CONCEPT NOTE

CAPACITY BUILDING AND SYSTEM DEVELOPMENT FOR IMPLEMENTATION OF AUDIT QUALITY MANAGEMENT FRAMEWORK

0. Concept Note Summary

0.1	Applicant	Supreme Audit Institution of Pakistan (Office of the Auditor-General of Pakistan) Application approved by: Mr. Javaid Jehangir, Auditor-General of Pakistan. E-mail: _____
0.2	Legal Applicant	As Above.
0.3	Contact Details	Key Contact: Mr. Sheraz Manzoor Haider, Director General (IR&C). Tel:0092-51-9224042 E-mail: saipak@comsats.net.pk
0.4	Title and Duration	Capacity Building and System Development for Implementation of Audit Quality Management Framework (AQMF) in the SAI Pakistan. 2018-19
0.5	Project Purpose	The Project is designed to build capacity within the organization and develop systems and procedures for effective implementation of Audit Quality Management Framework. The Project will improve quality of Audit outputs, and contribute towards promoting and strengthening Accountability, Transparency, Good Governance and Parliamentary Oversight of public spending.
0.6	Project Outcome	Project's primary outcome will be improved quality of all three types of Audits that SAI Pakistan undertakes, including Financial Attest, Compliance and Performance Audits. Quality Management would be mainstreamed across all functions of the organization and all steps of auditing.
0.7	Project Outputs	• Operationalization of an Audit Quality Management Wing at SAI Pakistan's head office, and Audit Quality Management Units in seven Audit Wings. • Mapping of SAI Pakistan's AQMF with the performance benchmarks established under the SAI PMF • SAI Pakistan's 28 Field Audit Offices (FAOs) to carry out Audit work in compliance with prescribed Quality requirements as given in relevant Sectoral Guidelines and AQMF, including but not limited to: o Updating of Permanent Files o Preparation of Planning Files o Review of Audit Planning/Completion Checklists o Completion of Post-Audit Quality Assurance Checklist o Maintaining Documentation • A Monitoring mechanism to ensure implementation of Quality Assurance principles and procedures as laid down in AQMF, by the Field Audit Offices (FAOs) and the respective Audit Wings.

		• Implementation of Quality Control Mechanism by applying Quality Control Reviews external to the FAOs, of Audit Cycle as well as Audit Report, as per AQMF. • Systemic review of Audit Working Papers, Preparing Summary of Review Observations, Summary Review Memorandum, Annual Quality Control Review Report etc. • Design and implementation of corrective actions based on outcomes of Quality Assurance and Quality Control reviews, as part of Quality Improvement Mechanism. Support • Implementation of Quality Improvement Mechanism as prescribed in AQMF • Development of Guidelines for streamlining Quality Management processes across the FAOs and Audit Wings of OAGP as per OAGP's Audit Quality Management Framework (AQMF), Financial Audit Manual (FAM), Sectoral Guidelines and international best practices on the subject.
0.8	Problem Analysis	SAI Pakistan's Strategic Plan 2015-19 (http://agp.gov.pk/downloads/Publications/downloads/Strategic-Plan-2015-19.pdf) identifies Audit Quality as one of the main challenges faced by the Organization, and a prioritized issue to be addressed. One of the five Goals of the Strategic Plan is Improving Internal Governance. The primary Objective under this Goal is "*Improving Quality management Framework and ensuring proper implementation of QMF*". The SAI Pakistan has developed a comprehensive Quality Management Framework (QMF), which envisages both quality assurance and quality control processes to improve the quality of audit work within the SAI. However, the organization faces several challenges in effectively implementing the QMF. For instance, QMF is not fully aligned with the performance benchmarks established under the SAI PMF. This creates pervasive confusion within the SAI. Second, the QMF has been implemented to the extent of the working of Quality Committee Committees (QCCs) which is a very small part of the QMF. As a result, audit processes and audit reports are not of the high quality that the AQMF envisages. The Project's primary objective is to enable SAI Pakistan to implement Audit Quality Management Framework in a wholistic manner. The Project will have three main components, viz: • Institutional Capacity Development in area of Audit Quality Management • Capacity Building of Professional Staff in area of Audit Quality Management • Development of Organizational Structures, Systems and Procedures for mainstreaming Audit Quality across the Organization

		The Project will involve following main activities: • Training of Professional Staff at strategic and operational levels in principles and procedures of Audit Quality Management. • Implementation of AQMF on a Pilot basis in selected three (3) Field Audit Offices, over one Audit Cycle • Review of AQMF based on lessons learnt during implementation in Pilot phase • Development of organizational structure, systems and procedures for implementation of AQMF • Organization wide roll out for implementation of AQMF
0.9	Beneficiaries	The DAGP + Citizens at large + stakeholders
0.10	Implementing Partners	Pakistan Audit & Accounts Academy
0.11	Financing Sought	US$ 50000

http://agp.gov.pk/downloads/Publications/downloads/Strategic-Plan-2015-19.pdf

The SAI's Quality Management Framework (QMF) — which envisages both quality assurance and quality control processes to improve the quality of audit work within the SAI, is not fully aligned with the performance benchmarks established under the SAI PMF. ISSAI 40. Despite this limitation, the tool can contribute to audit quality improvement—provided it is implemented effectively. However, it has been implemented only to the extent of the working of Quality Control Committee (QCC). An Internal Audit Function—to identity and mitigate risks facing the SAI Pakistan is not operational though an internal inspection system under direct reporting to the AGP is operational.