



EUROPEAN
ORGANIZATION
OF REGIONAL
AUDIT INSTITUTIONS

AUDIT QUALITY

Promoting and improving quality in the work of
Regional Audit Institutions

**Summary of findings
from the
EURORAI seminar on quality
Vilnius, October 2012**

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About EURORAI

EURORAI -the European Organization of Regional External Public Finance Audit Institutions- is a cooperation project among public sector audit institutions in Europe. It provides an exchange of experiences and enables members to make progress in the common field of regional and local public sector financial control in order to guarantee a better use of public finances.

EURORAI's objectives are:

1. To foster and promote cooperation among audit bodies in the various sectors in which they carry out their activities.
2. To promote exchanges of knowledge and experience in public finance auditing.
3. To keep its members informed about the legislation, organization and operation of the various public sector audit bodies.
4. To promote studies relating to the audit of public finance.
5. To foster exchange programmes and training courses for the officials of the institutions which are members of EURORAI.
6. To establish a proper definition of the terminology used in each country in order to facilitate the harmonization of public finance auditing methods.

Membership

The following organizations are members of EURORAI as at October 2012:

Kärntner Landesrechnungshof (Austria)
Niederösterreichischer Landesrechnungshof (Austria)
Oberösterreichischer Landesrechnungshof (Austria)
Salzburger Landesrechnungshof (Austria)
Steiermärkischer Landesrechnungshof (Austria)
Tiroler Landesrechnungshof (Austria)
Audit Office of the Republic of Cyprus * (Cyprus)
Chambre régionale des comptes d'Alsace (France)
Chambre régionale des comptes d'Aquitaine, Poitou-Charentes (France)
Chambre régionale des comptes de Bourgogne, Franche-Comté (France)
Chambre régionale des comptes du Centre, Limousin (France)
Chambre régionale des comptes de Corse (France)
Chambre régionale des comptes de Basse-Normandie, Haute-Normandie (France)
Chambre régionale des comptes d'Ile-de-France (France)
Chambre régionale des comptes de Languedoc Roussillon (France)
Chambre régionale des comptes de Champagne-Ardenne, Lorraine (France)
Chambre régionale des comptes de Midi-Pyrénées (France)
Chambre régionale des comptes du Nord-Pas-de-Calais, Picardie (France)
Chambre régionale des comptes de Provence-Alpes-Côte d'Azur (France)
Chambre régionale des comptes de d'Auvergne, Rhône-Alpes (France)
Rechnungshof Baden-Württemberg (Germany)
Landesrechnungshof Brandenburg (Germany)
Hessischer Rechnungshof (Germany)
Landesrechnungshof Mecklenburg-Vorpommern (Germany)
Rechnungshof Rheinland-Pfalz (Germany)
Sächsischer Rechnungshof (Germany)
Landesrechnungshof Sachsen-Anhalt (Germany)

Landesrechnungshof Schleswig-Holstein (Germany)
 Thüringer Rechnungshof (Germany)
 State Audit Office of Hungary – Major Directorate in charge of local government audit* (Hungary)
 Local Government Audit Service - Department of the Environment (Ireland)
 Rekenkamer Amsterdam (Netherlands)
 Rekenkamer Rotterdam (Netherlands)
 National Council of Regional Chambers of Audit (Poland)
 Regional Chamber of Audit in Bydgoszcz * (Poland)
 Regional Chamber of Audit in Katowice * (Poland)
 Regional Chamber of Audit in Szczecin * (Poland)
 Regional Chamber of Audit in Wrocław * (Poland)
 Tribunal de Contas - Secção Regional dos Açores * (Portugal)
 Tribunal de Contas - Secção Regional da Madeira * (Portugal)
 Chamber of Control and Accounts of Chelyabinsk Region (Russia)
 Chamber of Control and Accounts of the Republic of Kabardino-Balkaria (Russia)
 Chamber of Control and Accounts of Komi Republic (Russia)
 Chamber of Control and Accounts of Leningrad Region (Russia)
 Chamber of Control and Accounts of Moscow (Russia)
 Accounts Chamber of Orenburg Region (Russia)
 Chamber of Control and Accounts of Rostov Region (Russia)
 Accounts Chamber of Samara Region (Russia)
 Chamber of Control and Accounts of Saint Petersburg (Russia)
 Chamber of Control and Accounts of Stavropol Region (Russia)
 Accounts Chamber of the Republic of Tatarstan (Russia)
 Chamber of Control and Accounts of Tver Region (Russia)
 Accounts Chamber of Vladimir Region (Russia)
 Chamber of Control and Accounts of Volgograd Region (Russia)
 Accounts Chamber of Tuymen Region * (Russia)
 Office of the Auditor General of Kosovo (United Nations Protectorate)
 Court of Audit of Slovenia – local government audit section* (Slovenia)
 Cámara de Cuentas de Andalucía (Spain)
 Cámara de Cuentas de Aragón (Spain)
 Sindicatura de Cuentas del Principado de Asturias (Spain)
 Sindicatura de Comptes de les Illes Balears (Spain)
 Audiencia de Cuentas de Canarias (Spain)
 Sindicatura de Cuentas de Castilla-La Mancha (Spain)
 Consejo de Cuentas de Castilla-León (Spain)
 Sindicatura de Comptes de Catalunya (Spain)
 Consello de Contas de Galicia (Spain)
 Cámara de Cuentas de la Comunidad de Madrid (Spain)
 Cámara de Comptos de Navarra - Nafarroako Kontuen Ganbara (Spain)
 Sindicatura de Comptes de la Comunitat Valenciana (Spain)
 Tribunal Vasco de Cuentas Públicas - Herri Kontuen Euskal Epaitegia (Spain)
 Cour des comptes de la République et Canton de Genève (Switzerland)
 Inspection des finances du canton de Genève (Switzerland)
 Inspection des finances du canton du Valais (Switzerland)
 Cour des comptes du canton de Vaud (Switzerland)
 Finanzkontrolle des Kantons Zürich (Switzerland)
 Accounts Chamber of the Supreme Rada of the Autonomous Republic of Crimea (Ukraine)
 Audit Commission of England (United Kingdom) – to 31 October 2012
 Audit Scotland (United Kingdom)
 Wales Audit Office (United Kingdom)
 Tribunal de Contas do Estado do Paraná * (Brazil)
 Tribunal de Contas do Estado de Santa Catarina * (Brazil)

* associated members

The following institutions/associations have observer status:

Ассоциация контрольно-счетных органов Российской Федерации (АКСОР)
(Association of Chambers of Control and Accounts of the Russian Federation)

Lietuvos Respublikos Savivaldybių kontrolierių asociacija (Association of
Comptrollers for Local Authorities in Lithuania)

Združenie hlavných kontrolórov miest a obcí slovensky republike (Association of
Comptrollers for Local Authorities in Slovakia)

Auditor General of Quebec (Canada)

Canadian Council of Legislative Auditors (Canada)

Preface

In keeping with the EURORAI objectives in relation to co-operation and exchange of knowledge, this paper represents EURORAI good practice and recommended guidance on improving quality in audit engagements and audit organizations.

The paper reflects on information presented at the EURORAI seminar in Vilnius, Lithuania in October 2012 as well as data collected from participants via a survey in advance of the seminar.

Representatives from the following organizations presented material at the seminar.

List of presenters at EURORAI seminar in Vilnius, Lithuania - October 2012

Regional Audit Institution	Country
Audit Commission	England
Regional Audit Chamber of Ile de France	France
Court of Audit of Upper Austria	Austria
Audit Scotland	Scotland
Audit Office of Galicia	Spain
Chamber of Control and Accounts of Stavropol Region	Russia
Court of Audit of Brandenburg	Germany
Wales Audit Office	Wales
Financial Inspectorate of Geneva Canton	Switzerland

Examples from the presentations and survey are included within the text of this paper.

1. Introduction

The aim of this paper following the seminar in Vilnius in October 2012 is to identify and share good practice in promoting quality among member organizations. Information presented at the seminar and data from the survey has been collated in order to identify and agree recommendations to strengthen quality arrangements and promote consistency amongst EURORAI members.

The different legal and operational frameworks in place for auditors in EURORAI member regions make a single, consistent approach to quality impractical. However, this diversity in approaches provides the opportunity to draw on a wide range of methods and good practice in promoting quality in Regional Audit Institutions which EURORAI members can benefit from.

A survey was issued to all members of EURORAI to capture information on audit processes as they relate to quality. This analysis in this report reflects the feedback from 30 completed surveys received from 9 countries including a global response from all French bodies.

Exhibit 1 – Quality survey responses

Country	Responses
Austria	2
France	13*
Germany	1
Spain	3
Switzerland	1
UK	2
Russia	6
Hungary	1
Poland	1
Total	30

*Response from French institutions was a global response from all.

2. Summary

Quality in audit organizations and audit engagements is an important issue for all audit bodies. It helps the organization to promote continuous improvement in everything it does as well as helping demonstrate assurance to auditees. In the public sector this is considered to be particularly important as it is public money that is being audited. Therefore the quality of the work and the assurance provided is also of interest to other stakeholders including members of the public.

Audit quality helps to:

- Support the quality of financial reporting of public entities (where this is a relevant part of the auditor's role),
- Promote confidence amongst the public and other stakeholders,
- Give assurance that the RAI and its staff comply with relevant professional standards and legal requirements,
- Ensure consistency in judgments and conclusions,
- Demonstrate to users that the RAI and staff have the appropriate skills and competencies.

Evidence shows that quality processes feature in the vast majority of EURORAI member bodies to varying degrees. There is also some consistency in principles and broad approaches in a number of bodies, particularly the larger organizations.

Quality needs to be considered in the broad sense and RAIs should therefore ensure that quality arrangements cover all aspects that contribute to the outputs of the organization. These are:

- leadership issues,
- culture and behaviours,
- methodologies,
- human resources, and
- monitoring and review of work.

This is acknowledged by a number of EURORAI members who are addressing issues in a variety of ways. A number of bodies demonstrate experiences that reflect good practice and in some cases have received accreditation for this.

In a number of organizations, feedback suggests that processes are variable and there is an opportunity to develop further.

This paper sets out the findings from the Vilnius seminar and quality survey and suggests a number of recommendations for consideration by EURORAI and/or EURORAI members designed to promote consistency and share good practice.

3. Recommendations

This section brings together a range of recommendations for EURORAI and /or EURORAI members to consider.

i) Recommendations for Members

No.	Recommendation
	Quality standards
1	Consider formal adoption of the principles set out in ISQC1 or ISSAI40 (as they are very similar), and design systems and processes that are fit for purpose within the organization to meet the quality objectives.
	Leadership and quality
2	Review current responsibilities for leading quality to ensure that it is at the highest possible level.
3	Improve assurance by producing a short annual report to Regional Parliaments. This should set out quality control arrangements and results of monitoring activities.
	Culture and behaviours
4	Include quality issues on the agenda of every team meeting in the audit organization.
	Methodologies and processes
5	Consider the potential for external review of current approaches and methodologies. (This is an area where collaboration within countries or across same language countries could be explored within EURORAI).
6	Include reference to ethical requirements within audit manuals and ensure that auditors are appropriately trained and aware.
7	Implement a formal process of consultation where not already in place. (This may also be an area where consultation within another region in the same country could help develop RAIs and promote sharing of good practices).
	Human resources
8	Review professional training provision to ensure that the level per person is around 40-50 hours per year.
9	Ensure that performance management and objective setting processes are in place and fit for purpose.
	Quality monitoring and review
10	Develop new, or review existing quality monitoring procedures ensuring that they are fit for purpose and reflect risks within the organization. Processes should include a checklist to cover the standards and approach used.
11	Consider the merits of external quality review with a partner region from the same country.

ii) Recommendations for EURORAI

No.	Recommendation
	Collaboration
12	Consider facilitating collaboration between members in issues relating to audit methodologies, consultation on complex matters and external reviews.

4. Why is quality important?

Quality in RAIs is important for a variety of reasons. In an ideal world, in every area of business, organizations should strive to 'be the best they can' in everything they do. This will be influenced by the business context. In public sector audit, quality is important as it helps to:

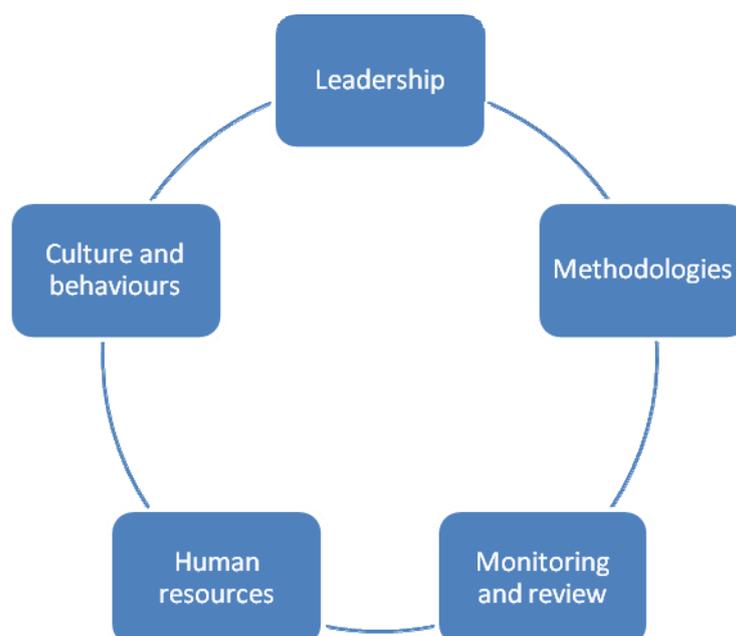
- Support the quality of financial reporting of public entities (where this is a relevant part of the auditor's role),
- Promote confidence amongst the public and other stakeholders,
- Give assurance that the RAI and its staff comply with relevant professional standards and legal requirements,
- Ensure consistency in judgments and conclusions,
- Demonstrate to users that the RAI and staff have the appropriate skills and competencies.

In examining the factors above, it is essential that RAIs should consider quality in the broadest sense. Quality is not simply an issue at the audit assignment level but it is a wider organizational issue that must reflect on key elements such as:

- Leadership of the organization,
- Culture and behaviours,
- Methodologies and audit processes,
- Human resources and audit staffing issues, and
- Monitoring and review functions.

As the exhibit below demonstrates, each of these is an important part of the quality environment in its own right. In order to develop the best overall approach, RAIs should therefore ensure that each aspect is addressed as part of an integrated organizational model.

Exhibit 2 – Overall quality environment



Quality standards

The principal standard on quality control used widely worldwide is International Standard on Quality Control 1 (ISQC1) produced by the International Auditing and Assurance Standards Board (IAASB). This standard applies to all firms of accountants and has the following objective:

ISQC 1 objective

The organization should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the organization or engagement partners are appropriate in the circumstances.

In order to meet the objective, the standard requires that each organization should put in place systems and procedures that cover the following elements:

- a) Leadership responsibilities,
- b) Ethical requirements,
- c) Acceptance and continuation procedures in relation to independence,
- d) Human resources,
- e) Engagement performance,
- f) Monitoring.

Alongside this standard, International Standard on Auditing 220 specifically provides guidance on auditing historical financial information using similar headings as ISQC1.

The results of the survey of EURORAI members show that only the UK organizations in England, Wales and Scotland had formally adopted both ISQC1 and ISA 220. INTOSAI has produced its own standard ISSAI40 which reflects the principles of ISQC1 and this has been adopted by some members of EURORAI including the State Audit Office of Hungary and the Court of Audit in Upper Austria. The Audit Standard of the Swiss Fiduciary Chamber refers to ISA 220 and other RAIs such as the Accounts Chamber in Orenburg Region, Russia have their own standards which reflect on the key principles of ISQC1.

In a number of other RAIs, there is a variety of national or regional standards. Where the audit model is based on a legal rather than financial model such as France, adoption of ISQC1 principles has not previously been considered but this is now changing with formal adoption of the INTOSAI standard which will allow consistency throughout all the French Audit Regional Audit Chambers. In other countries and regions, for example the Autonomous Communities of Spain, the survey feedback suggests that no standards are formally followed although there is an acknowledgement from some that development is needed. This is an area recommended for change and the potential for collaboration between Spanish RAIs in developing this should be explored without compromising their autonomous status.

The French Regional Audit Chambers follow a quality model which embraces:

- Ethics,
- Audit planning,
- Tools and resources,
- Jurisprudence of the RAIs, and
- Performance review.

Regardless of the regional audit model, it is argued that the principles of quality in audit organizations and engagements should apply universally and consistently within EURORAI.

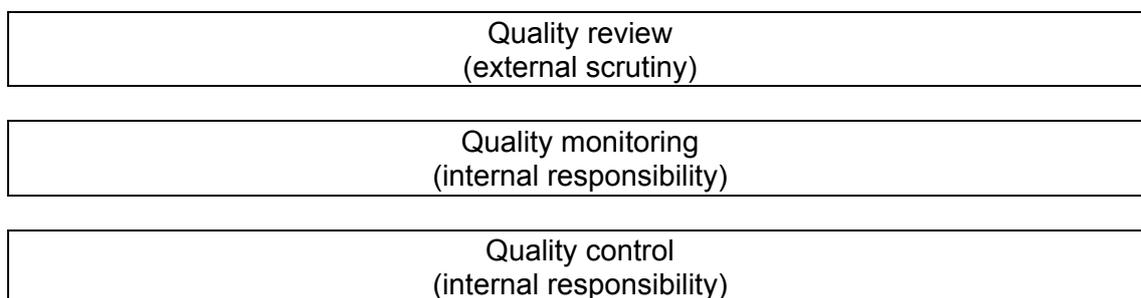
It is therefore **recommended** that all RAIs should consider formal adoption of the principles set out in ISQC1 or ISSAI40 (as they are very similar), and design systems and processes that are fit for purpose within the organization to meet the objective set out earlier.

5. A framework for quality

Adoption of ISQC1 or a similar standard encourages the development of a quality framework within the RAI. This helps to promote wider appreciation of the quality environment and how it impacts on all aspects of the audit function, as well as enabling a clear understanding of auditor's responsibilities. In the UK audit institutions, the framework comprises three elements which reflect the common model in the private sector.

As noted earlier, the quality framework should follow from an overall quality environment that embraces all aspects within the RAI that contribute to the audit outcome.

Exhibit 3 – A suggested quality framework



The diagram above confirms that the foundation of a quality framework in any organization should be built on **quality control**. Quality control means embedding controls into systems and processes so that audit bodies get things right first time.

The main elements of quality control can include:

- Qualified auditors and audit teams,
- Training programmes,
- Performance management and appraisal systems,
- Audit methodologies and approaches that comply with standards,
- Ethical guidance,
- Standard working papers,
- Standard reporting templates,
- Technical support structures,
- Communication to auditors.

To gain assurance that quality control systems and processes are working effectively, a **quality monitoring** programme is recommended and this is present in a number of EURORAI member organizations. Quality monitoring reviews are internal examinations of completed assignments and processes that can be completed after the audit or prior to completion.

The final level of the framework is **quality review**. This is a common process in the UK and private sector but not so prevalent in other European regions. Quality review is provided by an external organization. For example, in England, the former Audit Commission used the Audit and Inspection Unit of the Financial Reporting Council. In the Wales Audit Office, a number of audit reports have been subject to external review by independent bodies such as Audit Scotland and the National Audit Office.

6. Leadership and quality

Promoting and developing an environment where quality is important requires leadership and the right tone to be set from the top of the organization. Operational responsibility for quality should be assigned to the highest level where there is sufficient experience, ability and authority to implement a quality control and monitoring system.

In most responses to the EURORAI survey, it is clear that this is the case and the head of the RAI is nominally responsible for quality. In other areas it is a nominated deputy or senior manager.

It is **recommended** that all RAIs review current responsibilities for leading quality to ensure that it is at the highest possible level.

The Court of Audit of Upper Austria focuses on efficiency, functionality and effectiveness in its audit work as well as compliance. Leadership of the organization places an emphasis on continuous improvement for the future and seeks feedback from clients.

It has received ISO accreditation as well as the NPO Label for Management Excellence which reflects the Court of Audits attention to management processes, systems, marketing, resource management and control.

Auditors of listed companies are obliged to produce an Annual Transparency Report which enables the leadership of the organization to demonstrate accountability by explaining how the firm is run to ensure quality in audit. As regional and local authorities in Europe spend significant sums of public money, it is argued that public audit institutions should also provide a full account of how audit quality is ensured.

Current information suggests that reporting on quality arrangements is variable with some organizations providing full reports on an annual basis and others doing nothing.

As part of its annual report to the National Assembly, the State Audit Office of Hungary presents the results achieved in terms of the quality of its audit work.

The Auditor General of Wales has decided to publish a separate Transparency Report from 2013 which will be broadly consistent with those in the private sector. This will be published on the website at: www.wao.gov.uk

It is **recommended** that all RAIs consider improving assurance by producing a short annual report to Regional Parliaments. This should set out quality control arrangements and results of monitoring activities.

7. Culture and behaviours

Throughout the quality framework, it is important that RAIs can demonstrate the appropriate culture and behaviours so that there is an environment where quality is valued, invested in and rewarded.

Clearly this starts with leadership as described above which reflects and emphasizes the importance of quality. Beyond this there must be an infrastructure that supports a quality focus and a culture where compliance with standards and deadlines is the norm. Reward mechanisms should reflect on quality performance and conversely, failure to comply with agreed standards should also be addressed by appropriate measure in the organization. Once the leadership of the organization is committed to quality, this commitment should then be reflected throughout the organization -most effectively via a performance management system and personal objectives described later on in this paper.

The Chairman of the Chamber of Control and Accounts of Stavropol Region in Russia offers a series of rewards for quality performance by inspectors. These include a bonus, announcement of gratitude, certificate of honour or a valuable gift.

To further demonstrate commitment and culture, quality in audit is also an issue that should be discussed at every audit team meeting. This can also be linked to review and monitoring of progress as part of an integrated performance management system.

It is **recommended** that quality is included on the agenda of every team meeting in the audit organization.

8. Audit methodologies and processes

Professional standards

As noted above, it is recommended that RAIs formally adopt a relevant standard such as ISCQ1 or ISSAI40 and training should accompany this so that there is clear understanding. Alongside this, the RAI should develop its own methodology and working practices based on the standard.

Audit methodologies

The survey of EURORAI members indicates that most members who responded do periodically review their audit methodology. This process ensures that learning is taken on board and that the approach continually improves to remain fit for purpose. In some responses from Spanish regional audit offices, there is no such review which is an area that is recommended for attention.

The former Audit Commission in England engaged KPMG to do a thorough review of its audit methodology. This led to a number of improvements and efficiencies.

It is **recommended** that RAIs consider the potential for external review of current approaches and methodologies. (This is an area where collaboration within countries or across same language countries could be explored within EURORAI).

Ethical standards

In addition to quality standards and audit standards, it is important that auditors have a good understanding of ethical standards. Ethical standards for auditors developed by bodies including the International Ethics Standards Board for Accountants (IESBA) will cover:

- Integrity, objectivity and independence,
- Financial business and personal relationships,
- Long association with an audit engagement,
- Fees, gifts and hospitality, and
- Non-audit services provided by the auditor.

It is **recommended** that all RAIs include reference to ethical requirements within audit manuals and ensure that auditors are appropriately trained and aware.

Consultation on complex issues

Auditing relies on judgement of the auditor and there are times when complex issues arise. In these circumstances, the international standards recommend consultation so that the auditor can get a second opinion on his/her judgement.

In the UK audit institutions which follow ISQC1 and ISA 220, this includes formal appointment of a peer review auditor where appropriate. Relevant circumstances can include a review of a specific single issue or the whole annual audit. The decision on

a peer review is taken independently of the auditor as part of the overall processes put in place by the quality leadership.

The survey of EURORAI members shows that consultation processes are mixed in other countries. In a number of audit institutions in Spain and Russia, for example, complex issues are referred to a Technical Committee or Chamber but this is not the case in all regions. In France, the level of review is high as all reports are reviewed by the Public Prosecutor.

In Spain, the Sindicatura de Comptes in Catalonia has recently set up a Technical Office (Gabinet Tecnic) as an independent resource for consultation. In the Sindicatura de Comptes of the Valencian Autonomous Community, a similar arrangement is in place and when matters of general interest are identified, a working group is set up to ensure that new technical standards can be added to the Audit Manual.

In Germany, the Court of Audit of Schleswig-Holstein, for example, has a Senate which reviews complex matters and makes a decision before results are communicated in public.

Conversely, the survey showed that in a number of regions, there is little consultation or only informal consultation. This could mean that the auditor is exposed in cases of fine judgement. In some cases, it is acknowledged that RAIs may be too small to set up a separate technical function.

It is **recommended** that RAIs implement a formal process of consultation where not already in place. This may also be an area where consultation within another region in the same country could help develop RAIs and promote sharing of good practices.

9. Human resources and quality

In addition to the aspects already discussed, audit quality will be significantly influenced by the human resources used to do the audit. The best outcomes will be achieved by staff who are properly recruited, trained, developed, managed and motivated.

Recruitment

All regional audit organizations in the survey have competitive processes designed to attract the highest calibre candidates to what is a prestige position in public office. Numbers of applicants can be high and therefore assessment tests based on auditor competencies are common and carried out at senior manager level. The French Regional Audit Chambers are bodies which receive a large number of applicants and they are selected through competitive exams and recruitment commissions.

The law of Vladimir Region in Russia sets common requirements for contenders for Auditor posts. They must have a higher education degree and professional experience in state management, state control, economy and finance for five years.

Training

Once recruited, it is important that training is ongoing to keep audit staff up to date in professional standards and the audit approach as well as learning from recent assignments. This is recognized in the majority of RAIs where training is an important part of the annual cycle. Where auditors have a professional accountancy qualification, the training in the RAI will enable the auditor to meet the accountancy bodies continuing professional development requirement.

The survey showed that the majority of organizations allocate between 18 and 72 hours training per person per year on average. The majority devote about 40 to 50 hours per year and this is considered to be the recommended level. The Accounts Chamber of Vladimir Region in Russia allows one month per person each year and the Accounts Chamber of Orenburg Region in Russia sets aside 2 hours a week for 'professional preparation'.

In times of budget pressures and efficiency savings, it is common for training programmes to be cut back and EURORAI recommends that this should be resisted by member organizations as far as possible.

The Regional Chamber of Audit in Bydgoszcz, Poland, allocates 50 hours of internal training and 36 hours of internal training to each audit per year. In addition to this there is an expectation of professional responsibility for auditors to spend 10-15% of the annual working time on self-development.

It is **recommended** that RAIs review professional training provision to ensure that the level per person is around 40-50 hours per year.

Performance Management

Performance management with objective setting is suggested as good practice for RAIs to focus individuals on continuous improvement and development. The EURORAI survey showed that a number of institutions have performance management processes in place with annual appraisal and linked advancement and reward. However, the results also indicated that some institutions may be less advanced in performance management which is suggested as an area for development.

Audit Scotland has processes for recruitment, performance appraisal, learning and development and reward based on a broad competency framework. The competencies referred to are:

- Customer focus,
- Delivering quality,
- Leadership and management,
- Networking,
- Reason, judgement and decision making,
- Self-awareness,
- Leading, supporting and developing others, and
- Team working.

Performance appraisal within this framework is a five stage process of:

1. Objective setting.
2. Feedback.
3. Assessment and scoring (1=highly effective, 2=Solid and competent, 3= improvement required).
4. Moderation.
5. Appeals.

In setting quality objectives, RAIs commonly refer to compliance with standards, meeting deadlines, customer satisfaction and efficiencies. Compliance with standards will be tested by internal review and meeting deadlines will be tested by monitoring processes. In both cases, target levels should be set high to ensure high standards.

Customer or client satisfaction is practiced by some bodies and in others there is a feeling that this is less important. Some bodies argue that high feedback from an auditee is not that important given the nature of the job and conversely low feedback may be indicative of a disagreement where the auditor has had to be critical. Efficiency in audit processes is increasingly becoming relevant and in some RAIs there are also targets on efficiency savings to be achieved in the Regional Government. Again, opinion is divided on whether this is an appropriate objective for an auditor.

The Financial Inspectorate of the Geneva Canton in Switzerland uses the following example performance targets:

Client satisfaction – 80%
Savings from audits - €4m
Compliance – 90%

It is **recommended** that RAIs ensure that performance management and objective setting processes are in place and fit for purpose. To promote consistency, a suggested structure for objective and target setting is attached as Appendix A. This recognizes the broad quality framework and addresses issues related to quality, clients, people and finance.

10. Quality monitoring and review

The final part of the quality framework is monitoring and review to ensure that the quality processes in place are operating effectively and delivering results. Typically these will include compliance with deadlines and standards as well as efficiency savings and client satisfaction.

Quality monitoring

Internal quality monitoring is common in RAIs and is seen as an essential part of the process. However, there is evidence that some RAIs do not currently have any quality monitoring processes.

In a number of RAIs, for example; the Courts of Audit in Upper Austria and Tirol in Austria, the Regional Chamber of Audit in Bydgoszcz in Poland, the Financial Inspectorate of the Canton of Valais in Switzerland and the Chamber of Control and Accounts of the Republic of Komi in Russia, all audit engagements are subject to review.

In the Sindicatura de Comptes in Catalonia, all projects are similarly reviewed but the seven audit departments have adopted different procedures for doing this.

Total coverage is not considered necessary if the organization has a good understanding of the risks to quality. Moreover, it is not possible in the larger European organizations and therefore a structured approach is taken. In the Wales Audit Office, the work of each Engagement Lead is reviewed once every year and that of Audit Managers once every three years. In the former Audit Commission in England, the practice was to review the work of each Engagement Lead once every three years with a follow up review, if significant improvement issues were identified.

In the Accounts Chamber of Orenburg Region in Russia, quality monitoring is prioritized according to risk. This insures a focus on younger and less experienced auditors.

In France, an Internal Audit Commission reviews regional chambers and reviews procedures. The reviews take place every 4 years.

It is important that quality monitoring processes follow a structure and therefore most organizations use checklists that cover compliance with the relevant standards.

It is **recommended** that RAIs develop new, or review existing quality monitoring procedures ensuring that they are fit for purpose and reflect risks within the organization. Processes should include a checklist to cover the standards and approach used in the RAI.

Quality review

Quality review by an external party is less common in EURORAI organizations and may not be considered necessary assuming internal quality results are satisfactory and reported to regional parliaments.

However, external scrutiny is an area which RAIs may wish to consider enhancing quality by a different perspective. One option in doing this is to consider whether cross regional working could be used within the same country.

In the last few years the former Audit Commission in England engaged the Audit and Inspection Unit of the Financial Reporting Council to carry out an independent external review of a sample of audits as well as processes. This was the same process applied to the top private sector accounting firms and enabled comparison as well as promoting improvement.

It is **recommended** that RAIs consider the merits of external quality review with a partner region from the same country.

Appendix A

Example standard objectives for senior manager (to be modified for other levels)

Objective	Action and Measure
<p>Quality To provide leadership and ensure all audits meet quality standards.</p>	<p>Action Lead audits that comply with statutory, professional and regulatory requirements in accordance with standards to deliver safe judgments and outcomes that are:</p> <ul style="list-style-type: none"> • based on sound professional judgement • underpinned by sufficient appropriate audit evidence • appropriately documented • supported by technical advice as appropriate. <p>Measure Manager assessment based on:</p> <ul style="list-style-type: none"> • Peer reviews • Quality Monitoring activities • Quality Review activities • Technical Team feedback • Compliance with deadlines
<p>Clients To lead and manage client relationships professionally and effectively.</p>	<p>Actions Deliver audits in accordance with planned timetables. Personally manage client relationships at strategic and operational level to maintain the reputation and promote the RAI.</p> <p>Measures</p> <ul style="list-style-type: none"> • Outcome from client surveys • Informal feedback from client visits • Feedback from colleagues • Visibility in external situations where opportunities arise (eg: speaking engagements) • Complaints • Milestone tracking -late delivery of work.
<p>Finance To lead and manage audit budgets.</p>	<p>Action Demonstrate clear leadership, ownership and accountability on delivering against financial targets. Lead and promote this throughout the team including efficiencies in audit. Deliver results in accordance with budgets, targets and forecasts.</p> <p>Measures</p> <ul style="list-style-type: none"> • Delivery against budget • Productivity levels of self and team • Prompt closure of audits • Efficiencies secured on audits.

	<ul style="list-style-type: none"> • Appropriate skill mix used • Taking action where targets are not met and tackling instances of poor financial management.
<p>People – Line manager Provide leadership to the team. Contribute to the management and support of colleagues to deliver business objectives.</p>	<p>Actions:</p> <p>Lead, manage, inspire and motivate staff consistently with:</p> <ul style="list-style-type: none"> • Organizational values and expectations • Corporate objectives and policies • Business plans, and • Organizational culture <p>Managing performance</p> <ul style="list-style-type: none"> • Provide meaningful feedback • Effective management of all staff including talent management and addressing under performers, • Regular one to one meetings (at least quarterly with regular contact in between) • Sound and appropriately evidenced performance appraisal judgements and objective setting • Using upward feedback mechanisms • Identifying and facilitating development opportunities • Agreeing development plan, and • Monitoring progress through the year <p>Ensuring overall workloads are manageable having regard to work-life balance and business needs</p> <p>Dealing with issues as they arise including absence management, under performance, annual leave, requests for changes, induction and health & safety.</p> <p>Measures</p> <ul style="list-style-type: none"> • Compliance with timetables for one to one meetings and reviews, • Feedback from colleagues, assignment managers and upward feedback, • Casework handled (under-performance, sickness etc.) • Staff satisfaction surveys