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## Policy 3150 – Quality Control

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### **BACKGROUND**

An effective system of quality control encompasses strong leadership, an emphasis on high quality work, and adequate policies and procedures to provide reasonable assurance of complying with professional standards and applicable laws and regulations. Our system of quality control includes assigned leadership responsibilities for quality; independence and ethical requirements; initiation, acceptance and continuation of audit and attestation engagements; human resource management; engagement performance, documentation and reporting; and monitoring of quality.

The purpose of monitoring compliance with quality control policies and procedures is to evaluate:

- Adherence to professional standards and regulatory and legal requirements.
- Whether the quality control system has been appropriately designed.
- Whether the Office's quality control policies and procedures are operating effectively so that reports issued by the Office are appropriate in the circumstances.

As recognized in professional standards, monitoring is most effective when performed by persons not responsible for the work being reviewed.

### **REQUIREMENTS**

- ✓ 1. **Team Audit Support/QA is responsible for developing centralized guidance that follows applicable audit and attestation engagement standards.**  
Centralized guidance is provided in the Audit Policy Manual, the Audit Reporting Standards Manual, TeamMate, planning guides and FYIs.
- ✓ 2. **The appropriate assistant directors are responsible for monitoring managers to ensure they follow the centralized guidance and professional standards by:**
  - a. Communicating expectations in writing in each manager's performance evaluation and scheduling periodic meetings during the year with each manager to discuss performance.
  - b. Emphasizing the importance of high quality work and timely following up on audit quality issues identified by audit teams, Team Audit Support/QA, and others in order to continually improve audit efficiency and effectiveness.
  - c. Having Human Resources conduct periodic confidential staff interviews and employee exit interviews on each team to assess team culture and morale and the effect this may have on audit quality.

- ✓ 3. **The Director for Quality Assurance is responsible for providing the State Auditor with an on-going independent assessment of the effectiveness of the internal quality control systems to ensure that the Office is following policies, procedures and applicable professional standards by:**
- a. Periodically reviewing centralized policies and other guidance to ensure they meet Office expectations and professional standards.
  - b. Periodically performing quality assurance reviews of engagements to determine whether staff understand and properly apply auditing standards and the Office's central guidance, including the Office's policies and procedures. Reviews may be done on a pre- or post-release basis and will cover:
    - Performance audits.
    - Washington State financial statement audit.
    - Washington State single audit.
    - Selected state agency accountability audits.
    - Selected local government financial statement, single, and accountability audits. These reviews vary in nature based on risk and opportunities for improvement. For example, reviews may focus on specific areas such as planning procedures, internal controls, sampling or whether adequate work was done to address audit risks.
    - Attestation engagements.

In addition, periodic quality assurance reviews will be conducted for these and other types of engagements, such as investigations, for the purpose of addressing specific topics or issues, as determined necessary.

TAS/QA staff and the Director for Quality Assurance will not participate on any quality assurance reviews of audits involving immediate or close family members. The Director for Quality Assurance will coordinate those reviews, as necessary, through another SAO department or audit team.

- c. Selecting a number of large, complex or otherwise risky audits from each local audit team every year and requiring the local teams' management group to conduct a quality assurance review of those audits prior to report issuance. The local audit team will use forms developed by Team Audit Support/QA to conduct those reviews and will forward the completed forms to Team Audit Support/QA for review and summary.

The results for all such reviews will be distributed to the applicable management staff at both the team and audit level. At least on an annual basis, the Director for Quality Assurance prepares a report for the State Auditor summarizing overall observations and conclusions resulting from Quality Assurance monitoring programs and recommendations related to correction of any systemic issues needing improvement.

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- ✓ 4. **In accordance with RCW 43.09.340, our Office receives a post-audit either by independent certified public accountants or the director of the Office of Financial Management every two years.**
- ✓ 5. **Our Office has an external peer review in accordance with Government Auditing Standards every three years and posts the peer review report on our Web site.**
- The National State Auditors Association's (NSAA) external peer review program provides an independent assessment of the quality control system established by our Office. The Director for Quality Assurance oversees the NSAA peer review program for our Office. This includes both our own peer review and participation by our Office's staff in other states' peer reviews.

### ***REFERENCES***

RCW 43.09.340

Government Auditing Standards (Yellow Book) ¶5.02, 5.04-.06, 5.42-.45, 5.60-.62

AU-C §220 – Quality Control for an Engagement

AT-C §105.32-33, 42 – Concepts Common to All Attestation Engagements