

CONTINUOUSLY AND SUSTAINABLY IMPROVE THE QUALITY OF OUR AUDITS

Value adding auditing objective 2: Ensure high quality of our audits

PERFORMANCE MEASURE

% adherence to quality standards: audit engagements

2020-21 TARGETS

80% – 90% (C1, C1#, C2 and C3 rating)

2020-21 ACTUAL

81%

Given our disappointing quality control results over the two previous performance years, we committed to an audit quality improvement action plan that we continued to implement during the performance year. Although these activities were hampered by our need to reprioritise our internal initiatives to respond to the national and global environment, we were able to turn the tide on non-compliance with audit standards. This year, we subjected 58 audit files to a post-issuance quality review and obtained an 81% compliance rate with quality standards against a target range of 80% to 90%. We are pleased with the improvement from last year, which is a result of:

- proactively reviewing selected audits that phased in the MI process
- enhancing targeted communications on audit quality
- enhancing our technical analysis
- conducting transversal root cause analysis with specific corrective actions.

We also supported new and acting engagement managers, and managers that had previously received a non-comply rating. The support plan included compulsory pre-issuance reviews, audit report consistency reviews, business executive support, coaching or peer reviews and a coaching support programme that included compulsory sessions offered by an accredited coach.

We tightened pre-issuance review processes and enforced standards of finalising and archiving audit files, and will continue to monitor the corrective actions.

Implementing the International Standards on Quality Management

The International Auditing and Assurance Standards Board modernised the International Standards on Quality Management (ISQM). Our exco approved the move to replace the ISQC1 with the ISQM 1 and 2. These new standards on managing audit quality are tailored to an evolving and increasingly complex environment that includes the impact of technology and using external service providers.

Our fundamental redesign processes to adapt to the new requirements had been slowed down due to our audit priorities. We continued to raise organisation-wide awareness, engage directly with key business process owners and explore the impact of the new standards.

We are confident that implementing the new quality management standards will contribute positively to improvements in our audit quality results.

Audit quality indicators

To improve the quality of our audit engagements, for the past few years we have worked on our audit quality indicators (AQIs). AQIs provide an early warning of potential threats to audit quality, and are subdivided into two main categories: in-flight AQIs and post-flight AQIs. In-flight AQIs are indicators based on real-time data of specific audits and audit support activities and shared during an audit cycle. Post-flight AQIs are indicators based on historical data and shared after the audit cycle to provide insight on emerging audit quality risks.

We approved our current set of AQIs in July 2020 and issued four in-flight AQI reports designed to promote and deepen our internal culture, which recognises that our audit quality is our licence to operate. Going forward, we intend to use these reports for corrective action.