

## 1: Quality Audit Checklist is Necessary for QA Audits

*Characteristics of Quality Audits. The following is an excerpt from The Complete Guide to the CQA (QA Publishing, LLC) by Steve Baysinger, which is out of print. Complete coverage of Quality Audit techniques may be found in The Handbook for Quality Management (, McGraw-Hill) by Paul Keller and Thomas Pyzdek.*

As the name of the standard implies, this standard lays out the guidelines read: NOT requirements for auditing a management system. The answer is the later, auditing is a proven method to improvement. Quality Audits can be utilized to verify product conformance to customer requirements Quality Audits can be used for Registration to a ISO Standard for ISO Certification Quality Audits challenge suppliers to ensure they are meeting all requirements Quality Audits provide data to upper management to help them: Topics Covered Below There are 4 topic areas that I will touch on below to help you expand your understanding of Quality Auditing. Type of Audits “ ISO only requires internal auditing, however there are many of different types of Audits that you as a Quality Engineer may be called upon to participate in. As a Quality Engineer you will find yourself playing any of those roles and you must know what the Responsibilities are for each. Types of Audits There are 3 different ways to classify an audit; by the relationship of the parties involved, by the scope of the audit or by the purpose of the Audit. One important thing to remember about these different types of audits is that they are not mutually exclusive audit types. Audits by Relationship The 1st way to classify an audit is by the relationship of the parties involved in the audit Us or Them. From this perspective there are 3 different types of audits: One key thing to remember when performing 1st Party Audits is that the auditor selected must be completely independent from the auditee. This will ensure there is no conflict of interest or bias that impact the audit results. Audits by Scope The 2nd way to classify an audit is by the scope of the audit. From this perspective, there are 3 different types of audits: Product Audits “ These audits are focused on the result product of a particular process. As you know, A system is the set of connected processes that form a complex whole. The product audit is the 3rd and smallest audit in terms of scope. The product audit is different from final inspection. Audits by Purpose The 3rd way to classify an audit is by the purpose of the audit. From this perspective, there are 3 unique audit types you need to be familiar with: Registration Audits “ The purpose of a registration audit is to become certified to a particular standard, the most common registration is ISO certification. Other industry specific registration audits are conducted for industry specific standards ISO for the Medical Device Industry or TL “ for the Telecommunications industry. This type of audit is always a 3rd Party Audit. Supplier Audits “ These audits are conducted on suppliers with one of the following purposes “ initial evaluation of the supplier, the certification of the supplier or the on-going management of a supplier. This audit is generally considered a 2nd Party Audit, however there are large organizations that have internal suppliers that they audit. Compliance Audits “ The purpose of these audits is to confirm Compliance. This compliance can be compliance to Regulatory Requirements, compliance to product specifications, compliance to internal procedures or compliance to any other requirement within your process. These can be 1st, 2nd or 3rd Party Audits. The Lead Auditor Responsibilities The Lead Auditor is the most important role on the audit team, and in some situations this person represents the entire audit team. When planning the audit, the Lead Auditor can use his knowledge of his audit teams strengths and weaknesses to assign audit responsibilities. Auditor Team Responsibilities If multiple auditors are utilized during an audit, the secondary auditors non-lead auditors are responsible for: The Auditees Responsibilities The Auditee is the individual or team who is being audited, and they also have some very unique responsibilities during a Quality Audit. The Clients Responsibilities The client is the individual or team who has requested the audit. In some cases, like 1st part audits, the client is the same person as the auditee. These follow up actions are different than the corrective actions which are owned by the Auditee and are normally associated with the requirement to the auditee for a response to the Audit Report along with any other decisions regarding follow up Audits. This preparation includes work from all three major parties associated with the audit; the auditor, the auditee and the client. With this information, the lead auditor can then prepare the Audit Plan, and then communicate that back to the client for approval and then ultimately to the auditee for awareness. The Flow Chart can be a

powerful tool when preparing for a large or complex Audit. Similar to the Flow Chart is the Audit Checklist. The checklist can also be setup to define which auditors are responsible for covering which area. Similarly, the checklist can keep an audit member on track by including estimated audit times for each topic. Finally, checklists are valuable in that they can be used to ensure that auditors are performing audits in a similar way. For example a Supplier Audit Checklist can be prepared to ensure all suppliers are rated against the same audit criteria, etc. The Audit Process Now that audit day is here, most audits follow the linear process shown below: In this phase, it is the auditors job to collect data or evidence to either prove or disprove conformance to the requirement. There are a handful of techniques that an auditor can use during this phase of the audit which include: This can also represent a tour of the facility being audited. This techniques goes hand in hand with the observation of actual activities. The best way to confirm compliance with an internal procedure is to observe that process and compare your observations against the procedure. This can go hand-in-hand with your tour of the facility review of physical evidence. The next major tool that an auditor can use is the interview process. In this tool, an auditor will hold a discussion of the topic under audit with the employees who are affiliated with that topic and the subject matter experts in that area. This interview process can reveal process deficiencies or deviations from the procedure. When interviewing the auditee, it is important to avoid miss-communication when possible. Finally, auditors can perform a verification of any physical documents or records. As we learned in the Documentation Chapter, Records should be maintained as physical proof that a process was executed per all the applicable procedures. These records can be reviewed for any non-conformances or trends that require additional analysis. Similar to above, this compliance can be compliance to their own internal procedures, compliance to regulatory standards or compliance to the customer requirements product specifications. Any observations or findings made by the auditor during this period should be noted and discussed with the auditee. Any audit finding should include 3 things, not necessarily in the order below: The associated requirement or standard that has been violated Audit Criteria. The classification of the finding minor, major or critical. Similar to the Opening Meeting, this event can vary in length and formality depending on the scope of the audit and the parties involved 1st party, 2nd party, etc. This audit meeting should include a summary of any observations or findings made by the auditor to the auditees senior management along with any positive comments or observations. At this point the lead auditor should also commit to supplying the completed audit report within a given time period. If requested, the auditor can also make recommendations for corrective action, however the final corrective actions are the responsibility of the auditee. The Audit Report contains details of the audit include findings, observations and a judgment of the extent of the auditees compliance to the criteria being audited against. The Audit Report should clearly indicate areas of conformance and any observations made. The Audit Report should summarize all the details surrounding the audit, including: This audit report is then delivered to the client which signifies the completion of the audit. The client is then responsible to work with the auditee to ensure that appropriate corrective actions are implemented to address any findings. The client and auditor should also agree to an appropriate level of follow up to ensure that the corrective actions were implemented and effective at addressing the audit findings. Conclusion This chapter covers the 4 areas of an audit that Quality Engineers must be familiar with. The first of these four key areas are the different types of audits. As we learned, there are 3 different ways to classify an audit; by the relationship of the parties involved, by the focus of the audit or by the purpose of the Audit. We also learned that these types of audits are not mutually exclusive and simply represent similar audits from different perspectives. The second of the four key areas of a Quality Audit is the Roles and responsibilities in audits. The Auditee is the individual or team who is being audited. The Client is the individual or team who is being audited. This section covered the importance of an audit plan, along with the details of a typical audit plan. Next, the section detailed the typical audit process, which normally follow the linear process shown below:

## 2: Quality Assurance

*Quality audit is the process of systematic examination of a quality system carried out by an internal or external quality auditor or an audit team. It is an important part of an organization's quality management system and is a key element in the ISO quality system standard, ISO*

Article What is a high quality audit? Audit shows where you stand and helps inform your next step. Audit core and enduring mandate is to attest that financial statements give a true and fair view in all material respects in accordance with the relevant financial reporting framework. The auditor is entirely independent from the contracting company to be audited. The users of the audited financial statements include creditors, shareholders and other stakeholders. Years before, audit has been considered as a simple administrative procedure consisting mainly of verifying the accuracy of the accounting transactions reported in the audited financial statements. As the world transforms, the role of auditors has never been more essential. Now auditors are to be considered as allies to shape the standards that will give comfort to stakeholders in so that they can build on a foundation of strength for the future, supporting smart, sure decision-making. We understand that the greatest challenge for some stakeholders is to understand the importance of the quality of audit itself because the audit elements are often complex and difficult to be measured. Much of an audit relies on the audit process and the process can be anything but visible to the client and even more to the users of the financial statements. According to the traditional point of view, the quality of audit is consistent across all audit firms, as audits are performed according to accepted audit standards. However, many subsequent studies and practices oppose the traditional point of view, showing that quality defines price as well. Quality means a total commitment to making sound judgments. It means ensuring that all the right steps are taken consistently in the course of the Audit. It means providing a bedrock of confidence in the results verified. That is why quality performed audit helps clients to increase the reliability of the reported financial statements and consequently on the possibility of obtaining loans from the most prestigious lending institutions and attracting potential partners for joint investments. The exact nature of high-quality audit varies essentially over time, into an evolving activity with the development of the daily business environment, financial reporting standards, auditing standards, regulations, and technology. This means that the pursuit of the quality of the audit is a never-ending quest and is not a fixed objective with a final result. Indeed, the only visible signs of a potentially weak audit are the re-evaluations of the financial statements or the re-releases of opinions or even the specific investigations made by the regulators. Nonetheless, these processes can last for years and until then, they may have little to do with the current situation of the enterprise. According to recent studies, although it is difficult to measure the quality of the audit, several factors determine or influence the quality of the audit. A relevant factor is the size of the professional audit firms; the larger the service company, the greater the quality is offered. Another adherent factor is the brand name of the firm; to strengthen more the brand name, audit firms bestow great importance to the quality of the audit. Another crucial factor for assessing the quality of the audit is the expertise of the audit firm in the specific industries, which is usually measured by the market participation. Working with a prestigious and professional audit firm has a major advantage for the audited company. Exploiting a deep expertise of the brand audit firm on the relevant industry will help to create ever firmer foundations on which decisions can be based and future actions taken, adding deeper and more genuine value for stakeholders. In conclusion, the brand and reputation of the audit firm, the size of the audit firm, and its expertise in the industry are among the key factors that should be considered to ensure a high quality of the audit. However, all these qualities also have the respective price, which also makes the differentiation of auditors.

## 3: Quality Audits - CQE Academy

*The 'Quality' Audit Did I Catch You Unaware? Auditing An Open Source Document This document is an Open Source document! Huh? Å° This means it is the result of the input of many people and resources.*

Audits can also be divided by the type of auditor. Audits can also be classified based on what is being audited:

**Internal Audits** Internal audits ensure that an organization is meeting its own quality standards or contractually required standards. This is also called a first party audit. Internal audits may be done by auditors who work for the company being reviewed. They may also be hired by the company to audit its own functions. However, auditors must be independent of the function they are auditing.

**External Audits** External auditors are separate from the company they are auditing because they are independent. They may be hired by a supplier or customer to ensure that the audited company meets their quality standards. They may be audited by the government to verify that they meet military specifications. External audits can be done by quality consultants specializing in the quality standards for those organizations. In all of these cases, the audit is called an external audit.

**Video of the Day Brought to you by Techwalla Brought to you by Techwalla**

**Second Party Audits** External audits done by a company that has a contract with the audited firm is called a second party audit. The second party quality audit is done by the company holding the audit.

**Third Party Audits** External quality audits done by an organization that has no contract with the company it is auditing is called a third party audit. A third party external audit can be done to attain or maintain certification in a quality standard. A third party audit by an independent auditor can also be mandated by law to qualify for government contracts. A third party audit of a company can also be done at the request of a supplier or customer who would be considered a second party audit if they performed the quality audit themselves.

**Process Audits** A process audit verifies that a documented process meets quality standards. This process could be a manufacturing process or service process.

**Product Audits** A product quality audit verifies that a physical product meets design specifications and other quality measurements. Product audits may require measuring physical dimensions, product testing, or destructive testing. A product audit can involve checking the calibration and test equipment used to verify that the product meets quality standards.

**System Audits** A system audit is a review of the quality system used by a company. It is a review of how quality standards are measured and met by the company. It verifies the procedures used to measure the quality of the product, how defects are recorded, and how the company ensures that failed product is not passed.

### 4: The Global Voice of Quality | ASQ

*What Is Auditing? Quality Glossary Definition: Audit. Auditing is the on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. An audit can apply to an entire organization or might be specific to a function, process, or production step.*

But what about an external audit of your business? They can differ in their quality. When people think about quality, they usually think first of tangible products, like a Rolex watch or a Craftsman wrench. For items like these, quality refers to the caliber of the design, materials, performance, and so forth. Yet, in reality, much the same criteria hold true – or should hold true – for intangible services like financial audits of your business. In recent years, the turbulent events of the global financial crisis have dramatically highlighted the importance of credible, high-quality financial reporting and auditing. And the issue of audit quality has been emerging rapidly across America and elsewhere in the developed world, as constant changes from regulatory and standards-setting bodies to improve audit quality have become the norm. What is a high-quality audit? There are no universally agreed upon definitions of high or low quality in audits, no settled measures or benchmarks, and no agreement about the drivers of such quality. Much of an audit relies on the process of the audit, and the process can be all but invisible to the client and even more so to financial statement users. Indeed, the only outwardly visible signs of a potentially poor-quality audit are financial statement restatements or re-issuances and investigations. It should be performed by a qualified, independent organization in compliance with current auditing standards. And it should determine whether your financial statements give a true and fair view of your accounts, business, and present circumstances. Although pricing an audit is both art and science, low fees might indicate either great efficiency good or insufficient time taken to address the complexities of the industry or business issues bad. Auditing is a process, after all – a verb more than a noun, in a sense – with profound issues of thought and integrity standing behind the final formal audit report. Why does audit quality matter? The users can include creditors, shareholders, other stakeholders, and newcomers who might be considering establishing a business relationship with your company. If your accounts are in good order, then a high-quality audit can be one of the best ways to demonstrate your true financial position, qualify for a major loan, or attract partners in other new ventures. This means that in addition to the literal cost of the fees paid to the auditing firm, there are costs to be borne by the organization under audit in the form of lost productivity, including the time spent in preparing for the audit – preparing schedules, pulling documentation, being interviewed, etc. Audit quality also matters in relation to its byproducts. This means that the pursuit of audit quality never ends: It is not a fixed goal with a definitive outcome. Continual improvements in various audit elements will result in continual improvements in audit quality as a whole in relation to the dynamic business environment in which audits are performed. A high-quality audit can come from any size firm. It is not necessarily true that a larger firm provides a higher-quality audit. Much more is involved than just firm size. To have and to hold Finding a high-quality auditing firm, however, and building a successful long-term relationship with it is, not surprisingly, much like getting married – and demands comparably prudent attention and forethought. I will grant that the relationship is rarely as much fun as marriage, but it still requires good research before sealing the deal. At BerryDunn, we offer prospective clients the following 6-point checklist before they take the plunge and ally themselves – or not – with a new accounting firm. When selecting an accounting firm for external audits and related financial services for your business, spend a little time with senior management or ask for their information in the proposal for your work. Remember, culture comes from the top. Ask yourself whether the people you meet evince principled vision and human passion. Can you even get to meet or have a conference call with them? Will you remain important to them after the courtship is over? Is there a clearly stated Code of Conduct? If so, ask to see it. High-quality accounting firms are selective about their clientele – because they know that, just like a person, their reputation is affected by the company they keep. They need to make sure they have the skills and personnel with the right experience to do the job well. When selecting an accounting firm for your business, find out if there are rigorous, established client acceptance and continuance policies, including annual reviews.

This sounds shocking at first. When it comes to providing audit services in particular, the firm should evaluate you again, this time to make sure of its independence. Conflicts of interest can arise, for example, if a family member of an audit firm employee is a shareholder or executive in your organization. You should be asked about your financial and other relationships, investments, loans, and ownership structure. Finally, ask for a few examples of cases in which the firm has declined to provide a service to a given client, or even resigned the client as a whole, and why. High-quality accounting firms have high, clearly stated standards and equip themselves with robust audit tools and technologies to make sure their standards are met. Which people in the firm are responsible for meeting standards for professional practice, risk management, and quality control. We do at BerryDunn. High-quality firms also dedicate significant resources to keeping their arsenal of audit tools and technologies complete and up to date, reflecting current industry best practice. Because they know that well-honed tools and technologies promote robust documentation, reduce the risk of human error, and contribute to consistent implementation of the audit process – and hence are key drivers of audit quality. High-quality accounting firms make sure the partners and staff assigned to a company like yours are in fact the appropriate ones for your business and industry. Do they have sufficient bench strength to be able to change some of the engagement team members if you and a team member had a personality conflict or a team member were to leave the firm? This calls for personnel who are ethically sound, good communicators, critical thinkers, and problem solvers and also have continually improving technical skills in their field and specialty. How many years of experience does the average partner have with the firm. Upwards of 15 is an answer that should help you gain comfort with what they can bring to your engagement based on the wisdom in the firm. Does the firm promote opportunities and access to courses for its people to continually enhance their core competencies, personal effectiveness, leadership, and professional skills? Does the firm set agreed-upon goals and conduct formal, documented evaluations of these skills on a regular basis in order to assess performance and progress – and to hold its people accountable for them? A high-quality accounting firm goes beyond statutory training, accreditation, and licensing requirements. Technical courses covering independence, financial reporting, and auditing topics should be mandatory at all levels of the firm. More broadly, does the firm take steps to ensure that its people build their overall business acumen, leadership and personal skills, and knowledge of your industry? How an audit is conducted is as important as the final result. Early in the audit, will there be significant involvement and leadership from the audit engagement partner in order to maximize the impact of his or her experience and skill, and to direct the scope and tone of the audit? How will the team be supervised during the audit? At the end of the audit, will the final reporting lead to insightful, open, and honest two-way communication without surprises? You bet it should!

## 5: Audit quality | Deloitte US

*A quality audit can apply to various aspects of a business, but a few types stand out. You can perform a quality audit of your inventory or service to assure that it's acceptable for consumption.*

Audit Auditing is the on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. An audit can apply to an entire organization or might be specific to a function, process, or production step. Find more information in the video, *The How and Why of Auditing*. As defined in ISO There are three discrete types of audits: However, other methods, such as a desk or document review audit, may be employed independently or in support of the three general types of audits. Some audits are named according to their purpose or scope. The scope of a department or function audit is a particular department or function. The purpose of a management audit relates to management interests such as assessment of area performance or efficiency. An audit may also be classified as internal or external, depending on the interrelationships among participants. Internal audits are performed by employees of your organization. External audits are performed by an outside agent. Internal audits are often referred to as first-party audits, while external audits can be either second-party, or third-party. Process audit – A verification that processes are working within established limits. It evaluates an operation or method against predetermined instructions or standards to measure conformance to these standards and the effectiveness of the instructions. Such an audit may: Check conformance to defined requirements such as time, accuracy, temperature, pressure, composition, responsiveness, amperage, and component mixture. Examine the resources equipment, materials, people applied to transform the inputs into outputs, the environment, the methods procedures, instructions followed, and the measures collected to determine process performance. Check the adequacy and effectiveness of the process controls established by procedures, work instructions, flowcharts, and training and process specifications. System audit – An audit conducted on a management system. It can be described as a documented activity performed to verify, by examination and evaluation of objective evidence, that applicable elements of the system are appropriate and effective and have been developed, documented, and implemented in accordance and in conjunction with specified requirements. A quality management system audit evaluates an existing quality program to determine its conformance to company policies, contract commitments, and regulatory requirements. Similarly, an environmental system audit examines an environmental management system, a food safety system audit examines a food safety management system, and safety system audits examine the safety management system. A first-party audit is an internal audit conducted by auditors who are employed by the organization being audited but who have no vested interest in the audit results of the area being audited. A second-party audit is an external audit performed on a supplier by a customer or by a contracted organization on behalf of a customer. A contract is in place, and the goods or services are being, or will be, delivered. Second-party audits are subject to the rules of contract law, as they are providing contractual direction from the customer to the supplier. A third-party audit is performed by an audit organization independent of the customer-supplier relationship and is free of any conflict of interest. Independence of the audit organization is a key component of a third-party audit. Third-party audits may result in certification, registration, recognition, an award, license approval, a citation, a fine, or a penalty issued by the third-party organization or an interested party. Purposes of audits An auditor may specialize in types of audits based on the audit purpose, such as to verify compliance, conformance, or performance. Some audits have special administrative purposes such as auditing documents, risk, or performance or following up on completed corrective actions. One way for organizations to comply is to have their management system certified by a third-party audit organization to management system requirement criteria such as ISO Customers may suggest or require that their suppliers conform to ISO , ISO , or safety criteria, and federal regulations and requirements may also apply. A third-party audit normally results in the issuance of a certificate stating that the auditee organization management system complies with the requirements of a pertinent standard or regulation. The purpose of these audits goes beyond traditional compliance and conformance audits. The audit purpose relates to organization performance. Audits that

determine compliance and conformance are not focused on good or poor performance. Yet performance is an important concern for most organizations. An organization may conform to its procedures for taking orders, but if every order is subsequently changed two or three times, management may have cause for concern and want to rectify the inefficiency. Follow-up audit A product, process, or system audit may have findings that require correction and corrective action. Since most corrective actions cannot be performed at the time of the audit, the audit program manager may require a follow-up audit to verify that corrections were made and corrective actions were taken. Due to the high cost of a single-purpose follow-up audit, it is normally combined with the next scheduled audit of the area. However, this decision should be based on the importance and risk of the finding. An organization may also conduct follow-up audits to verify preventive actions were taken as a result of performance issues that may be reported as opportunities for improvement. Other times organizations may forward identified performance issues to management for follow-up. The preparation stage of an audit begins with the decision to conduct the audit. Preparation ends when the audit itself begins. Audit performance

â€” The performance phase of an audit is often called the fieldwork. It is the data-gathering portion of the audit and covers the time period from arrival at the audit location up to the exit meeting. It consists of activities including on-site audit management, meeting with the auditee, understanding the process and system controls and verifying that these controls work, communicating among team members, and communicating with the auditee. Audit reporting

â€” The purpose of the audit report is to communicate the results of the investigation. The report should provide correct and clear data that will be effective as a management aid in addressing important organizational issues. The audit process may end when the report is issued by the lead auditor or after follow-up actions are completed. Audit follow-up and closure

â€” According to ISO , clause 6. Requests for correcting nonconformities or findings are very common. Corrective action is action taken to eliminate the causes of an existing nonconformity, defect, or other undesirable situation in order to prevent recurrence reactive. Corrective action is about eliminating the causes of problems and not just following a series of problem-solving steps. Preventive action is action taken to eliminate the causes of a potential nonconformity, defect, or other undesirable situation in order to prevent occurrence proactive. Why did you look up auditing? Please let us know what auditing resources you are looking for. If you would like a reply, please include an email address. Please note that ASQ provides information related to product, process, and system audits. ASQ cannot answer questions related to financial audits.

### 6: Quality Audit Types | Bizfluent

*The Quality Audit: A Management Evaluation Tool [Charles A. Mills] on [www.enganchecubano.com](http://www.enganchecubano.com) \*FREE\* shipping on qualifying offers. Explanations are given for pertinent steps in the audit process, from determining the purpose of the audit through planning and implementing the process to evaluating.*

I would like to thank Liz Gantnier for hosting our session at the conference. Claudius and I are pleased to be back this year, but first we must say that the views we express are our own and should not be attributed to the PCAOB as a whole or any Board members or staff. So, are we there yet? A question I know I often get from family when we travel on vacation. And I am sure, one that many of you are likely thinking about as you prepare for your travels for this conference and the holiday season. Where are we with audit quality? We are now thirteen years into an auditor regulatory scheme following the enactment of the Sarbanes-Oxley Act. These thirteen years have brought change, seen greater focus on auditors and their work by regulators around the world and set expectations for auditors to step up their game. It has been a rewarding time for some and a challenging path for others. As we approach the end of the year, it is a good time for reflection – taking a look at where we are and where we are going in audit firm inspections and where we see audit quality. And I want to emphasize two important points: First – I often hear auditors say that they fear an inspection – they fear the possible identification of an audit deficiency in their work. No one wants to have a problem identified. But there are many audits we inspect where we find no deficiencies, and many firms where we identify no deficiencies in any of their audits we inspect. That is not uncommon. It is possible to do good work. Many auditors do and we should celebrate those successes. Second – The goal of the inspections regime has never been to simply identify deficiencies. The goal has always been to help auditors improve the quality of their audits and the value that they bring to their clients and to investors. Of course they matter. In many respects, we have seen the quality of the audit work we inspect get better over the last thirteen years. Firms and individual partners are more engaged and are keenly focused on effectively identifying risks of material misstatement and planning audit responses to address such risks. There is, however, still room for improvement. That the bar and expectations are high is a good thing. That is what investors expect and what they deserve. They expect a properly supported audit report. Many auditors now have greater confidence that their audit work is meeting that objective. I want to call attention to five key areas: Tone at the top – first and foremost, the tone from firm leaders has been a critical component to effecting positive change within a firm. Training – no doubt auditors have seen a change in the training they are receiving. Most firms now have targeted and focused training on some of the more complex audit topics that often involves detailed case studies and at the end a course assessment to confirm the participants understanding. New practice aids and checklists – especially for professional skepticism, auditing fair market value and management estimates as well as internal control over financial reporting "ICFR", practice aids and checklists have been developed and implemented by many firms. Such aids and checklists help firms achieve reasonable assurance that audit work is performed at consistent levels, but they also help teams to understand what is required and why certain procedures must be performed. I am not advocating a checklist, check the box mentality but firms have learned that these tools can really work when used with proper judgment, supervision and professional skepticism. Certainly, we think that as a first step it is important that auditors understand what objectives they are trying to achieve and whether the planned procedures satisfy those objectives. Firms have been investing more time and energy into coaching and providing support that helps less experienced team members develop the experience and knowledge that is crucial to their long-term development. Monitoring – monitoring the quality of work performed is an integral part of an effective quality control system – and is required by the standards. Some firms have implemented pre-issuance reviews in order to identify deficiencies before the audit work is completed. This gives engagement teams time to get it right before audit reports are issued. While these improvements are positive, challenges remain and there are a number of areas where we would like to see improvement – Recurring audit deficiencies – a theme that I share globally with other regulators. Not unlike our experience here in the U. The persistence of these issues has the attention and focus

of regulators globally. Regulators expect firms to continue to take active steps to address deficiencies in these areas. Effective remedial actions â€” firms are not always successful in their remediation efforts. In the last several years, the Board has made public quality control criticisms at large and small firms because the firms failed to satisfactorily remediate those criticisms. We have seen improvements in many firms following such decisions. Others, however, are not there yet. But I think we can say that right now audit quality is trending in the right direction. Firms need to continue to take prompt and active steps to address identified deficiencies. To be successful â€” a remedial action will meet five key criteria â€” change, relevance, design, implementation, and execution and effectiveness. We have dedicated staff to the remediation process and they are available to work with a firm throughout the 12 month remediation period. Root cause analysis â€” most of the largest firms now have formal root cause analysis processes, but they are all at different stages. For the most part, these firms now take identified audit deficiencies and perform deep and systematic analyses of what went wrong and why. They are beginning to address matters that extend beyond the symptom of the problem in order to address the underlying cause of deficiencies. Some have even started looking at successes and the underlying reasons for those successes in order to gain greater insight into what are effective actions. As firms begin to get a better understanding of what drives successful outcomes, and the underlying drivers of quality, we expect that they will be able to more effectively and proactively drive their remedial efforts, and ultimately improve their audit quality. Implementing and maintaining this effectively throughout firms and their global networks will continue to be a challenge. Consistent execution of audit methodology and approach around the globe â€” many firms are brought together under an umbrella entity, known as a global network firm. Executing consistent audit procedures throughout multi-location and multi-firm audits within such structures will continue to be an area where firms need to improve. Monitoring of independence â€” as firms continue to grow their global practice, monitoring of independence on a global basis may raise challenges and require that firms remain vigilant in ensuring they comply with the independence rules. So what is the state of audit quality thirteen years later? The last thirteen years show that diligence and constant probing and questioning are key to continuing to make meaningful changes that can result in lasting improvements to audit quality. I look forward to many more years of improvement. Looking Ahead to We are in the midst of planning the inspections. We consider a number of factors as we scope our inspections including environmental, economic and technology risks along with new standards. Of course, the deficiencies will be a factor, and we do intend to see how firms are addressing past problems. So, as auditors move into the year-end audits, what should they focus on? Recurring Audit Deficiencies As I reflect on what we have seen in the most recent inspection cycle, which generally examined year-end financial statements, I want to share a few thoughts that I think auditors, preparers and audit committees should consider as they aim to have a quality audit. The most significant and frequent audit deficiencies continue to be in the key areas related to auditing ICFR, assessing and responding to risks of material misstatement, and auditing accounting estimates, including fair value measurements. It is particularly important for the engagement partner and senior engagement team members to focus on these areas and for engagement quality reviewers to keep these matters in mind when performing their reviews. A few comments on preliminary inspection observations â€” ICFR Inspections staff continue to observe significant audit deficiencies related to non-compliance with Auditing Standard No. While Inspections staff have seen improvement in in the nature and extent of the audit issues in this area at certain firms, continued focus on this area is needed to improve and sustain audit quality. This remains a valuable resource and tool. Many others have spoken this week about the importance of ICFR and the need for issuers to evaluate their own controls and conclusions. I believe it is essential that all involved parties, issuers, audit firms and regulators continue this discussion in as I feel there has already been great benefit from opening up these lines of communication. I look forward to the upcoming year as all parties continue to work together to improve audit quality in the area of internal controls. Assessing and Responding to Risks of Material Misstatement The overall number and significance of the deficiencies identified in related to non-compliance with the Risk Assessment Standards decreased at certain firms, but continues to be concerning to Inspections staff. Broadly, the risk assessment deficiencies observed during the and inspection cycles were most frequently related to Auditing Standard No. Assessing and responding to risks of material misstatement are two critical components

of an audit. Improper application of these standards may result in audit deficiencies that contribute to an unsupported audit opinion. It also offers insight into potential root causes of these deficiencies and potential remedial actions that firms may consider. I encourage auditors to review the general report and consider whether these types of deficiencies could manifest themselves in their audits. Accounting Estimates Inspections staff continued to take a close look at audit work performed on complex estimates and business transactions in and frequently identified audit deficiencies in this area. Accounting estimates often warrant more audit attention because they involve subjective factors and judgments, which make them susceptible to management bias. Other areas where deficiencies have been identified include financial instruments, revenue related estimates and reserves, the allowance for loan losses, and inventory reserves. Due to the significant audit deficiencies identified, together with changing market conditions, a low interest rate environment, and an increase in merger and acquisition activity, auditors should continue to remain focused on this area. Inspections staff continued to identify instances in which auditors did not fully understand how estimates were developed or did not sufficiently test the significant inputs and evaluate the significant assumptions used by management. In addition to the typical risk areas that we focus on, I want to highlight other areas for the upcoming cycle. A few economic and environmental risks that will factor into our selections are: Appreciation of the U. Challenges include, among others, pressures on revenue and margins on domestic goods produced, potential loss of market share to foreign competition, and negative effects of foreign currency translations. This will also be a factor as we evaluate areas for inspection focus. Segment disclosures - recent Securities and Exchange Commission "SEC" commentary has highlighted an increased focus on segment disclosures. Given the heightened focus in this area, our Inspections staff will take a closer look at these disclosures in the upcoming cycle. Auditors should consider how an issuer identified the chief operating decision maker and determined the operating segments and the reportable segments. This would include an analysis of the characteristics an issuer considered when deciding whether or not operating segments could be aggregated. Merely confirming the consistency of segment disclosures with the prior year may not be enough. Auditors should consider whether any factors have indicated that a reassessment of the segment reporting is necessary. Mergers and acquisitions are increasing deal values and the high pace of mergers and acquisitions activity continue and may increase the risk of potentially aggressive accounting transactions. In , Inspections staff identified audit deficiencies in the testing of the valuation of assets and liabilities acquired in a business combination.

## 7: ISO Quality management

*A quality audit checklist is a quality record that tracks the questions and responses during a quality audit. The quality audit is a valuable tool for continuous improvement. Audits ensure your quality assurance system is sound.*

Is a quality audit similar to a financial audit? Is an audit the same as a surveillance or inspection? These types of questions are often asked by those unfamiliar with the quality auditing profession. As far as what a quality auditor is, Allan J. Sayle says it best: Auditors are the most important of the quality professionals. They must have the best and most thorough knowledge of business, systems, developments, etc. They see what works, what does not work, strengths, weaknesses of standards, codes, procedures and systems. The purpose of a quality audit is to assess or examine a product, the process used to produce a particular product or line of products or the system supporting the product to be produced. A quality audit is also used to determine whether or not the subject of the audit is operating in compliance with governing source documentation such as corporate directives, federal and state environmental protection laws and regulations, etc. A quality audit distinguishes itself from a financial audit in that the primary objective of the financial audit is to verify the integrity and accuracy of the accounting methods used within the organization. Yet, despite this basic difference, it is important to note that many of the present-day quality audit techniques have their traditional roots in financial audits. For example, how is the quality system defined? Who is responsible for producing the product? Who is responsible for assuring the quality of the product meets or exceeds customer requirements? What is the extent of management involvement in the daily operation of the quality system? What procedures are used to guide the organization in its production effort? How are they maintained and updated? Who performs that function? Where are the procedures located? What type of processes are used both directly and indirectly to produce the product? How do current procedures support these direct and indirect processes, etc.? A quality system audit is characterized by its emphasis on the macro nature of the quality management system. Think of the quality system audit in terms of "an inch deep but a mile wide," i. A quality system audit is defined as a "systematic and independent examination used to determine whether quality activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives. Unlike the system audit, the process audit is "an inch wide but a mile deep. A process audit compares and contrasts the manner in which the end product is produced to the written procedures, work instructions, workman-ship standards, etc. Process audits are appraisal and analytical in nature. The process audit is also concerned with the validity and overall reliability of the process itself. For example, is the process consistently producing acceptable results? Do non-value added steps exist in the process? Are processes current in terms of meeting the existing and future requirements of key customers? Bear in mind the process audit has two active modes of operation—appraisal and analysis. While in the appraisal mode, keep this question in the front of your mind: In the analysis mode, on the other hand, question the procedures, work instructions, and so forth, used in support of the process es being audited—are they helpful or detrimental? Does duplication of effort exist between sub-functions? Are any non-value added steps apparent? Does the overall process complement the expressed or implied quality objectives of the organization: Actually, a product "audit" is a detailed inspection of a finished product performed prior to delivering the product to the customer. It is a test of both attribute and variable data i. Results of product audits often provide interesting bits of information regarding the reliability and effectiveness of the overall quality system. Product audits are usually accomplished for one or more of the following reasons: In essence, it is a "say what you do—do what you say" type of audit. Specifically, the compliance audit centers on comparing and contrasting written source documentation usually the contract to objective evidence in an attempt to prove or disprove compliance with that source documentation. It is an audit of those portions of the quality assurance program that are "retained under its direct control and within its organizational structure. However, employees within the department itself may also conduct an assessment similar to a first party audit. In such an instance, this "audit" is generally referred to as a "self assessment. These monitoring and analyzing responsibilities lie directly with those most affected by departmental

processesâ€™the employees assigned to the respective departments under examination. If performed properly, first party audits and self assessments: Obviously, the supplier quality system is a very important part of contractual requirements since it is directly manufacturing, engineering, purchasing, quality control, etc. Although second party audits are usually conducted by customers on their suppliers, it is sometimes beneficial for the customer to contract with an independent quality auditor. This action helps to promote an image of fairness and objectivity on the part of the customer. It is an assessment of a quality system conducted by an independent, outside auditor or team of auditors. When referring to a third party audit as it applies to an international quality standard such as ISO , the term "third party" is synonymous with a quality system registrar whose primary responsibility is to assess a quality system for conformance to that standard and issue a certificate of conformance upon completion of a successful assessment.

### 8: Building a Foundation for Audit Quality

*The Quality Audit handbook which has been prepared by the Head of the Quality Assurance and Accreditation Division sets the scene for quality assurance in tertiary education in Mauritius and provides guidelines for undertaking self-assessments by institutions to assemble.*

I would like to thank Jake Vossen for hosting our session at the conference. Claudius and I are pleased to be back this year, but first we must say that the views we express are our own and should not be attributed to the PCAOB as a whole or any Board members or staff. Washington, DC is a city with tremendous history and architecture. I noticed coming in that construction in the area is nearing an end, and the long restoration project of the historic Wardman Tower has been completed. Remodeling and restoration projects are never fun while the construction phase is ongoing, but the end result is well worth it. As a homeowner who has taken on lots of projects, I know only too well that the key to success lies in the quality of the materials used and in particular the foundation – a foundation that can withstand the tests of time and unpredictable elements. Foundation problems always need fixing; otherwise, those fancy new cabinets and appliances might crash into the basement in an earthquake! Cosmetic small fixes here and there might help in the short term but the structural problems at some point need to be addressed. This is much like the foundation of a quality audit. Audit firms have done much over the years to strengthen the foundation to help them produce quality audits. They have shored up certain weaknesses that have been identified by regulators and their own internal inspections. From an inspections perspective, the number of audit deficiencies have ebbed and flowed over the years. At certain of the larger firms, however, findings now seem to have plateaued – and the findings are still too high. While the progress made has been good – the plateauing is concerning. Some firms are close, but none are there yet. That is a sentiment I hear from firm leaders as they assess their own practices, and form their own goals. Investors expect a quality audit. The challenges and risks in the audit environment are great. Some provide a great deal of promise and others challenge the status quo of the profession. This coming season auditors face new standards, uncertain economic environments, innovation, and unfortunately the financial effects of the many natural disasters that have stricken parts of the world. The best protection lies in prevention – setting yourself up in a way that prevents problems from occurring in the first place. Directly or indirectly this system affects audit performance and is important to serve the public interest and investor protection. As firm leaders – how do you know audits are being performed in a quality manner on a consistent basis? What are the controls you rely on? How quickly would someone coming to your organization understand those controls and be able to become part of that system? Does staff at all levels understand those controls? Our inspections over the years have focused on the elements of the system of quality control. Each element is connected in the system – like the building materials in a home – and is dependent on each other for effectiveness. Scaled for the size of the firm, certain elements are evaluated during an inspection. I encourage firms to consider whether they need to change their mindset on approaching the problems at hand – it may be time to consider changing from "remediating a problem" to addressing systemic issues identified through either internal or external reviews. Firms that take a proactive approach to understand both internal and external risks that may affect the efficient and effective operation of their systems on an ongoing basis will likely be better prepared to prevent and respond to these issues when they arise. Since our inception, we have observed a change in tone and culture at a number of firms, and in general, they are pretty good. These changes seem to have driven improvements in audit quality. Some firms have explicit messaging that audit quality is the primary objective and support that messaging with significant actions. For example, we have seen firms creating audit quality groups and leadership positions to underscore the importance of audit quality. Some have expanded accountability for audit quality beyond the lead engagement partner to include other important roles in the audit – engagement quality reviewers; leadership partners, such as the office managing partner; and other auxiliary partners, for example, those assisting in multi-location audits. We have seen firms incorporate audit quality goals and metrics in the partner performance process. We have seen other instances of mixed messages. We have also seen instances in which a firm does not hold partners in leadership

or oversight positions accountable for negative quality events when appropriate, which may signify that there is not a firm-wide commitment to improving audit quality. It is one of the most important decisions that a firm makes. A bad decision in this area can have horrible consequences down the road – like my mother used to say, you are known by the company you keep. A partner that takes on risk inappropriately, that steps outside their areas of competence, puts the entire firm – or even network – at risk. Consideration of audit risks, both internal and external, associated with clients should occur throughout the audit cycle, including when evaluating whether to provide new or recurring professional services each year. There are a variety of risks to consider, including the complexity and expected growth of the client, management integrity, as well as audit staff bandwidth and technical expertise. Does the firm have policies in place for certain risks to be elevated to other partners during the acceptance and continuance process? Should staff with specialized skills be involved on the audit to mitigate these risks? You only need to see the press from this past year to see that the selection of audit clients can have a detrimental effect on a firm. Sure, sometimes deciding to walk away from certain clients may be tough but having a supportive leadership team that values quality instead of quantity speaks volumes. Personnel Management People are the only real assets a firm has, and people are what distinguish one firm culture from another. Firms need policies in place to ensure that they are assigning personnel with the technical expertise to successfully complete audits, providing necessary training, and advancing personnel with the appropriate qualifications. Some of the audit deficiencies we have identified suggest that some auditors may lack a sufficient understanding of the specific requirements of GAAP or may not have the industry expertise necessary to perform the audit. You would think that technical competence would be a given. Given the recurring deficiencies identified, firms should continue to evaluate whether more targeted training is required to further address the deficiencies in these areas. Beyond competencies, firms should also consider the workload of team members and whether sufficient time has been allocated to perform the audit. This concept also ties into tone at the top – having firm leadership commitment to create a culture in which team members feel comfortable raising their hand when they need resources can contribute to audit quality. Such policies and procedures should encompass all phases of design and execution of the audit. Personnel should not only be aware that policies and procedures exist – but communication and training on what the policies are and how to follow them are just as important. Supervision and Review Many of the recurring audit deficiencies we see occur in areas of significant judgments that are reviewed often times by both the engagement partner and the engagement quality reviewer. Not only is proper supervision and review important to detect deficiencies in the audit work performed, but it is key to the system of quality control. Leadership coaching more junior staff has been shown to contribute to audit quality. This ties back to personnel management when you think about providing personnel with the proper training they need to be successful. Consultations Firms should establish policies and procedures that encourage personnel to refer to authoritative literature or other sources and consult, on a timely basis, with individuals within or outside the firm when appropriate. This is particularly important when auditing complex or unusual transactions. Consulting may become even more critical when issuers adopt new accounting standards. For example, in one instance, the matter became qualitatively material and created adverse results for both the firm and the engagement team. In another instance, the matter involved a GAAP error – the engagement team took a significant risk by not documenting the error, not consulting on the error and not communicating the error to the audit committee. Partners should view consultations as one of the best tools available – they provide tremendous security and learning to all teams. We are always pleased to see a firm with a strong consultative culture. Where that is not happening, a firm needs to ask – what motivates staff not to consult? Is it firm culture? Is it a disregard for firm process? Is the firm process too complex? Are there barriers that get in the way? Monitoring Ongoing evaluation of whether each of the elements in the system of quality control exists and is operating effectively is critical, including evaluation and assessment of personnel that do not follow the established policies and procedures. This ongoing evaluation assists the firm in identifying strengths and weaknesses in the quality control system. Over the last several years, I have spoken about how firms have strengthened their monitoring programs in several ways beyond simply completing internal inspections. For instance, some firms have implemented pre-issuance reviews in areas of recurring deficiencies. Firms should evaluate whether the results

of these reviews require new or different actions to prevent similar deficiencies from occurring on other audit engagements. Some firms have also made significant investments in root cause analysis programs over the past several years. These firms have appointed experienced and skilled individuals to lead the analysis and provided them with the necessary training. Firm professionals have used a variety of techniques to perform root cause analysis and they consider results not only from PCAOB inspections, but also peer reviews, internal inspections and monitoring of restatements and consultations. A robust root cause analysis is likely to identify a variety of underlying causes of an individual audit deficiency or breakdown in an element of the system of quality control. I think what firms need to do to drive further change is to perform more rigorous analyses, particularly in the areas of recurring deficiencies. The current remedial actions implemented by some firms, including training and implementation of new or revised tools and templates may not be sufficient to address the root causes of the recurring deficiencies we see. Firms may need to be more innovative and remedial actions may need to be more focused on the long term fixes to elements within the system of quality control as compared to individual audit engagement issues.

**Auditor Independence, Objectivity and Integrity** It is essential that auditors are focused on independence and firms are assessing their systems of quality control to determine if they provide reasonable assurance that they maintain independence from their audit clients. I mention this because I continue to be concerned by the number of deficiencies we see related to noncompliance with PCAOB rules or SEC rules and regulations related to independence. Examples of these deficiencies include insufficient communications to the audit committee regarding the scope of tax consulting services performed and the potential effects of all tax services on the independence of the firm, and failure to make the required communications to the audit committee concerning independence. Firms should pay close attention to understanding firm-provided services when accepting a new client. This is particularly important with the EU mandatory audit tendering and firm rotation requirement that took effect in We are committed to our goals of continued improvement in audit quality and driving change in the areas where we have seen frequent and recurring deficiencies. We will also consider a number of other factors as we scope our inspections, including environmental, economic and technology risks along with newly implemented standards.

**Recurring Audit Deficiencies** Preliminary results of the annually inspected firms indicate that inspection results at some firms have plateaued at a level that is still too high, particularly in the areas of recurring deficiencies. This is not a good thing. These preliminary inspection results indicate the most frequent audit deficiencies identified continue to be in the same three key areas I have discussed with you over the past few years: It is particularly important for the engagement partner and senior engagement team members to focus on these areas and for engagement quality reviewers to keep these matters in mind when performing their reviews.

**Assessing and Responding to Risks of Material Misstatement** I believe this area is fundamental to the audit and should, when done well, provide the appropriate foundation for an effective and efficient audit. Understanding the company " meaning its business and industry - and its processes is critical to identifying and assessing the risk of material misstatement. Proper identification of the risks of material misstatement, including the types of potential misstatements that can occur and the likely sources of those potential misstatements, is necessary when selecting appropriate controls to test, evaluating whether those controls adequately address the risks, and designing and executing substantive procedures.

### 9: What is a Quality Audit? | [www.enganchecubano.com](http://www.enganchecubano.com)

*Quality Audits are the independent & fact based process of collecting evidence to assess the extent that an auditee is in compliance with the audit criteria.*

*Strategies tactics for the MPRE Pt. C. Enzyme structure Land of Deepest Shade Big mechanisms in systems biology Is it ok to add bookmarks to a uments Poems from prison Urban designe mannual draft Romance of the forum, or, Narratives, scenes, and anecdotes from courts of justice Gospel conversation Canon eos rebel t4i instruction manual Practicing deeply, part II California real estate economics The night in Lisbon. Guidebook to Wholesale Sources for Plants and Supplies Ultra large scale integrated microelectronics Fun fact sheet about king tut Sigma notation arithmetic series Steam power generator project Tycoons come to town Progress and problems in information retrieval Tantra books in kannada Comparative efficiencies of dose and concentration-controlled trials Majesty: This we have now Harvard business review on pricing. Mel Bays Modern Blues Private Lessons Series Glymour theory and evidence Neo-Stalinist state Zen in Japanese art The Rewards of Living the Christian Faith Towards justice in health nurses for social responsibility Secret lives of Alexandra David-Neel Call Environments Thoughts on parliamentary reform Desert Trek (World Explorer) Guide to evaluating teachers of music performance groups Pathophysiology of heart disease lily 2015 6th edition More ways to handle stress. The pre-Reformation English Bible (1) Volume 1 : Industrial mobilisation, 1914-1915 The meaning of gardens idea place and action*