

2.8.1 Monitoring activities

Introduction

This section contains Audit Office (the Office) quality review policies and guidance for its assurance practice and assurance engagements. Our internal audit function reviews other areas of the Office.

The reviews, which are inspection and monitoring mechanisms, are a key element of our system of quality management (SQM) that contribute to our strategic objective of 'Quality in everything we do'. The reviews are designed to collect evidence of compliance with professional standards, laws and regulations and consistency in applying policies and methodologies. They are also intended to identify opportunities for improvement.

This policy should be read in conjunction with the Quality Assessment and Remediation Guidelines and the Monitoring and remediation procedure.

Application

Overall practice reviews

The Office is subject to external reviews, including:

- a quadrennial review by a person (or organisation) appointed by the Public Accounts Committee
- periodic voluntary reviews of aspects of the practice by:
 - peer reviewers arranged under a quality assurance framework sponsored by the Australasian Council of Auditors-General (ACAG); and/or
 - the Australian Securities and Investments Commission to gain insights into industry better practice.

Quality reviews

The Office has established the Quality Audit Review Committee (QARC) to:

- monitor the quality of products and provide the Office with reasonable assurance it complies with the requirements of ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements', ASQM 2 'Engagement Quality Reviews' and ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information'
- review the effectiveness and efficiency of the quality review process.

Policies and guidance for quality reviews

QARC scope

1. The QARC must:
 - determine whether the quality review process provides reasonable assurance that the Office complies with Australian Auditing Standards, relevant ethical requirements, and applicable laws and regulations
 - assess whether the engagements/products reviewed meet these requirements, reflect appropriate application of our audit methodologies, and comply with relevant ethical requirements, applicable laws and regulations, and Office policies
 - determine whether the quality review process is applied efficiently and effectively.

QARC composition

2. The QARC comprises:
 - an external member from the profession with the appropriate experience and qualifications to perform the role of the Chair. This position is appointed by the Auditor-General in writing
 - the Deputy Auditor-General.
3. The Chair will serve on the QARC for a maximum of eight years.
4. Two practitioner representatives with appropriate experience and qualifications, one drawn from the Financial Audit Branch and one drawn from the Performance Audit Branch, will be standing invitees to the QARC meetings. Representatives from the Professional Services Branch will also be standing invitees to the QARC meetings. The practitioner and PSB representatives are not members of the QARC. The Chair must present the practitioner representatives of the QARC to the Auditor-General for approval. The representatives will serve on the QARC for a maximum of three years.

QARC responsibilities

5. The QARC has no executive powers and is directly responsible and accountable to the Auditor-General. The Chair must ensure the quality review process, conclusions and actions are communicated to the Auditor-General and the Office Executive on an annual basis and as requested by the Auditor-General.
6. Its responsibilities, which may be changed or expanded as required by or in consultation with the Auditor-General, are to:
 - review and provide feedback on this policy
 - monitor the implementation of the triennial quality program
 - ensure the selection of engagements for review complies with this policy
 - act on allegations referred to it about non-compliance with the Office's SQM or the quality of work performed
 - appoint independent¹ quality reviewers, who are appropriately qualified and experienced practitioners to perform quality reviews
 - review and consider quality reviewer reports and proposed risk ratings
 - make sufficient enquiries to support its assessment of:
 - the quality of the reviews
 - the accuracy and reasonableness of findings and risk ratings, including the overall finding on the overall quality of each completed engagement
 - how consistently the review criteria have been applied
 - authorise the issue of QARC reports
 - review and consider the 'root cause' analysis of repeat findings
 - recommend remedies for quality deficiencies
 - ensure the Financial Audit Executive and/or Performance Audit Executive provide formal written responses to address systemic, repetitive or other significant deficiencies identified in QARC reports.

QARC meetings

7. As a minimum, the QARC will meet at the end of each review cycle. The QARC will aim to meet quarterly to consider the Office's quality review process.
8. The Chair must call a meeting if asked to by the Auditor-General or the Deputy Auditor-General.

¹ An attestation will be required before each round of quality reviews, by external quality reviewers and each member of the Professional Services Branch involved in the quality reviews, to confirm their independence.

Reporting review results to the QARC

9. The QARC's appointed quality reviewer(s) must:
 - identify deficiencies in engagement files relating to non-compliance with auditing standards, ethical requirements, Office policies and procedures, or laws and regulation
 - recommend an overall file rating, along with individual identified deficiencies in accordance with the Quality Assessment and Remediation Guidelines
 - discuss findings with the relevant Engagement Controller (EC), Engagement Manager (EM), Systems Assurance and Cyber (SAC) EC and EM, and where appointed, Engagement Quality Reviewer in a timely manner
 - amend the findings and draft cold review reports after the relevant people have responded
 - formally report findings from cold reviews to the QARC.
10. Where there is an instance where a QARC member or practitioner representative disagrees with the quality reviewer's decision on the rating for:
 - overall file and/or
 - individual identified deficiencies,

The Chair must consider all views and endorse a single view.

Quality reviews of Performance Audit Engagements

11. The following quality reviews will be conducted for each EC once every three years:
 - a cold review on a completed performance audit
 - a hot review on an ongoing performance audit.

Quality reviews of Financial Audit Engagements

12. The following quality reviews will be conducted for each EC once every three years:
 - a cold review on a completed audit engagement (this could be a general purpose financial statement audit or a special purpose financial statement engagement)
 - a hot review on an ongoing audit engagement
 - a cold review of other assurance engagements such as the review of a compilation of a cluster-based report to parliament.

Remedial action

13. For files with an overall file rating of 'Supportable – requires substantial improvement' in accordance with the Quality Assessment and Remediation Guidelines, the QARC must undertake remedial action. This involves a follow-up review in the subsequent year where the reviewer will revisit the areas of the file that contributed to this file rating, that is, a 'focus review'.
14. For files with an overall file rating of 'Unsatisfactory' in accordance with the Quality Assessment and Remediation Guidelines, the QARC must undertake remedial action:
 - for an audit performed by Office staff, another file from that EC will be selected for a cold review in the following year
 - for an audit performed by an audit service provider (ASP), either:
 - another file from that ASP will be selected for a cold review in the following year. This is where the ASP is at the beginning of their contract term and there is one or more years left remaining in the term
 - another file from that ASP will be selected for a hot review in the following year. This is where the ASP is at the end of their contract term and the review is to inform any subsequent engagements with that ASP.
15. The selection of cold and hot reviews includes engagements performed by ASPs.

Effective date

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