



REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVA

**ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE
NATIONAL AUDIT OFFICE**

Regularity Audit Quality Control Guide

Prishtina, October 2016

Abbreviations

AFS	Annual Financial Statements
AG	Auditor General
AQMD	Audit Quality Control Division
DAQM	Department for Audit Quality control
DMD	Department for Methodology and Development
EAP	External Audit Plan
IAP	Internal Audit Plan
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Auditing Standards
ISSAI	International Standards of Supreme Audit Institutions
LDA	Legal Department for Audit
NAO	National Audit Office
SAI	Supreme Audit Institution

I. Objective and basis of this Guide

1. This guide is our quality control framework aimed at ensuring that our audit is carried out in a professional manner with high quality products and reports.
2. The guide establishes procedures for embedding and enhancing quality. The specific quality control arrangements should ensure that audits are timely, comprehensive, risk based, efficiently executed, adequately documented, and reviewed by qualified staff. The Auditor General should ensure that sufficient work has been undertaken to support the opinion given.
3. This guide is based on the Internal Standard on Quality Control (ISQC 1) further developed for the public sector in ISSAI 40 and ISSAI 1220.

II. Scope of implementation and stages of the quality control process

1. Quality control should be applied over each audit. This implies the inclusion of quality control procedures in the planning stages, audit fieldwork and audit reporting.
2. Quality control will be carried out in two levels:
 - At departments level; and
 - At divisions level.
3. Quality Control Checklists are consistent part of quality control measures at both levels. They are referred to at each audit stage and included in the Annexes of this Guide.

a. Quality Control at the Audit Planning Stage

1. An audit plan is prepared for each audit, which is included in the annual audit plan. The objective of this audit plan is to ensure that:
 - Related and sufficient evidence has been obtained to support the AG's opinion;
 - International Audit standards are applied;
 - Only the necessary audit steps have been taken.
2. According to the Regularity Audit Manual, the planning stages are the following:
 - Overall audit planning; and
 - Detailed audit planning.

Specific steps according to the stages are described in the Regularity Audit Manual.

3. The main product from the regularity audits planning stage is the external audit plan (EAP). This document should lay out the scope of the audit, the CAO's and entities' responsibilities, the key audit risks and audit response to them, as well as information about the audit team and audit schedule. Audit programs contain specific audit procedures which the auditor should follow during the fieldwork and these should be finalised at this point of the planning process.

In addition to the memorandum that is sent to the entity, the audit teams prepare the Internal Audit Plan (IAP) where the auditor sets the audit objectives and how they will

be achieved. This document provides the basis for the planned audit work to be approved and for the monitoring of progress and quality. It should contain a concise summary that includes the decisions taken and the important factors having influenced thereon during the overall and detailed audit planning stages, focusing on changes made in last year's plan.

4. The Director of the Audit Department supervises the planning process in order to provide for quality and consistency as a basis for an effective audit. This is done by reviewing and approving all the working papers, EAP and IAP in particular and the audit assurance model (the proposed levels of testing and size of samples) in order to ensure that they are complete and the decisions are well grounded.
5. In order to assist in making sure that the audit planning tasks are adequately carried out, the Team Leader and the Director of the Audit Department will fill out a checklist individually. The filled out checklists (A and B, attached as annexes to this Guide) should be incorporated under the Audit File Planning Chapter.
6. Given that the work done at this stage creates the basis for the conclusions given, the form and content of audit reports, the overall and detailed planning decisions will be reviewed by AQDM shortly after having received the file from the Director of the Audit Department.
7. AQDM examines the planning file and documents the quality control work by using the Checklist C. The planning file will be considered final only when audit teams have finished addressing issues raised by AQDM, if any.

b. Quality Control at the Audit Fieldwork Stage

1. This section of the guide refers to the interim audit carried out over the year the financial statements belong to. The product thereof is an **Audit Memorandum** and the product from the final audit work carried out after the yearend is the **Audit Report**.
2. Before starting individual audits, the Team Leader should ensure that:
 - All audit team members have understood the audit plan and tasks they have been assigned with;
 - Each auditor has the knowledge, skills and qualification required to discharge their tasks;
 - There is no conflict of interest or any other factor that would undermine the principles of independence, objectivity and competence of auditors in a team.
3. During this audit stage, the Audit Team Leader is responsible for:
 - Providing audit-related guidance and mentoring to the team members;
 - Supervise the audit activity and the fulfilment of the audit remit; and
 - Review the work carried out, supporting documentation, finding and the proposed conclusions.
4. Audits will be conducted according to the approved audit plan. The audit plan will be changed to any unforeseen circumstances that may arise during the audit, which may impact the financial statements being audited. If the change in plan requires significant

changes in the audit methodology, audit deadline or additional resources, then the AG's approval thereon should be required. Approved changes will be documented in the Planning Chapter of the current file and AQMD will be notified of such changes.

5. Eventual changes to the audit plan which do not affect the financial statements and do require additional resources can be made by the Head of Division/AAG upon proposal of the Director of Department.
6. The Team Leader is responsible to ensure that each team member carry out their tasks professionally and with competence in accordance with the approved audit plan and methodology. He/she will support and supervise the work on significant risks and complex areas that require a judgment and will prepare the final proposals on the audit plan and audit program to be used.
7. The Team Leader is responsible for resolving differences in professional judgment between the audit team members. If the Team Leader is unable to do this, the case should be transferred to the Director of the Audit Department. In case of disagreement between the Team Leader and the Director, the final decision should be taken by the Head of the relevant Division/AAG, who can consult DAQM when necessary.

All discussions thereof and related solutions will be fully documented in the audit file and material issues affecting the opinion will be reported to the Auditor General.

8. Each team member should document its work. The Audit Team Leader is responsible to ensure that the documentation is completed according to the required standard.
9. Having finished the interim audit, the audit team will prepare the Audit Memorandum, which, together with the respective file, gets reviewed by the Director of the Audit Department and approved by the Head of Division/AAG and sent to the audited body. The review aims at assessing the quality of work carried out and identifying issues left to be handled in the final audit stage.

DAQM will select to review a number of Audit Memoranda which will be sent to the audited body only after audit teams have addressed the issues raised by the DAQM, if any. In regard to Audit Memos to be reviewed, DAQM shall notify the Director of the Audit Department in a reasonable time before the deadline of submission to the audited body is due. DAQM will use the Checklist F for the reviews.

10. Having finished the fieldwork and before drafting the audit report, the Team Leader will fill out the Checklist D.
11. When the Team Leader has finished reviewing, he/she will send the file for review to the Director of the Audit Department through the Checklist E in order to determine whether:
 - The audit has been carried out according to the audit plan;
 - The audit methodology has been applied (including changes as needed);
 - Audit results have been adequately documented;
 - Audit objectives have been met and reflected in the audit conclusions; and
 - Conclusions reflected in the working papers are consistent to the audit findings and support the AG's opinion.

c. Quality control at the reporting stage

1. Final audit works include an objective evaluation of the audit results such as: reassessment of materiality, assessment of errors and mistakes and the quality control on the final version of the AFS.
2. The audit report should be drafted in line with the approach and template defined the Regularity Audit Manual and should be finished within the statutory deadline. The written report should be clear, concise, objective and fairly presenting all the relevant proves.

Audit findings and conclusions should be supported with related and sufficient evidence in order to be trustful (as documented in the audit working papers). The recommendations given should be clear, consistent to the auditor's conclusions and focused on the correction of errors and mistakes finding during the audit by stating the causes behind such errors.

3. The draft audit report is prepared by the Team Leader in cooperation with the team members. At this stage, the Team Leader fills out the Checklist G.
4. The draft audit report will be reviewed by the Director of the Audit Department in order to ensure that:
 - The format and content of the report comply with the approved standards and template for reporting;
 - The report presents important audit findings and conclusions by clearly outlining the “red flags” in the report;
 - Findings, conclusions and recommendations are consistent, concise and clear;
 - Findings and conclusions support the proposed audit opinion.

During the review, the Director of the Audit Department fills out the Checklist H.

5. In case there is a difference in professional judgments on key issues between the Director of the Audit Department and the Team Leader (for example, the impact of certain findings on the financial statements, the implementation of accounting standards, or the type of modification of opinion), the Director will then discuss the issue with DAQM and inform the respective Head of Division/AAG. All corrections, different professional judgments, or changes in conclusions and recommendations that arise during the review of the draft audit report should be documented by the Director of Department.
6. Having been reviewed by the Director of the Audit Department, the draft audit report and audit file should be approved by the Head of Division/AAG before the report is sent to the audited body for review and comments.

DAQM will review a number of draft reports, including the file at the execution stage. Draft reports reviewed by DAQM will be sent to the audited body only after the issues raised by DAQM have been addressed, if any. DAQM will inform the Director of the Audit Department regarding the reviewed reports within a reasonable time before the deadline of submission to the audited body is due. During this review, DAQM fills out the Checklist I.

7. The Audit Team Leader and the Director of the Audit Department will consider the comments made by the audited body and discuss them with the audited body Management, if necessary.

Having received the comments from the audited body, needed corrections will be made to the draft report. In case of disagreements, comments of the audited body on the auditor's findings will be attached to the final audit report.

8. The Director of the Audit Department will then submit the report to the respective Head of Division/AAG for review. After the review, the report is submitted to the AG for approval.

The final audit report approved by the Auditor General is submitted to the audited body and related institutions and published within the statutory deadline.

Quality is a priority and is achieved through a continuous and high standard of management of the audit process. There are three main components of our quality framework:

d. Quality Control at follow-up stage

1. Following up the audited body's action on audit recommendations is an important part of the audit process and is usually carried out as part of the planning stage of an audit assignment. Details on an audited body's progress in implementing audit recommendations will be incorporated into the planning documents for an audit. If circumstances arise where the audited body is not subject to an annual audit, a separate exercise may need to be carried out, depending on the significance and nature of the recommendations.
2. The approach to examining whether recommendations have been implemented will depend on the nature of the weaknesses that underlie the recommendations. In cases where the problems are relatively minor, where the audited body's management accepts the recommendations and has an action plan for their implementation, the examination can be done by way of a simple question. In other cases, the Team Leader will plan the necessary review and testing in order to ascertain that the audited body has undertaken the required steps and that the problem has been resolved.
3. Actions taken by the audited body that have resulted in removal of irregularities found in the previous audit should be noted in a separate section of the audit report. Where the audited body has not taken adequate action on audit recommendations, this should be specifically highlighted.

III. Entry into force

1. This Guide shall enter into force on the date of signature.
2. This Guide is sent to NAO staff.

Besnik Osmani
The Auditor General
October 13th, 2016