## Our system of quality management

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| The Canadian Auditing and Assurance Standards Board establishes quality management standards that require the Office of the Auditor General of Canada (OAG) to design, implement, and operate a system of quality management for audits, reviews of financial statements, or other assurance or related services engagements. Our system of quality management establishes quality objectives, identifies and assesses quality risks, and includes policies, processes, and procedures with respect to the following 8 interrelated components:   * the risk assessment process * governance and leadership * relevant ethical requirements * the acceptance and continuance of entity relationships and specific engagements * engagement performance * resources * information and communication * the monitoring and remediation process | Our system of quality management is intended to provide reasonable assurance that   * the OAG and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements * engagement reports issued by the OAG and engagement leaders are appropriate in the circumstances   Our system is iterative and responds to changes in the OAG's nature and circumstances and to developments in the auditing environment.  Annually, an evaluation of the performance of our system of quality management is completed, and the results of this evaluation are communicated to the OAG’s senior management. |

## Risk assessment process

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| To achieve our quality objectives, we design and operate our system of quality management using a proactive, risk-based approach. This approach to quality management helps the OAG to focus on what matters most and tailor our system of quality management to changes in the OAG's nature and circumstances and the engagements it performs.  The risk assessment process consists of establishing quality objectives, identifying and assessing quality risks, and designing and implementing responses to address the assessed quality risks.  The following information may be used in the OAG’s risk assessment process:   * results of the monitoring and remediation process * complaints and allegations * results of external inspections * changes in the system of quality management that affect other aspects of the system, such as changes in the OAG’s resources * other external sources |  |

## Governance and leadership

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| As an independent legislative audit office serving Parliament, the OAG is widely respected for the quality and impact of its work. We achieve this by conducting independent audits and studies that provide objective information, advice, and assurance to Parliament, governments, and Canadians.  One of the OAG’s values is commitment to excellence. This is achieved by meeting the highest standards of professionalism in our work with Parliament and those we audit. We are committed to continuously improving our processes and practices and to delivering products and services of the highest quality.  An effective system of quality management requires governance and leadership, and the Auditor General of Canada assumes ultimate responsibility and accountability for the OAG’s system of quality management. The OAG promotes an internal culture that recognizes that quality is essential in performing assurance engagements. The Assistant Auditor General, Audit Services, has been assigned operational responsibility for the OAG’s system of quality management. | At the engagement level, the audit principal, in the role of engagement leader, is responsible for ensuring that audits comply with OAG policies, professional standards, the system of quality management, and applicable legal and regulatory requirements. |

## Relevant ethical requirements

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| As a legislative audit office, we have a responsibility to act in the public interest. Maintaining objectivity and independence from the organizations we audit is critical to our credibility. In doing so, all individuals and entities that perform work for or on behalf of the OAG must read, understand, and adhere to the OAG’s Code of Values, Ethics, and Professional Conduct and, where applicable, to other relevant ethical requirements set out in rules of professional conduct and codes of ethics applicable to the practice of public accounting and issued by the various professional accounting bodies in Canada of which the individuals are members. Relevant ethical requirements include   * integrity and due care * objectivity * professional competence * confidentiality * professional behaviour   Various processes, information, and resources help assist the engagement teams in understanding and fulfilling relevant ethical requirements applicable to the nature and circumstances of the audit engagement. They include, among other things, | training related to relevant ethical requirements; an audit manual containing guidance on how to apply the provisions of the relevant ethical requirements; and the Internal Specialist, Values and Ethics, who is consulted on matters related to relevant ethical requirements.  Employees are also required to confirm adherence to the OAG’s values and expected behaviours outlined in the Code of Values, Ethics, and Professional Conduct each year by signing an annual Conflict of Interest Declaration form. For each assurance engagement, they are also required to complete an Independence Confirmation form.  One primary way to address threats to independence is by rotating senior engagement personnel. The OAG has policies and procedures for ensuring that senior engagement personnel do not continue to work with the same entity for a prolonged period.  The OAG has a framework in place for resolving threats to relevant ethical requirements and independence. Senior engagement personnel, in consultation with the Internal Specialist, Values and Ethics, evaluate the significance of identified threats and identify and apply available safeguards to eliminate or reduce the threats to an acceptable level. |

## Acceptance and continuance of entity relationships and specific engagements

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| Because we are legislative auditors, many of our assurance engagements are required by legislation, but others are conducted at our discretion. The OAG applies acceptance and continuance considerations to all of its assurance engagements, recognizing that the considerations may apply differently to different types of assurance engagements. Acceptance and continuance procedures provide valuable information to the OAG for performing risk assessments and carrying out reporting responsibilities.  Before accepting a new financial audit engagement, we evaluate its strategic importance to Canadians, to our stakeholders, and to the OAG. In addition, we also evaluate any potential issues with respect to the entity’s integrity and ethical values, our ability to perform the engagement, and whether any financial and operational priorities would have an inappropriate influence on accepting the engagement. | Each year, during the planning phase and other preliminary activities associated with all of our assurance engagements, we perform a continuance assessment to evaluate existing entity relationships. Factors considered include, but are not limited to,   * the nature and circumstance of the engagement * the availability of appropriate human, technological, and intellectual resources * the accessibility of the information * the entity’s integrity and ethical values * the OAG’s ability to fulfill responsibilities in relation to relevant ethical requirements * the OAG’s financial and operational priorities   The engagement leader remains alert to changes in circumstances that may require the OAG to withdraw (where possible) from an engagement. |

## Engagement performance

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| **Supervision and review**  Adequate supervision and review by more senior members of the engagement team contribute to the exercise of professional skepticism by engagement team members and, therefore, to the reasonableness of the professional judgments made by the engagement team. Adequate supervision and review also ensure that our assurance engagements are completed to the highest quality. All team members are responsible for ensuring that the supervision and review are effective.  Every assurance engagement always has at least 1 level of review, and more-experienced team members review the work performed by less-experienced team members. At a minimum, the engagement leader is responsible for reviewing audit documentation related to significant matters, significant judgments, and other matters that are important and appropriate to review in the engagement leader’s judgment. The evidence of any review must be documented. | **Consultation and use of specialists**  Consultation during an assurance engagement is important, as it helps to promote quality, improves the application of professional judgment, and reduces the risk of error.  Consultation includes discussion at the appropriate professional level, with individuals within and outside the OAG with specialized expertise. Consultation uses appropriate research resources and the OAG’s collective experience and technical expertise.  Consultation is advantageous for reaching sound conclusions and for staff development and training. The engagement leader is accountable for consultations and for ensuring that appropriate consultation takes place promptly when required or needed.  Engagement teams must consult internal or external specialists or senior OAG staff when dealing with difficult or contentious matters requiring specialized professional or technical knowledge or experience. Depending on facts and circumstances, engagement teams are also encouraged to consult on other matters. |

## Engagement performance

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| **Differences of opinion**  When significant disagreements arise within the engagement team, with those performing activities within the OAG’s system of quality management, including those consulted (such as internal specialists), or between the engagement leader and the engagement quality reviewer, a process to resolve differences of opinion offers direction for escalating the discussion until the matter is satisfactorily resolved.  We follow a 3-step process to resolve differences of opinion:   1. a direct settlement 2. arbitration 3. an appeal   Ifthe difference of opinion cannot be resolved directly, the engagement leader documents the disagreement with the alternative positions and escalates the matter to arbitration. Arbitration is typically performed by a panel that is normally composed of assistant auditors general. If there is dissatisfaction with the appropriateness of the arbitrators’ decision, either party can make a final appeal to the Auditor General or to an individual nominated by the Auditor General to hear the appeal and make a final determination. | **Engagement documentation**  Engagement documentation addresses the confidentiality, safe custody, integrity, accessibility, retrievability, and retention of engagement documentation and the final, timely assembly of engagement files.  The OAG has established policies and procedures addressing each of the above. For example, protected and classified information must be labelled, copied, stored, transmitted, and disposed of according to the OAG’s security policies and guidance. Electronic sign-offs in our audit working paper software assist in documenting when and by whom engagement documentation was created, changed, or reviewed. |

## Engagement performance

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| **Engagement quality review**  Engagement quality reviews objectively evaluate the engagement team’s significant judgments and the conclusions the team reached in formulating the assurance engagement report. Engagement quality reviews help reinforce the exercise of professional judgment and professional skepticism by engagement teams. Engagement quality reviewers are assigned to each annual audit of listed entities and are assigned to other assurance engagements on the basis of the level of risk associated to each of the remaining assurance engagements.  Engagement quality reviewers all have the technical knowledge, training, experience, and time to perform their role effectively. All professionals who perform engagement quality reviews must be free of influences that would impair their objectivity—particularly, influences from the assurance engagement team and entity. | The engagement quality reviewer reviews selected documentation, such as the engagement team’s analysis of significant risks and the adequacy of the planned responses, and discusses significant matters and significant judgments with key members of the engagement team. The engagement quality review is completed when the reviewer is satisfied that all significant matters have been resolved. When a reviewer is assigned, our policies and procedures prevent the engagement report from being dated before the completion of the engagement quality review. |

## Resources

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| **Human resources**  A diverse and inclusive workplace is an important part of our culture and values. We value the different educational, professional, and cultural backgrounds within our teams, which helps us to continue to provide Canadians with objective information to support the accountability of government institutions. Our systems and processes are designed to promote equity, ensuring that every person has an equal opportunity to reach their full potential.  For both entry-level and experienced hires, the OAG maintains robust hiring standards that involve, when applicable, an assessment of academic records, interviews, tests, background checks, and reference checks.  Our engagement teams are structured in such a way that newer professionals have the opportunity to work alongside more-experienced professionals, allowing for valuable on-the-job training. Observing how experienced engagement team members approach audit matter identification, management, and resolution sharpens judgment. | Participation in classroom, virtual, and on-demand training programs supplements learning that occurs through on-the-job supervision, review, coaching, and mentoring. The training curriculum matches the roles and responsibilities of senior personnel and staff members as they progress in their careers.  The performance of both senior personnel and staff is evaluated throughout the year through frequent check-in conversations between managers and employees, continuous assessment and real-time observations, and upward feedback. In addition, performance is formally assessed on each individual assignment. The performance management process captures information about objectives, achievements, strengths, and areas for development and improvement.  The OAG’s leadership blueprint is a critical component of the talent management program. The blueprint component focuses more specifically on establishing a common understanding of expected leadership-like behaviours at all levels (that is, a leadership mindset—how to be) and provides an opportunity to learn how to integrate these behaviours into our daily activities (that is, leadership skills—how to do). |

## Resources

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| **Technological resources**  We are strongly committed to leveraging technological resources in our audit engagements. One of the key tools used across all audits is the audit working paper software, which plays a critical role in driving quality and consistency throughout the OAG.  Furthermore, we recognize the importance of equipping our auditors with the necessary skills to harness the power of technology. As a result, auditors undergo training in various software applications that enable them to employ advanced auditing techniques.  In addition to software applications, we greatly emphasize our information technology (IT) infrastructure and security measures. Reliable and secure IT infrastructure is essential for supporting the technological needs of the OAG. We take proactive measures to ensure IT and data security, protecting sensitive audit information and complying with the Government of Canada’s security regulations. Regular assessments of the IT infrastructure are conducted to identify areas for improvement and address potential vulnerabilities. | We embrace a culture of continuous improvement to remain at the forefront of the auditing profession and continually enhance our practices. We recognize the importance of staying updated on emerging technologies and trends in the field. This includes exploring adopting data analytics, visualization tools, and artificial intelligence to enhance audit effectiveness and efficiency.  We demonstrate a solid commitment to using technological resources effectively in our audit engagements. Through the use of standard auditing software, advanced auditing techniques, and a robust and secure IT infrastructure, and with a focus on continuous improvement, we enhance our efficiency, accuracy, and effectiveness. |

## Resources

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| **Intellectual resources**  Our auditors have access to a variety of intellectual resources. We have 2 manuals—the Annual Audit Manual and the Direct Engagement Manual—that explain the OAG’s methodology and promote quality and consistency in the performance of engagements. The use of standard audit procedures in our audit working paper software facilitates the planning and performance of engagements. Our INTRAnet provides other resources to our auditors, such as templates, checklists, and guidance on specific subject matter. Our auditors can also access other intellectual resources by subscribing to electronic resources.  These intellectual resources, in combination with the OAG’s technology-based audit support tools, support engagement teams in conducting quality assurance engagements. |  |

## Information and communication

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| OAG personnel have easy access to the information needed to stay current on professional standards and other developments. Our tools and ongoing delivery of information equip engagement teams with appropriate and timely information. In response to changing accounting and auditing standards, we constantly improve our methodology, which includes our audit manual, templates and standard audit procedures, and training.  The OAG includes subject matter experts in technical accounting, auditing, and financial reporting, as well as internal specialists in areas such as compliance with authorities, economic analysis, the environment and sustainable development, financial instruments, research and quantitative analysis, fraud, and governance. These subject matter experts and internal specialists are critical to keeping our policies and guidance in these areas current.  Regular communications inform our employees about new standards and changes in the system of quality management. They also provide related guidance to enhance audit quality. Our auditors regularly receive information about regulatory, accounting, and auditing developments through training, publications on the INTRAnet, and access to online webcasts. | We communicate information regarding the results of external reviews, practice reviews, internal audits, and the monitoring of the system of quality management to audit staff and others as appropriate.  Our staff is responsible for exchanging information with the OAG and with one another. For example, engagement teams are required to communicate any breaches of the relevant ethical requirements, including independence requirements, to the engagement leader. In our audit manual, we also encourage audit staff to communicate their views or concerns on quality management matters to senior management, who will further communicate the views or concerns as appropriate. This feedback on the OAG’s system of quality management contributes to a culture centred on quality. |

## Monitoring and remediation process

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| A complete system of quality management requires that the OAG have a monitoring and remediation process in place to monitor the design, implementation, and operation of our system of quality management. The monitoring and remediation process includes   * cyclical inspections of completed assurance engagement files (that is, internal practice reviews) * ongoing and periodic monitoring activities of various aspects of our system of quality management   Our cyclical inspections of completed assurance engagements provide the Auditor General with information about whether engagement leaders are complying with professional standards, OAG policies, and applicable laws and regulations and whether assurance reports issued are supported and appropriate. In addition, the engagement selection is based on risk. Inspections are conducted annually, with engagement leaders subject to review at least once every 4 years. Any assurance engagements can be selected for a practice review.  The OAG’s Monitoring team also periodically evaluates the design, implementation, and operation of all components of the OAG’s system of quality management. | When deficiencies are identified, we investigate the root causes of the identified deficiencies; this enables appropriate action to be taken and then monitored to ensure that the deficiency is corrected. For example, remedial actions may lead to additional guidance or training, audit methodology modifications, and targeted messaging from leadership. Action plans are developed to address deficiencies and recommendations.  The results of monitoring and any accompanying recommendations for improvement are communicated at least once a year.  The OAG has established policies and procedures for addressing complaints and allegations originating from both within and outside the OAG. Complaints and allegations are based on allegations of non-compliance with the OAG’s system of quality management or complaints and allegations that the work performed by the OAG fails to comply with professional standards and applicable legal and regulatory requirements. Monitoring activities consider relevant information from our complaints and allegations process. |