and schedules support the procedures performed and are properly cross-referenced.
- **Audit plan deviations:** Evaluate the justification for any deviations from the approved audit plan.
- **Completeness of audit area review:** Review the entire completed audit area to determine if audit objectives were met.

Key matters during ongoing (hot) reviews

When conducting ongoing (hot) reviews, the reviewer should focus on and discuss the following matters with the team management, if necessary:

i. Changes in the scope of examination or significant deviations from the approved audit plan;
ii. Unusual items identified in the financial statements;
iii. Material audit findings potentially impacting the audit opinion; and
iv. Unresolved material issues between the auditors and the auditee.

In evaluating working papers, SAI's are encouraged to use a risk-based approach rather than going through all the steps described above.

Review findings and recommendations

The QM reviewer will discuss review findings and recommendations with the reviewed audit teams and the responsible supervisor.

Emphasis on ISSAI 140

Quality management should not solely focus on post-audit corrections (mechanical controls). More importantly, they should foster an environment that encourages auditors to:

i. Utilise professional judgement effectively.
ii. Consult with colleagues and managers for guidance.
iii. Delegate tasks and responsibilities appropriately.

4.6 Documentation and Update

The AFROSAI-E QMR checklist serves as a dynamic tool. Originally developed based on relevant audit guidelines, ISSAIs, and established standards, it undergoes periodic reviews and updates to reflect evolving best practices. The process ensures the checklist remains current and addresses the ever-changing audit landscape.

While the QMR checklist sets a strong foundation, reviewers have the flexibility to supplement it with additional materials as needed. This might include specific audit engagement documents or industry guidance relevant to the review.

To streamline the review process for supervisors, it's recommended to complete a condensed checklist for each audit engagement. This checklist would summarise key findings for the audit files reviewed, providing a clear overview of the overall quality within their area.

4.7 Content of the Checklist

The QMR checklist should incorporate both positive and negative observations:

Positive Observations: Acknowledge and document good practices identified within the audit team. A summary of these positive observations can be included at the beginning of the QMR report.

Negative Observations: Record all material weaknesses precisely, including the nature and extent of the finding. Observations should be based on the reviewer's assessment against established evaluation criteria derived from:

i. Professional judgment and the reviewer's experience.
ii. Applicable ISSAIs.
iii. SAI policies, procedures, and standards.
iv. Financial reporting framework
v. Laws, regulations, grants, contracts, etc.

The reviewer should then identify the potential risks exposed by the identified weaknesses.

4.8 Addressing Findings

Clearing findings

Following the identification of observations during the review, the reviewer initiates an open dialogue with the audit team or management. Through discussions, they seek comments and clarifications on the raised observations. The QMR checklist then documents these discussions and any resulting clarifications, fostering transparency and ensuring a comprehensive understanding of the findings.

Identifying Root Causes

The QMR process goes beyond simply identifying weaknesses. Reviewers delve deeper to investigate and document the underlying reasons behind both satisfactory and unsatisfactory conditions observed during the review. Identifying these causal factors holds significant value. By understanding the root causes of both successes and shortcomings, the QMR team can develop more effective corrective actions and recommendations for improvement.

Recommendations

Drawing on the identified causal factors, the reviewers formulate practical and specific recommendations for improvement. Reviewers should tailor these recommendations to address the specific audit challenges identified and clearly link them to the observations. To ensure effectiveness, reviewers should leverage their knowledge of best practices and utilise resources from AFROSAI-E and INTOSAI Development Initiative (IDI). This ensures the recommendations are actionable and have the potential to create lasting improvements within the audit team.

Clear ownership and accountability

For transparency and accountability, the QMR checklist includes a section for reviewer information. This section clearly identifies the reviewer who conducted the review and formulated the recommendations. Additionally, the review team leader is responsible for ensuring all observations within the checklist are completed, accurate, signed off, and dated. This final sign-off signifies completion of the review process for a specific audit engagement.

4.9 Conducting the Review

Audit owner interviews:

The QMR process will begin with interviews with the responsible director for the audits. These interviews serve several key purposes:

i. Discuss how the overall audit strategy for the year was developed and implemented. This includes gaining insights into the risk assessment process, selection of audit engagements, and resource allocation decisions.

ii. Explore lessons learnt by the audit owner and the audit team throughout the audit year. This information can help identify areas for improvement within the overall quality management system.

iii. Understand the director's expectations for the QMR review. This may involve specific areas they want the QMR team to focus on, such as potential challenges encountered during the audit or areas where they would appreciate additional feedback.

While the director's input is valuable, the QMR team retains independent judgment in determining the final scope of the review. Based on the interviews and their own risk assessment, the QMR team may choose to expand or adjust the review focus areas.

4.10 Institutional System of Quality Management

The QMR will assess the effectiveness of the institution's SoQM for different types of audits. This includes reviewing policies, procedures, and guidelines related to audits within the institution.

The review should also entail assessing how these policies and procedures are implemented in practice throughout the year and incorporating the findings of the review of the institution's quality management system into the consolidated QMR report.

During the review of individual audit files, the QMR team will verify and provide further details on any previously identified weaknesses in the institutional quality management system (e.g., lack of training for audit staff).

Focus on the Institutional Capacity Building Framework (ICBF) Framework:

While reviewing the institutional quality management system, the QMR team will specifically focus on aspects relevant to audits, as outlined in the Institutional Capacity Building Framework (ICBF):

- → **ICBF Domain 1 and 4:** Assessing the clarity and effectiveness of the mandate and methodology for conducting audits within the institution. This includes evaluating whether the mandate provides a clear basis for the scope of the audits and whether the methodology aligns with relevant ISSAIs.
- → **ICBF Domain 2 and 5:** Examining the organisation, planning, management, and reporting practices within the SAIs' audits. This involves assessing how effectively audits are planned, staffed, budgeted, and monitored, and how audit results are effectively communicated to stakeholders.
- → **ICBF Domain 3:** Evaluating how the SAI secures and develops the necessary skills and competencies within its workforce to conduct high-quality audits effectively.

4.11 Individual File Review

Following the audit owner interviews and institutional quality management system review, the QMR team will delve into the individual audit files selected for review. This review will be based on a predefined questionnaire and an engagement review programme/checklist. Below is a breakdown of key elements.

Questionnaire: The questionnaire should be designed to gather information on various aspects of the audit process, aligned with ISSAI 140 principles:

i. **Planning Phase:**
   a. The questionnaire should include a risk assessment process tailored to the specific audit engagement.
   b. Development of the overall audit strategy and detailed audit plan.
   c. Staffing considerations and allocation of appropriate expertise.

ii. **Execution Phase:**
   a. Conduct of the audit procedures as documented in the working papers.
   b. Adequacy and completeness of audit evidence collected to support conclusions.
   c. Adherence to professional scepticism and proper documentation of professional judgements made.
   d. Timely identification and resolution of audit issues.
   e. Communication with management regarding audit findings and recommendations.

iii. **Reporting Phase:**
   a. Clarity, completeness, and accuracy of the audit report.
   b. Consistency between audit conclusions and the evidence presented in the working papers.
   c. Adherence to reporting standards and proper disclosure of significant matters.

4.12 Engagement Review Programme/Checklist

The checklist serves as a detailed guide for the QMR team, providing references to relevant ISSAIs for each aspect of the audit process being reviewed. This ensures the QMR team is evaluating the audit work against established professional standards.

The structure of the checklist mirrors the audit process, with sections dedicated to planning, execution, and reporting phases.

Each section contains specific questions or prompts that guide the QMR team's review of the working papers, interviews with the audit team, and other relevant documentation.

4.13 Conducting the File Review

During the individual audit file review, the QMR team should follow these key steps:

i. **Gain Overall Understanding:** Before delving into specific checklist items, the QMR team should gain a holistic understanding of the audit quality. This involves reviewing the scope of the audit, the overall risk assessment, and the audit conclusions.

ii. **Preliminary Findings and Discussions:** Based on the initial review, the QMR team may identify preliminary findings. These findings, along with any questions or concerns, should be discussed with the audit team for clarification and to obtain any additional documentation that may support the audit conclusions.

iii. The QMR team should meticulously document all observations, findings, and conclusions during the file review. This documentation will form the basis for the final QMR report.

CHAPTER 5: PERFORMING THE REVIEWS AT THE SYSTEM OF QUALITY MANAGEMENT LEVEL

5.1 Monitoring the System of Quality Management (SoQM as a whole)

The institutional level monitoring encompasses a comprehensive review of all components of the system of quality management, distinguishing it from engagement-level monitoring, which focuses on individual audit reviews. This organisational-level approach ensures that the SAI's policies and procedures, governance structures, resource management, and operational systems collectively support the delivery of high-quality audits that add value to stakeholders and maintain public trust in the institution.

5.2 Monitoring Objectives and Scope

The primary objectives of institutional-level monitoring align directly with the purposes established in ISSAI 140.

The monitoring process must provide relevant, reliable, and timely information about the design, implementation, and operation of the SoQM, ensuring that leadership and management have accurate data to make informed decisions about quality management effectiveness.

The monitoring process must:

i. Identify potential strengths and deficiencies in the design, implementation, and operation of the SoQM, providing a clear picture of what is working well and what requires attention or improvement.
ii. Facilitate appropriate action to respond to identified deficiencies such that they are remediated on a timely basis, ensuring that quality issues do not persist or worsen over time.
iii. Enable the SAI to assess compliance with ISSAIs and applicable legal and regulatory requirements, as well as with the policies and procedures it has established to address quality risks.

The scope of institutional-level monitoring encompasses all components of the SoQM, including the SAI's audit guidelines, methodologies, and tools to ensure compliance with professional standards and relevant regulatory requirements. This includes governance and leadership structures that set the tone at the top and establish quality as a priority, human resource management systems that ensure staff competency and professional development, and information systems and technology infrastructure that support efficient and effective audit delivery.

Additionally, the monitoring scope covers risk management processes and the design of responses to identified quality risks, performance measurement and improvement processes that track and enhance audit quality over time, resource allocation and management effectiveness to ensure adequate support for quality objectives, and compliance with ethical requirements and independence standards that maintain the SAI's credibility and objectivity.

5.3 Monitoring Approach and Methodology

The nature, timing and extent of institutional-level monitoring activities must consider several critical factors as specified in ISSAI 140. These include:

i. the SAI's size and structure, which influences the complexity and resource requirements of the monitoring function, and the justifications identified in the quality risk assessment, which help prioritise monitoring efforts toward the most significant risks to audit quality.
ii. The design of responses to quality risks and the overall design of the risk management process also inform the monitoring approach, ensuring that the effectiveness of quality risk mitigation measures receives appropriate evaluation.
iii. Changes in the SoQM since the last monitoring cycle require special attention to ensure that modifications have been properly implemented and are achieving their intended objectives.
iv. Results of previous monitoring activities provide valuable baseline information and help identify trends in quality management effectiveness, recurring issues that may indicate systemic problems, and areas where sustained improvement has been achieved. This information helps ensure that monitoring efforts are both efficient and effective in addressing the most critical quality management challenges.

The monitoring methodology combines quantitative and qualitative approaches to provide a comprehensive assessment of SoQM effectiveness. Quantitative methods include statistical analysis of compliance metrics and quality indicators, trend analysis of SoQM performance indicators over time, benchmarking against peer SAIs and professional standards, cost-benefit analysis of quality management initiatives, and risk assessment scoring and heat mapping to visualise quality risks and their management. Qualitative methods complement the quantitative analysis through management interviews and structured questionnaires that capture leadership perspectives and experiences, focus group discussions with key stakeholders to understand quality impacts from multiple viewpoints, process walkthroughs and observation reviews to assess actual versus documented procedures, document analysis and policy compliance reviews to evaluate the adequacy of quality management documentation, and root cause analysis of identified deficiencies to ensure that remedial actions address underlying rather than superficial issues.

5.4 Monitoring Process and Procedures

The annual monitoring cycle should be structured to provide a systematic and comprehensive evaluation of the SoQM while aligning with the SAI's operational calendar and reporting requirements.

i. Planning Phase

The planning phase, typically conducted, involves updating the risk assessment and identifying current quality risks that should receive monitoring attention, developing the annual monitoring plan that specifies objectives, scope, methodology, timeline, and resource requirements, allocating resources and assigning team members to specific monitoring activities, and communicating with units to be monitored to ensure understanding and cooperation.

ii. Execution Phase

The execution phase generally involves conducting systematic reviews of SoQM components according to the approved monitoring plan, gathering and analysing evidence through various monitoring techniques, providing interim reporting and communication with management on significant findings that require immediate attention, and identifying deficiencies and their root causes to ensure that remedial actions address underlying issues rather than symptoms.

iii. Reporting Phase

The reporting phase typically focuses on preparing comprehensive monitoring reports that clearly communicate findings, conclusions, and recommendations, presenting findings to the Head of SAI and senior management for consideration and action, developing detailed remediation action plans with specific responsibilities, timelines, and success metrics, and following up on previous period remedial actions to assess implementation effectiveness and identify any remaining issues.

CHAPTER 6: Root Cause Analysis

6.1 Root Cause Analysis Framework for Quality Management Monitoring Deficiencies

Root cause analysis represents a fundamental component of the monitoring and remediation process under ISSAI 140, serving as the critical bridge between deficiency identification and effective remedial action. When deficiencies are identified in the SoQM, it becomes essential to investigate beyond surface symptoms to understand the underlying causes that allowed these issues to occur and persist.

The importance of thorough root cause analysis cannot be overstated in the context of quality management monitoring. Surface-level remediation often results in temporary fixes that fail to address underlying systemic issues, leading to recurring problems and wasted resources.

6.2 Root Cause Analysis Process

The root cause analysis process begins with a clear and comprehensive definition of the identified deficiency, establishing the foundation for all subsequent investigation activities. This initial assessment must answer several critical questions that frame the scope and approach of the root cause analysis.

The specific nature of the deficiency must be clearly articulated, including its manifestations, frequency, and context within the broader SoQM framework. The assessment must also determine which SoQM components are affected by the deficiency, as this information influences both the investigation approach and the scope of potential remedial actions. Additionally, the potential impact on quality and stakeholder confidence must be evaluated to ensure that remediation efforts are appropriately prioritised and resourced.

Deficiencies generally fall into three primary categories that require different analytical approaches and remedial strategies.

i. Design deficiencies occur when SoQM components are inadequately designed to achieve their intended objectives, often reflecting gaps in understanding of quality risks or insufficient consideration of operational realities during system development.
ii. Implementation deficiencies arise when SoQM components are appropriately designed but not properly implemented across the organisation, typically indicating issues with change management, communication, training, or resource allocation.
iii. Operating effectiveness deficiencies occur when SoQM components are well-designed and initially implemented correctly but fail to operate effectively over time, often due to changes in

organisational circumstances, resource constraints, or gradual degradation of compliance without adequate monitoring and reinforcement.

6.3 Evidence Gathering and Investigation Methodology

Effective root cause analysis depends on comprehensive evidence gathering using multiple data collection methods to ensure accuracy and completeness of findings. Methods of gathering evidence will include:

i. Document review of policies, procedures, and guidance materials.
ii. Interviews with relevant personnel at different organisational levels.
iii. Process walkthroughs and observations of actual practices.
iv. Review of historical data and trend analysis.
v. Examination of training records and competency assessments.
vi. Analysis of resource allocation and workload distribution.

Key investigation areas may encompass the full range of factors that can contribute to quality management deficiencies. Areas to focus on include:

i. Leadership tone and commitment to quality.
ii. Communication effectiveness throughout the organisation.
iii. Resource adequacy (human, financial, technological).
iv. Competency levels and professional development.
v. Process clarity and accessibility.
vi. Monitoring and feedback mechanisms.
vii. Organisational culture and incentive alignment.

6.4 Analytical Techniques and Validation

There are various approaches to conducting a root cause analysis. For this guideline, “The 5 Whys” was selected as the preferred method. The SAI may select any root cause analysis that best suits its operating environment. The "5 Whys" technique provides a practical approach for drilling down from surface symptoms to fundamental root causes through iterative questioning. This technique begins with the identified deficiency and asks "why" this problem occurred, then continues asking "why" for each successive answer until fundamental root causes are identified.

For example, if audit files consistently lack adequate documentation of risk assessments,

i. The first "why" might reveal that auditors are not completing risk assessments properly.
ii. The second "why" might reveal that auditors lack a clear understanding of risk assessment requirements.
iii. The third might identify insufficient training on risk assessment procedures.

iv. The fourth "why" might reveal that training materials were outdated and did not reflect current standards.

v. The fifth "why" identifies a lack of a systematic process for updating training materials whenever standards change.

Contributing factor analysis helps understand relationships between different causes and their relative importance. Immediate causes represent direct actions or failures that led to the deficiency. Underlying causes represent factors that allowed immediate causes to occur, such as inadequate procedures, insufficient training, or resource constraints. Root causes represent fundamental organisational issues that create conditions for problems to develop and persist, such as leadership weaknesses, systemic deficiencies, or cultural factors. Depending on their nature and circumstance, SAI's are at liberty to choose other Root Cause Analysis techniques such as Fishbone Diagram (Ishikawa Diagram), Failure Mode and Effects Analysis (FMEA), Fault Tree Analysis (FTA), and Pareto Analysis.

Example of the 5 whys

Through inspection of completed audit engagements, it was noted that there was no appropriate direction and supervision.

In applying the 5 whys to perform a root cause analysis, the following "whys" will be asked

1. Why was there no appropriate direction and supervision?
   The directors are allocated too many audits.
2. Why are the directors allocated too many audits??
   The audit universe of the SAI was increased.
3. Why was the audit universe of the SAI increased?
   A new law was passed to increase the mandated audits from 800 to 5000
4. Were new staff recruited to address the increased audits?
   No.
5. The root cause of the lack of appropriate direction and supervision is due to shortages of auditors.

6.5 Root Cause Identification and Analysis Framework

The identification of root causes requires systematic analysis using established frameworks that help reviewers move beyond immediate symptoms to understand underlying organisational factors. Primary root cause categories provide a structured approach for organising and analysing potential contributing factors, ensuring comprehensive consideration of all possible underlying issues.

Below are examples of the focus areas and examples of primary root categories and their contributing factors.

Table 3: Primary Root Cause Categories

ROOT CAUSE ANALYSIS – PRACTICAL APPLICATION GUIDE				
No	**Root Cause Category**	**What to Look For (Investigation Questions)**	**Example Deficiency**	**Identified Root Cause**
1	**Leadership and Governance Issues**	• Does leadership actively champion quality? • Are quality objectives clearly communicated? • Are adequate resources allocated for quality activities? • Is there clear accountability for quality outcomes? • Do leaders model quality behaviours?	Deficiency: Audit teams consistently skip required quality review procedures.	Leadership has not allocated sufficient time in audit schedules for quality reviews and does not monitor compliance with review requirements.
2	**Human Resource Factors**	• Do staff have the necessary competencies? • Is training adequate and current? • Are there enough staff for the workload? • Is staff turnover affecting quality? • Are roles and responsibilities clear? • Do incentives support quality?	Deficiency: Risk assessments in audit files are incomplete or poorly documented.	Auditors have not received updated training on the new risk assessment methodology introduced last year, and senior staff who knew the old system have left.
3	**Process and System Deficiencies**	• Are policies and procedures clear and practical? • Do different SoQM components work together? • Is documentation adequate and accessible? • Are there effective monitoring mechanisms? • Do technology systems support quality?	Deficiency: Consultation on complex issues is not being documented properly.	There is no standardised consultation form or template, and the quality management system does not clearly specify what needs to be documented.
4	**Organisational Culture and Environment**	• Is quality embedded in organisational values? • Are staff encouraged to raise quality concerns? • Is there openness to improvement? • Do teams communicate and collaborate well? • Are quality and deadlines balanced appropriately?	Deficiency: Quality issues are identified but not reported or addressed until external review.	A culture of "not raising problems" exists where staff fear negative consequences for highlighting issues, and emphasis is heavily on meeting deadlines over quality.

5	**External Factors**	• Have standards or regulations changed? • Are external resource constraints limiting quality? • Is external pressure affecting decisions? • Have new technologies created gaps? • Have external events disrupted operations?	Deficiency: Audit files do not comply with the new ISSAI requirements adopted 6 months ago.	New international standards were adopted by the profession, but SAI has not updated its audit manuals, templates, and quality checklists to reflect these changes.

CHAPTER 7: REMEDIATION

7.1 Remediation Process

The remediation process involves developing and implementing corrective actions that address identified deficiencies, prevent their recurrence, and enhance the SAI's ability to consistently meet its quality objectives and comply with professional standards. The remediation process effectively addresses the deficiencies identified.

7.2 Steps for Implementing the Remediation Process

Step 1. Designing an Action Plan to Address Root Causes of Identified Deficiencies

The action plan may include the following key elements:

i. **The identified deficiencies:** Clearly outline the specific deficiencies observed during the monitoring process.

ii. **Root cause analysis**: Identify the underlying causes contributing to the deficiencies

iii. **Corrective actions:** Define the specific activities or interventions required to address each root cause. These actions should be practical and realistic, considering the SAI operating environment.

iv. **Timelines and milestones**. Assign appropriate timeframes and Key Performance Indicators (KPIs) for each action's implementation. These should be categorised as **short-term**, **medium-term,** or long-term, based on the urgency of addressing the deficiency, availability of resources, and the potential impact on achieving quality objectives**.**

v. **Responsibility assignment**: Designate clear ownership for each activity by identifying the responsible process owners. Accountability should be established to ensure implementation and monitoring.

Step 2: Communicate the Action Plan

i. The action plan should be reviewed and approved. The approval should be by the person with operational responsibility of the SoQM or any committee with delegated responsibility.

ii. The process owner should communicate the action plan to the quality monitoring function to evaluate the appropriateness of its design.

iii. Following the monitoring assessment, action plans may be adjusted if necessary.

Step 3: Implementation of the actions

i. The individuals/units who were allocated responsibility should implement the activities or interventions as planned and document the evidence of implementation.
ii. The process owner is responsible for implementing the approved action plan and should mobilise adequate resources to ensure its effective execution.

Step 4: Monitoring the Implementation of the Action Plan

i. The monitoring function should evaluate whether the remedial actions have been appropriately implemented and are effective. This means assessing whether the KPIs were met and if the intended results were achieved.
ii. The SAI should determine how often to monitor the implementation of the remedial actions.
iii. The monitoring function documents the results of evaluation, indicating whether the actions eliminated or reduced the deficiency to an acceptable level. Where it is noted that the action plan did not sufficiently address the deficiency, it should suggest adjusting the actions.
iv. These results may be used during the evaluation of the SoQM and can also inform the continuous cycle of risk assessment and monitoring.

Figure 4: The diagrammatic presentation of the remedial action.

A further depiction of the remediation process in flowchart form, with the role players clearly separated, is presented in **Appendix A.**

CHAPTER 8: REPORTING ON MONITORING ACTIVITIES

ISSAI 140 requires 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.

8.1 Evaluating Findings and Identifying Deficiencies

At the end of the monitoring activity, the results (in the form of strengths and weaknesses) will be accumulated. The weakness may constitute a finding which will be further evaluated.

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

i. an appropriate quality objective is not established, or established incorrectly;

ii. a quality risk, or combination of quality risks, is not identified or properly assessed;

iii. 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

iv. 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.

In addition to the above factors/guidance, the reviewer might also exercise professional judgement in determining if 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 risk responses, or other aspects of the system of quality management to which they relate. This evaluation should be properly documented.

After identifying the deficiencies, the reviewers should establish the root causes for such deficiencies as guided in Chapter 6. Root cause analysis helps to identify and understand the circumstances that caused the deficiency. This can be 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, and appropriately remediate the identified deficiency.

8.2 Evaluating Deficiencies

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

i. The nature of the identified deficiency, including the aspect of the SAI'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.

ii. In the case of identified deficiencies related to responses, whether there are compensating responses to address the quality risk to which the response relates.

iii. The root cause(s) of the identified deficiency.

iv. The frequency with which the matter giving rise to the identified deficiency occurred.

v. The severity of the identified deficiency, its speed of occurrence, and the duration of its impact on the quality management system are also key factors to consider.

When assessing the ***severity*** of the deficiency, the SAI will consider the materiality of the deficiency and the root cause. Materiality can be both quantitative and qualitative. If quantitative, the threshold should be established when planning the monitoring activity, and so should the qualitative aspects.

The table below shows how the tolerable deficiency rate's severity will be used to assess the severity of deficiencies:

Table 4: Use of the tolerable deficiency rate in assessing the severity of deficiencies

Findings percentage *number of findings linked to the deficiency/total number of findings)*	**Engagement percentage Number of engagements affected by the deficiency/*total number of engagements subjected to monitoring review***	**The duration during which the deficiency existed**	**Evaluation of deficiency**
XX % and above	XX % and above	Existed for more than 12 months	Severe
XX% and below	XX % and above	Existed for less than 12 months	Not severe

* *For severity, the percentage will be set at a higher rate than the tolerable threshold.*

In addition, when assessing ***pervasiveness***, the SAI will consider whether:

i. The deficiency affects several components or aspects of the system of quality management.
ii. The deficiency is confined to a specific component or aspect of the system of quality management but is fundamental to the system of quality management.
iii. The deficiency affects several business units or geographical locations of the SAI.
iv. The deficiency is confined to a business unit or geographical location, but the business unit or location affected is fundamental to the SAI overall.
v. The deficiency affects a substantial portion of engagements that are of a certain type or nature.

The table below shows how the pervasiveness of the tolerable deficiency rate will be used to assess the overall impact of the deficiencies:

Table 5: Pervasiveness of the tolerable deficiency rate

Findings percentage (*number of findings linked to the deficiency/ total number of findings)*	**Engagement percentage**	**Evaluation of deficiency**
Below XX %	Below XX%	Not pervasive
XX% and above	Below XX%	Not pervasive
XX% below	XX% and above	Pervasive
XX% and above	XX% and above	Pervasive

**It will be set to be the same as the tolerable deficiency rate*

8.3 Evaluating Findings, Identifying all Parts of an Iterative and Non-linear Process

The results of the assessment of the severity and pervasiveness of the deficiencies will feed into the evaluation of the SoQM by the person(s) with the ultimate responsibility of the SoQM.

8.4 Remediation

For the identified deficiencies, the process owners will be tasked to design and implement remedial actions that are in line with the established root causes.

The individual(s) assigned operational responsibility for the monitoring and remediation process shall evaluate whether the remedial actions:

i. Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and
ii. Implementation to address previously identified deficiencies is effective.

8.5 Findings About a Particular Engagement

In circumstances when the monitoring activities point to the possibility of procedures being omitted or an inappropriate report being issued, the action taken by the SAI may include:

i. Consulting with relevant individuals about the suitable course of action.
ii. Discussing the matter with the management of the entity or those charged with governance.
iii. Performing the omitted procedures.

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

8.6 Communication of Monitoring results

The individual(s) assigned operational responsibility for the monitoring and remediation process should communicate on a timely basis with the individual(s) assigned ultimate responsibility and accountability for the system of quality management and the individual(s) assigned operational responsibility for the system of quality management through the individuals assigned to oversee the monitoring and remediation process.

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

8.7 Frequency of Reporting

The reporting should be timely, i.e. as and when the monitoring activity is concluded or ongoing.

For instance, if it is ongoing monitoring, the results should be communicated to facilitate remedial actions before the conclusion of the activity.

Those charged with the monitoring process should annually consolidate all the results of the different monitoring activities undertaken during the period and report to the head of the SAI or the person(s) charged with evaluating the SAI's SoQM.

The Monitoring reports should at least cover:

i. A description of the monitoring activities performed.
ii. Good practices (positive findings)
iii. The identified deficiencies, including the severity and pervasiveness of such deficiencies.
iv. The remedial actions to address the identified deficiencies.
v. The frequency with which the matter gives rise to the identified deficiency occurred.
vi. The magnitude of the identified deficiency, how quickly it occurred, whether it existed, and the duration of time that it existed and had an effect on the system of quality management.

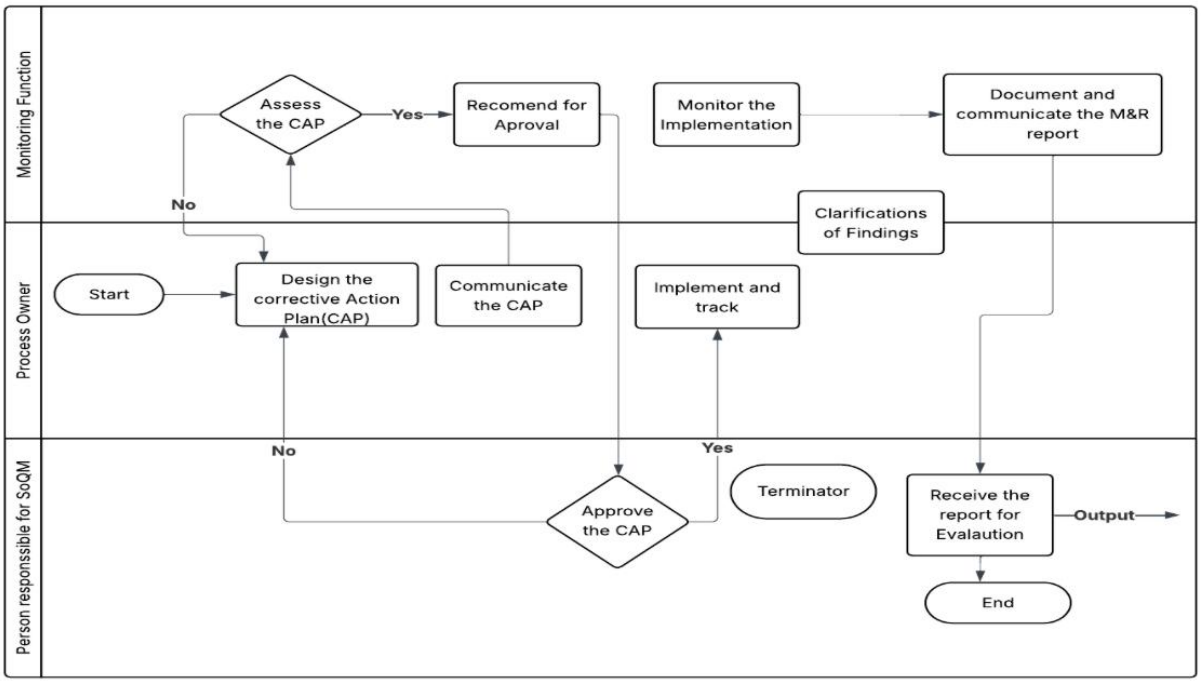
A sample format of the report is contained in Appendix **B**.

8.8 Recognition and Reward System

The results of the monitoring process will be used by the Head of the SAI during the evaluation of the SoQM, but may also be used for reward and recognition, or sanction in line with the SAI's performance management policies and procedures to foster quality throughout the SAI.

APPENDICES

Appendix A: Remediation Process flow chart



Appendix B: Annual Report on Quality Monitoring Activities

To: Head of SAI/person(s) responsible for SoQM

Introduction

The Quality Monitoring (QM) Function was established to monitor OAG's System of Quality Management (SoQM). The monitoring activities entail assessing whether the Office conforms with the ISSAIs, applicable legal and regulatory requirements and policies and procedures. This report is issued in line with policy …. The reviews carried out were assigned to the Function in its Annual Workplan for the year ended..... authorised by the Head of SAI on.....

Scope of Work Done

This report summarises the results of reviews conducted between (*beginning date*) and (*ending date*). The reviews covered the period from (*beginning date*) to (*ending date*) and include institutional, financial and compliance audits, performance audits, IS, forensic and outsourced audits.

Institutional Review

The institutional review covered …

The QM function noted the following **Positive Observations…**

However, the QM function noted the following areas of improvement and has reported all deficiencies found, root causes and recommendations to the responsible Head of units. The systemic, repetitive and significant deficiencies are listed below:

Identified Deficiency (Include Severity and Pervasiveness of the Deficiency)	**Root Cause**	**Recommendation**

Reviews of Individual Engagements (Audits)

The audit review included some institutional issues that directly impact the area and some selected audits (*Insert details of audits selected (including responsible unit, type of audit, name of auditee, year-end date*).

Name of Audit	***Responsible Unit***	***Type of Audit***	***Name of Auditee***	***Year-End Date***

The QM function noted the following **Positive Observations…**
The review of the above files using the checklist (Monitoring Tools) in the annex (*insert checklist*) revealed deficiencies which appeared to be systemic, repetitive and significant and which require prompt corrective action by the Office.

However, the QM function noted the following areas of improvement and has reported all deficiencies found, root causes and recommendations to the responsible Head of units. The main deficiencies are listed below:

Identified Deficiency (Include Severity and Pervasiveness of the Deficiency)	**Root Cause**	**Recommendation**

Action Plan and Implementation Status
In line with the Quality Monitoring Policy, the respective Heads of Unit were required to develop remedial action plans within … days of issuance of the Quality Monitoring reports. The action plans were designed to address identified deficiencies, including their severity and pervasiveness, underlying root causes, intended corrective actions, responsible officers, and implementation timelines. The Quality Monitoring (QM) function subsequently monitored and reviewed the implementation status of the approved action plans, as summarised below:

Item	**Description of Deficiency (Including Severity and Pervasiveness)**	**Root Causes**	**Intended / Action Taken**	**Person Responsible**	**Timeframe**	**Current Status**