Towards Enhanced Audit Quality in the Government Sector of Uganda

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Abstract:- Audit quality has been a major debate within the financial reporting and auditing fraternity for decades as a result of major scandals. The current study seeks to propose improvements to the key engagement performance quality control (QC) measures in the Office of the Auditor General (OAG) of Uganda regarding pre-engagement discussions, resource deployment, supervision, review and documentation. The research objective is to establish, evaluate, and propose improvements to the key engagement performance QC measures used by the OAG and private audit firms in undertaking both in-house and outsourced public universities' audits. The study adopts a qualitative research strategy; the multiple case studies being those at four public universities (as audit clients of the OAG), the OAG Uganda and five private audit firms to which government audits are regularly outsourced. The study used semi-structured open-ended interviews administered to 51 respondents while data was coded *a priori* and analysed using the Atlas.TI software. The study shows that the OAG faces high workload, partial or no documentation using the Teammate audit software, poor work assignment and resource deployment style, undefined audit supervision and review responsibilities leading to an overlap of roles by senior managers, poor QC for outsourced audits, client audit stress from analogous audit activities by accountability institutions and poor attitude of staff and management towards quality management. The recommendations from this study will not only benefit government sector auditing in Uganda, but also in other countries and are therefore of universal value.

Keywords:- Audit Quality, Government Sector Auditing, Outsourced Audits, Supervision, Review, Documentation, Deployment, Pre-Engagement Discussions.

I. INTRODUCTION

Audit quality has been a major debate within the financial reporting and auditing fraternity for decades as a result of major corporate collapses and scandals such as that of Enron (Neri & Russo, 2014:25; Deis Jr & Giroux, 1992:463) and Wells Fargo (Corkery, 2017) in the private sector, but also the OPM and Irish Aid 2012 scams in the government sector in Uganda (Kasigwa *et al.,* 2013:26-27). This has sparked growing interest in the necessity and importance of producing high quality audit reports (Francis, 2004:35), although Deis Jr and Giroux (1992:462) reported that there are limited audit quality studies focusing on the government sector. The current study seeks to establish, evaluate, and propose improvements to the key engagement performance QC measures in the OAG Uganda, in order to recommend changes that will enhance audit quality at the engagement level. The QC measures considered in this study are pre-engagement discussions, resource deployment, supervision, review and documentation.

The broad aim of the study is to critically explore the role of engagement performance in enhancing audit report quality in the public universities of Uganda (representative of the government Ministries, Departments and Agencies as audit clients of the OAG), with a focus on practices in the OAG and outsourced firms.

The study leans on agency theory to explain findings. Ittonen (2010:11-12) considers the appointment of auditors as serving the interests of third parties, owners and management. Agency theory in the context of government sector audits looks at the relationship between the agent (government institutions) and the principals (citizens/electorates or tax payers) and the role played by the auditor (agent to citizens) in harmonising the mismatch between interests of the citizens and government institutions. Moreover, this mismatch arises from the separation of roles and responsibilities between the principals and agents, albeit with several complications related to agents always seeking to maximise their personal utility instead of the interests of the owners (Ittonen, 2010:18-23). Kurtenbach and Roberts (1994:220) argue that agency theory does not only affect the principal-agent relationships of the government vs. citizens, but also goes further to the contracting out (outsourcing) of some entity activities and functions.

Despite the existence of quality management systems and regulatory frameworks for financial reporting and auditing, fraud involving huge sums of money was either not detected or was not reported on by the auditors which Kasigwa *et al.* (2013:26) attribute to high prevalence of reduced audit quality behaviour among auditors in Uganda.

Likewise, there are trust, confidentiality, integrity and objectivity complications between the citizens/electorates and their agents (government and auditors), which casts further doubts over the quality of audit reports and financial reports produced by these agents. This signals the existence of problems with audit quality in the Ugandan government sector, but with limited research on the matter, hence the motivation to undertake a study in this area. The current levels of engagement performance QC in government sector audits in Uganda might be non-existent or insufficient to ensure that quality audit reports are issued, which could result in misappropriation of government funds not being detected or reported on by government auditors.

The research objective of this study is to establish, evaluate, and propose improvements to the key engagement performance QC measures used by the OAG and private audit firms in undertaking both in-house and outsourced universities' audits. The study utilises a cross-sectional design involving the adoption of a qualitative research strategy; the multiple case studies being those at four public universities (as audit clients of the OAG), the OAG Uganda and five private audit firms to which government audits are regularly outsourced. The study used semi-structured open-ended interviews administered to 51 respondents while data was coded *a priori* and analysed using the Atlas.TI software.

The recommendations from this study will not only benefit government sector auditing in Uganda, but also in other countries and are therefore of universal value. This study contributes significantly to the theoretical and empirical understanding of audit quality and QC in the government sector. The results are therefore relevant to the OAG, key stakeholders like parliament and civil society organisations (CSOs), and international jurisdictions like standard setters, academics and the research community.

The remainder of this article is structured as follows: first, a summary of recent and relevant literature is presented; next, the research methodology is expounded; then, the main study findings are elucidated and recommendations are made on how to enhance audit quality in the government sector. The article is concluded with a summary of major recommendations.

II. LITERATURE OVERVIEW

This section provides an overview of available literature on the five chosen QC measures, focusing majorly on requirements and guidelines of various professional and regulatory bodies and findings of prior research studies.

A. Pre-engagement discussions

For any tasks, preparation is vital to achievement of pre-set objectives which is not any different with audits. However, according to Lightle *et al.* (2017:46), where the firm's environment is characterised by fear to openly seek clarifications and admit mistakes by teams, audit quality is compromised. This therefore justifies the need for pre-engagement discussions because Marschman (1993) indicates that they allow for discussion of auditor and client

expectations and understanding while Lightle *et al.* (2017:47) found that they create "psychological safety and an enabling environment" for the audit team to work in, which ultimately enhances audit quality. They defined psychological safety to mean "beliefs about how others will respond when an individual assumes the risk in a team of asking a question, seeking feedback, offering a new idea, or admitting a mistake".

➢ *Quality considerations for pre-engagement discussions*

To ensure the success of pre-audit discussions, policies/procedures must be in place to define what kind of information needs to be discussed, the target participants, how they are conducted and the value that this will add to the audit. For instance, AICPA (2019:134), Audit Scotland (2017:8), IAASB (2019) and OECD (2004:84-85) revealed that these discussions involve informing team members about their responsibility for quality, the need to be sceptical throughout the audit, objectives of the audit procedures and QC, the nature of the client's business, possible accounting/auditing problems, means of communication during the audit and fulfilment of ethical requirements, responsibilities of audit partners, procedures to be used for review and supervision of work, and threats/risks to achievement of quality objectives and responses of the team. For supreme audit institutions (SAIs), AFROSAI-E (2017a:19) and INTOSAI (2010) provide additional activities to include: rotation of staff; assessment of the possibility for external quality reviews; usefulness of the report to the legislature and government priorities; need for involvement of other stakeholders such as CSOs, the media and the public to share their views and experience about the auditee for consideration by the audit team; and the financial reporting framework of the auditee.

B. Resource deployment

Audit personnel/team management is vital for an audit institution if it is to strike the right quality balance and ensure optimal resource utilisation. According to the Centre for Audit Quality (CAQ, 2019:12) as well as Maijoor and Witteloostuijn (1996:549), engagement team management constitutes policies and procedures associated with recruitment, retention and promotion, professional development and assignment of engagement teams with the aim of getting an appropriate team mix that can deliver the highest audit quality. Accordingly, GAO (2008:14) states that the quality objective of deploying staff is to ensure that the engagement teams possess appropriate competence and capability for the engagement. AICPA (2019:129), GAO (2008:14) and Jaenicke (1980:70) provide that the engagement partner is responsible for deploying teams with an appropriate skills mix, including specialists, to ensure that high quality audits are performed, while GAO (1993:24) proclaims that, where such expertise is not available in the organisation/firm, it can then be outsourced.

According to Dobre *et al.* (2012:204), personnel are the most important resource to the firms. However, Balachandran and Zoltners (1981:801) found that despite firms having quality personnel, poor assignment or deployment affects their morale, motivation and productivity which affects the

quality of their output. Similarly, there exists a scarcity of skilled audit personnel especially for the government audits which may result in deployment of less experienced staff resulting in poor quality audits (Chang *et al.*, 2017:1).

➤ *Quality considerations for team deployment*

Prawitt (1995:444) holds that assignment of audit teams depends on management and their deployment style, which justifies the existence of different factors that guide management during team deployments. Indeed, AICPA (2019:134), Balachandran and Zoltners (1981:801-802), KPMG Canada (2017:14) and Udeh (2015:3) reported that when assigning audit teams, the major consideration is their competence and capability because, for clients, what matters is the team's competence and not how big the firm is. They indicate that the competence of teams can be assessed using: team members' experience with similar audits; understanding of professional standards, legal and regulatory requirements; practical training and participation; first time versus continuous engagement; quality of internal controls; expertise/specialist skills; knowledge of the client's industry; ability to apply professional judgement and scepticism; and understanding of the firm's QC policies.

Dobre *et al.* (2012:204-208) provided a regression model for team assignment based on factors such as: financial performance indicators; account significance; review, supervision and delegation skills; and time allocation to audits (where, for first year audits, more time is given to less experienced team members and less time to the more experienced ones while for a highly risky/complex client environment, time is increased irrespective of the team's experience levels). Likewise, Udeh (2015:4-5) revealed that team continuity is also vital during deployment because it minimises 'information asymmetry' – a key feature of agency theory.

➤ *Training*

Undoubtedly, irrespective of a firm's deployment style, Udeh (2015:4) points out that provision of training and/or continuous professional education (CPE) enhances team knowledge for professional standards and industry and thus the quality objective of CPE is to ensure that all staff maintain the knowledge and skills necessary for conducting audits competently. For instance, GAO (2008:15) revealed that they require team members to achieve at least 80 CPE credits in each two-year period, of which 24 credits must be in subjects related to government auditing and that staff who fail to get the CPEs are eliminated from the engagement teams. Staff must also prepare an annual individual development plan which acts as a basis for CPE while the human resources (HR) department provides periodical reports to management showing the extent of staff compliance with CPE requirements.

➤ *Rotation of staff*

To eliminate threats to independence, it is desirable that audit institutions maintain a policy on regular staff rotation to avoid overstaying with one client. For example, Scott (2003:206) indicates rotation of assignments every five years especially for managers, while ICPAU (2014:6) reported that

in Uganda, an engagement partner is required to spend five years on one engagement and then they are rotated until a three-year period has elapsed prior to being given consideration to be involved with that client again. Of course this is applicable in the private sector only because, for government auditing, the Auditor General (AG) is the sole head of the SAI and has no rotational clauses except for termination in accordance with the Constitution; although the AG's staff can be rotated. On the contrary, Schelker (2013:277) reported that regular rotation of staff and/or audit firms means that new audit teams need more time to understand the entity, which may impact negatively on the quality of audits performed, especially in the first years of learning.

C. *Engagement supervision*

According to GAO (1993:26; 2008:21), INTOSAI (1998:53; 2010) and Salehi and Rostami (2010:1668), the quality objective for audit supervision is: to provide coaching, mentoring, direction, monitoring and guidance to engagement teams at all audit stages to ensure that work is performed and complies with professional standards; that significant exceptions are identified and reported/resolved; engagement objectives are achieved; audit documentation is complete and supports findings, opinions, conclusions and recommendations; reviews are conducted; staff members develop their competence and knowledge; and feedback from auditees is managed. To operationalise this objective, Egan *et al.* (2016:6) suggested the need for a supervision policy which prescribes requirements for effective supervision of engagements and work of engagement teams.

➤ *Supervision QC activities*

AICPA (2019:135), GAO (2018:90), IAASB (2009b), ISCA Singapore (2016:25), Jaenicke (1980:70), and KPMG Canada (2017:8) revealed that engagement supervision involves: tracking the audit progress and checking whether audit objectives are being met; checking that conclusions are supported by relevant audit evidence; outsourced audits and work of external experts is closely supervised; considering competence and capabilities of individuals on the team; addressing/guiding teams on significant findings; considering to modify the audit approach and resolve judgemental differences; identifying matters for consultation by the engagement team members with appropriate skills; assessing the sufficiency of available time to complete the audit; instructing and guiding teams especially about the objective of the audit procedures performed; reviewing the work performed; and dealing with differences of opinion.

D. *Audit review*

The OECD (2004:20) defines engagement review as "assessing the adequacy of audit planning, execution and the resulting report", while Asare and McDaniel (1996:139) as well as Fedor and Ramsay (2007:91) denote that it involves a rigorous review of specific areas of the audit to check that the teams implemented the plans effectively and appropriately, significant issues/errors have been identified and resolved/reported, feedback is given to preparers to improve their performance, conclusions and audit reports are well supported, auditing standards and other legal and regulatory

requirements are complied with and that an appropriate audit report is issued. Ordinarily, audit reviews are categorised as either hot reviews (conducted during the engagement) or cold reviews (conducted after the engagement).

➢ *Types of reviews*

In terms of review types, Agoglia *et al.* (2010:27) provide for electronic reviews that could be done through email or electronic workpapers (WPs) which allows reviewers to review preparers' work from a remote location and hence reduce turnaround time. In contrast, Favere-Marchesi (2006:53) points out that reviewers can also undertake reviews in-person either concurrently (preparers and reviewers meeting face-to-face to review and discuss work together) or post review (a face-to-face meeting between the reviewer and the preparers to discuss review notes after the review has been completed). However, he disclosed that concurrent reviews may be dominated by influential preparers, hence impairing the judgement of the reviewer about the team's performance while post-reviews significantly enhance the performance of the teams because preparers may not feel comfortable to contribute freely when in concurrent sessions with their reviewers.

➢ *Audit review quality considerations*

AFROSAI-E (2017b:25; a:23), AICPA (2019:135) and IAASB (2018:38-39; 2019; 2009b) revealed that review involves checking whether: the audit plan was followed during audit performance; that all working papers and steps are adequately completed and signed off; significant variances from the Overall Audit Strategy (OAS) are documented; adequate coverage of all material areas is achieved; related party relationships, transactions and disclosures are considered by the team; significant judgements made are well documented and supported; significant matters are resolved or reflected in the conclusions; whether work has been performed in accordance with legal, professional and other regulatory frameworks; appropriate consultations were made and well documented and implemented; objectives of audit procedures were achieved; the need to revise the nature, timing and extent (NTE) of work performed (audit scope); work performed is well documented with sufficient and appropriate evidence; and timing, development, retention and deployment of competent and capable staff.

E. Engagement documentation

AFROSAI-E (2017a:35; b:20) and GAO (2018:190) define engagement documentation as a record of work performed throughout the audit, results obtained, and conclusions reached by auditors. According to AFROSAI-E (2017a:35), GAO (2008:22) and IAASB (2004; 2009b), the quality objective of engagement documentation is to ensure that auditors prepare on a timely basis audit documentation that provides a sufficient and appropriate record of the basis for the auditor's conclusions and the report/opinion reached and evidence of work performed in compliance with the auditing framework and applicable legal and regulatory requirements, while Backof (2015:2177) emphasises the value of engagement documentation especially in negligence lawsuits involving the firm. Sufficiency looks at quantity of

audit evidence while appropriateness considers quality (relevant, valid and credible/reliable evidence).

➢ *Document retention, archiving and destruction*

According to AFROSAI-E (2017b:21; a:40) and IAASB (2018:18-19), audit institutions should design policies that define the retention, archiving and destruction period of audit documents to ensure that they are available whenever needed; especially in relation to confidentiality of the archived information, the form in which they will be kept, period of retention, retrieval procedures, destruction period and procedures. Consequently, AFROSAI-E (2017a:38), IAASB (2009a), ICAEW (2010:15) and ISCA Singapore (2016:31) provide for completion and archiving of final engagement files after 60 days from the audit report date and that thereafter, no deletions or amendments should be made on the information in these files, while GAO (2008:27) and IAASB (2009a) suggest that the retention period for documents should be no less than 5 years from report issuance date. The ICPAU (2014:28) confirms that documentation by Ugandan firms should not be kept for a period of less than 7 years.

➢ *Contents of audit documentation*

The IAASB (2009a:151) indicates that documentation for a smaller entity is not as comprehensive as for the larger entities. However, according to AFROSAI-E (2017a:37), the form and contents of WPs "should be sufficiently complete and detailed to provide a clear understanding of the audit". AFROSAI-E (2017b:47-48), IAASB (2018:18-19) and ICAEW (2010:2) suggest the need for audit institutions to document their quality management system to ensure that all personnel understand it and their roles towards quality, especially in relation to: a firm's quality objectives; risks and risk assessment procedures performed; responses to assessed risks and monitoring and remediation processes; materiality (basis, qualitative and quantitative, revisions made); audit team compliance with audit regulations; and in case of outsourcing, the basis used to determine the appropriateness of resources from a service provider.

III. METHOD

Due to the complexities and differences in engagement performance and audit quality perceptions and interpretations, the interpretivist paradigm was adopted for this study. Furthermore, a qualitative research strategy/approach and an inductive process were used to collect data based on the participants' understanding of the context and perceptions in which engagement performance contributes to high quality audits. A multiple case study involving four public Ugandan universities (as government sector audit clients), the OAG and five private audit firms (outsourced auditors) was adopted which enriched the diversity of discussions and ideas during data collection. Open-ended, semi-structured interviews were conducted with the aid of an interview guide that was carefully developed based on the literature review conducted.

The study covered 51 respondents spread across the cases selected for the study and the selection of respondents was done using purposive sampling, as alluded to by

Groenewald (2004:8), whereby possession of experience relating to engagement performance and audit quality especially in the government sector was a key consideration. The distribution of interviewees are indicated in Table 1:

Table 1: Number of interview participants per region

Case	Geographical regions in Uganda			
	Northern	Eastern	Western	Central
University 1	3			
University 2	4			
University 3			3	
University 4				3
OAG Uganda	4	6	4	17
Private audit firms				7
Total	11	6	7	27

The study collected both primary and secondary data, whereby primary data was collected through observation and in-depth semi-structured one-on-one interviews and discussions with respondents while secondary data was obtained through reviewing available information provided by the respondents as additional evidence, although with a major guiding principle as suggested by Mason (2010:2), being saturation of themes. In line with the interpretivist approach, the research questionnaire was shared with the participants beforehand, to ensure that they have an understanding of the key areas due for discussion and this was divided into two sections for the auditors and the auditees. The study adhered to research ethics requirements, including voluntary and anonymous participation.

All interviews were recorded and later transcribed. The ATLAS.ti software package was used to analyse, identify and organise themes from interview transcripts by employing an *a priori* coding approach.

'Supervision' was the most quoted QC measure closely followed by 'deployment', with the least mentioned being 'outsourcing' as illustrated in Figure 1 below. This signifies the relevance that participants attached to audit supervision and deployment in enhancing quality of government audits as well as the fact that audit outsourcing is a new area in government auditing that is perhaps not well understood and appreciated by the majority of the participants, hence the need for greater sensitisation by the OAG towards its staff and stakeholders.

Fig 1: Word cloud for the most quoted QC measure

'Audit' and 'quality' were the most quoted words by participants, which further confirms the high knowledge base of the selected respondents towards the study phenomena, as illustrated below.

Fig 2: Word cloud for the most quoted words

IV. FINDINGS AND RECOMMENENATIONS

The study findings are structured in accordance with the five identified QC measures as coded themes from the interview transcripts:

A. Pre-engagement discussions

The study results revealed that unlike the outsourced firms, the OAG has no policy or clear guidelines to govern pre-engagement discussions. Fortunately, participants recounted that the OAG's audit methodology embedded in the Teammate software provides for pre-engagement team discussions and supervisors sign off the QC checklist to confirm they were held. This information is critical for the OAG, regulators and standard setters to ensure that standards, regulations and QC policies/procedures are developed to guide governance, conduct and quality management for pre-engagement discussions in SAIs and outsourced firms.

Findings also revealed that the OAG and outsourced firms undertake several pre-engagement QC activities such as discussing engagement tasks/scope, assignment of teams to specific audit areas and assessing team knowledge of audit methodology, approach, framework, materiality and sampling concepts. Participants also emphasised the need to review and discuss the effects of prior year audits, those kept in view and QC issues, materiality level and base, current media and public attention towards the audit or entity, preliminary risk discussions, agreeing on the approach for highly risky areas, threats/risks to achievement of quality and responses, and audit timelines (although findings indicated that this is limited by the OAG's failure to establish the unit cost and time per audit).

Moreover, the study findings further confirmed that teams discuss the different data analysis tools and procedures, audit libraries to be used, objectives of the thematic and compliance areas selected, the need for stakeholder involvement to provide pointers, the possibility for external assurance reviews, the existence of an acceptable financial reporting framework and agreed upon audit approach, integrity of management, the consistency of audit evidence to be collected, the availability of staff, the competency and capacity of team members and their supervisors/reviewers, entity policies and their implications for the audit, lessons learnt and challenges from previous engagements plus appropriate responses, the extent of documentation and agreeing on appropriate responses to emergency situations (such as COVID-19) for business continuity and staff safety.

➤ Recommendations

Even though the study findings revealed that pre-engagement discussions occur and are reasonably effective, the OAG should publish a policy and clear guidelines to govern pre-engagement discussions as this is currently missing. The standard setters and regulators also need to develop regulations and standards that require audit institutions (government and private) to conduct these discussions and the guidelines and accountability mechanisms.

B. Resource deployment, training and coaching

The study results highlighted that the OAG has no deployment policy but instead, the assignment of work is subjectively left to the discretion of supervisors by virtue of their experience, which is inconsistent with conceptual arguments by CAQ (2019:12) as well as Maijoor and Witteloostuijn (1996:549) that an audit institution must put in place policies and procedures associated with professional development and deployment of engagement teams with the aim of getting an appropriate team mix that can deliver the highest audit quality. In terms of approach/style, findings showed that the OAG has adopted a structured deployment style whereby deployments are carried out at office-wide level, at directorate level and at entity and audit areas level. This practice is not much different from previous literature review revelations by AICPA (2019:129), GAO (2008:14) and Jaenicke (1980:70) that engagement team deployments are originated by engagement partners and cascaded down to managers and team leaders.

Despite the absence of a deployment policy, the study results revealed several guidelines and practices utilised by the OAG, such as the audit manuals and methodology embedded in the Teammate software which provides a 'competency matrix' for assessment of staff competences and the OAG HR manual. These manuals guide deployments at directorate and team levels albeit that they are characterised by very low or no involvement of lower level supervisors, resulting in the assignment of teams with an inappropriate skills mix.

More remarkably, study findings revealed several limitations to OAG deployments, notably the non-involvement of the HR department in deployment activities, differences in staff competencies, limited staff training, the negative attitude of staff towards work and rotations, the absence of a database of multi-skilled staff to ensure an effective skills mix, undefined deployment considerations in the OAG HR manual, and a mismatch between the Shared Overall Risk Assessment (SORA) results and deployments. Fortunately, participants disclosed that the OAG had procured and installed a Management Information System (MIS) for capturing and storing key staff information in order to enhance effectiveness, equity and impartiality in staff deployments and promotions.

As opposed to OAG deployments, the study results revealed that private firms' (i.e. outsourced) deployments are carried out continuously throughout the year to ensure effective resource utilisation guided by the results of entity risk assessments and that most of their newly recruited staff are placed in a pool to obtain an overall understanding of all industries prior to specialisation at senior and senior associate levels.

The study findings also suggested that the OAG needs to adopt the 'pooling of resources' approach to enhance efficiency and effectiveness in its deployments and put in place an effective monitoring, communication and documentation system that guarantees provision of all available deployment options without bias. Indeed, the study

results reported on a number of benefits of pooling resources such as encouraging recruitment of multi-skilled staff to ensure an appropriate team mix, universal access to specialists by all teams, timely commencement and completion of assignments, elimination of idle/slack time common with the OAG directorate system, proper deployments and work allocation, eliminating the directorate system and its related challanges of belonging to one and not the other, encouraging joint audit planning and that staff are able to learn from each other and specialise. Notwithstanding the benefits, participants disclosed likely limitations to the pooling system such as difficulty to supervise staff who are assigned tasks under different supervisors, resistance from staff who feel affiliated to certain directorates or entities and the specialised nature of some directorates and sectors.

Participants disclosed that deployments largely depend on the competency, qualifications, experience and skills of the engagement team and experts and suggested other factors to include the team member's industry experience, understanding of the audit objective, management leadership skills and training levels and knowledge of prior year audit issues, the legal, auditing and financial reporting frameworks and audit methodology adopted. Moreover, study participants recommended considerations such as sufficient time availability, timelines for reporting, ethical considerations like team independence, staff availability, supervision and review skills and levels needed, workload in a particular directorate, the availability of partners and cost elements for the audit.

The study results also highlighted that the OAG ensures that each team has a minimum of two auditors and a supervisor at all supervisory levels and that they have the ability to mentor and coach others, while other considerations include team members' soft skills (attitude, teamwork, character and commitment) and their average learning curve. Other reported deployment considerations by the OAG include SORA results (risk level of the entity), budget size of the entity, the nature of the audit assignments, the auditors' aging list, gender sensitivity (where female staff with established families are given due consideration), staff flexibility and age (where staff of advanced age are deployed in areas with less geographical and distance difficulties), the effects of disasters such as COVID-19 and the pooling of staff to avoid redundancies.

The study results revealed that despite the OAG having a three-year rotation policy for its teams and outsourced firms, it is consistently implemented for outsourced firms, unlike OAG teams, which breeds complacency, familiarity and demoralises staff due to a lack of new challenges. This was attributed to the existence of staff with specialities whose movements are limited and the desire to retain some staff with institutional knowledge to reduce the learning curve timelines for new teams. Given the viability and consistency involved in the OAG rotating outsourced firms after three years, it would be prudent that the office also replicates this for its in-house audit clients to act as a complementary control for the already inconsistent audit team rotation. Actually, the findings indicated that this particular practice had been

envisaged when the OAG adopted the 'integrated audit approach', whereby some sectors were rotated amongst directorates to reduce their workload, though it was not made into policy. However, the study results suggested that this practice can only succeed if the OAG puts mechanisms in place to deter rotated entities and staff from meeting again sooner and if the rotation relates to sectors and not entities, given that the OAG utilises a sector-wide audit approach which makes it difficult to rotate an entity out of a sector.

In terms of CPE, the study results highlighted that the OAG provides in-house and international professional workshops, sponsors staff to attain professional qualifications while providing opportunities for postgraduate education scholarships, pays annual membership subscriptions for its staff, has an in-house standards forum that provides staff CPE, and that the OAG is an ACCA global certified employer which means that its work automatically earns its staff CPE points. However, findings cautioned that the OAG has not placed much emphasis on staff CPE compliance, hence attending CPE programmes is a personal initiative of each staff member. More specifically, the study findings revealed the OAG's inability to set the minimum annual mandatory CPE hours for every staff member, staff frustration due to stagnated career growth and development, and that some staff obtained their professional qualifications to secure their jobs and consequently have reduced interest in CPE and registering with professional bodies. This is in contrast to results found for outsourced audits that staff CPE in private firms is well guided by policies, staff are sponsored to attain the mandatory 40 CPE hours, and new staff must qualify professionally within three years of appointment.

Training in the OAG faces several obstacles such as the absence of a training plan and policy, detachment of the HR department from the audit division, a poor appraisal system, no structured training programme and considerations for selecting staff for trainings, promotions without management and leadership training which limits staffs' ability to perform, lack of monitoring and follow-up mechanisms to report the impact of its trainings to its staff and quality of work, and that training abroad is preferred to local trainings despite it being expensive, hence denying staff training opportunities. However, findings also disclosed that the introduction of the MIS with a training module should resolve most of these impediments because all staff capacity development programmes and training needs will be captured, uniformly considered and monitored.

Participants reported that, despite the OAG putting in place a coaching and mentoring committee, it failed to function due to limited time and high workload, which revelation is inconsistent with study findings from the private firms that reported the existence of a mentoring policy, whereby every staff member is assigned to a mentor and that mentoring and coaching is part of the firm's annual performance review criterion.

> *Recommendations*

The findings are relevant to the OAG to ensure that it puts in place deployment guidelines to guarantee uniformity, consistency and equity in resource deployment and work assignment, to revise the OAG HR manual to ensure that deployment considerations and roles are clearly spelt out, to include the HR department in deployment decision making and operationalise the HCM module in MIS to ensure that all staff skills and competences are captured and appropriately utilised to ensure a proper skills mix, effectiveness and impartiality in staff deployments and promotion. This area is also vital for professional bodies like AFROSAI to undertake regular QA reviews of the QC practices of SAIs to confirm that they can guarantee quality for government audits and safeguard public interests.

To overcome the challenge of specialised directorates and sectors brought about by the 'pooling of resources' approach, participants suggested that the respective principal auditor (PA) and senior principal auditor (SPA) be retained permanently for learning continuity purposes while other staff are put in the pool for appropriate skills mix or that the directorate system should be retained with directors who make requests for staff from the pool, although with the worry that the pooling system may not succeed under the directorate system because of directors' bias in requesting the staff they want and rejecting others.

The effects of the COVID-19 disaster have been catastrophic and the magnitude of damage is still unknown to many and consequently the OAG needs to develop a business continuity and disaster recovery plan (BC&DRP) to ensure that appropriate responses to emergency situations exist for business continuity and staff safety. Standard setters also need to develop standards that provide allowed practices to audit institutions in periods of disaster.

An increase in the regularity of hot reviews is recommended to curb the risks of familiarity and complacency due to the non-rotation of directors, while in the long term it is recommended that the OAG rotation policy must be reviewed to three years for auditors and lower level managers and five years for senior and top management, a suggestion which concurs with the disclosure by ICPAU (2014:6) and Scott (2003:206) that the engagement partner and managers are rotated after every five years respectively.

Regarding CPE, training and coaching, the OAG needs to set the minimum annual mandatory CPE hours/points for every staff member; staff need to be sponsored to attend CPE programmes; a coaching and mentoring policy and plan needs to be developed to enhance knowledge sharing across teams; its career growth and development programme must be revamped and a policy developed that provides for a plan and procedures that ensure meritorious promotion of staff based on their competence, skills and performance; and a maximum period must be set within which staff must attain professional qualifications and register with the ICPAU. Also, the OAG needs to develop a training policy with the HR department as the key accountability unit; a structured training programme/plan must be developed based on each staff member's annual development plan; there must be well-documented considerations/criteria for selecting staff to undergo different trainings; ICPAU must be partnered with to develop and implement a clear monitoring and follow-up mechanism for its staff CPE and training activities; and more urgently full operationalisation of the training module in MIS must be facilitated to ensure that all staff capacity development programmes and training needs are captured, uniformly considered and monitored.

C. Engagement supervision

Study participants revealed that the OAG and outsourced firms had no supervision policy but instead follow supervision guidelines provided for in International Standard on Quality Management (ISQM) 1, audit manuals, as well as audit framework and methodologies embedded in their audit software which has enhanced timely engagement supervision, especially in receiving feedback from teams and that supervision is even more stringent with private firms where, for any supervision deficiencies established, teams are asked to re-work and respective supervisors bare the opportunity cost of a poor performance rating.

The study results revealed several factors utilised and/or supposed to be utilised by the OAG in engagement supervision, among which was the competence of audit staff and supervisors, the extent of training provided to supervisors and their social skills, the experience of team leaders/supervisors and supervision workload although with a suggestion for the OAG to establish an ideal number of audits per staff category, which are coherent with the arguments of GAO (2018:86-91) that the NTE of supervision is influenced by the skills and proficiency of supervisors, supervision load, experience and progress tracking.

The results from the study identified vital engagement supervision QC activities like the coaching and mentoring of teams, monitoring audit progress, assessing the team's knowledge and applicability of the auditing and accounting frameworks, checking the appropriate documentation of work in Teammate and the appropriateness of conclusions derived, adherence to engagement objectives, the adequacy of information flow from entities based on requests made, the appropriateness of reviews and checking whether significant issues are being identified.

Regrettably, study participants indicated that most OAG supervisors micromanage their staff instead of empowering them, which leaves them feeling demoralised and results in limited value addition, a view shared by Dogas (2011:57) who found that excessive supervision leads to micromanagement which in turn negatively affects employee morale and slows down the audit. Equally important, the results of the study revealed the existence of excessive supervision levels, undefined supervision roles and responsibilities, that often results in the overlapping of roles by top level supervisors, limited training of managers in supervisory activities, poor information sharing and teamwork among supervisors, inadequate use of Teammate by supervisors, delayed supervision of teams and work which results in tension when supervisors ask questions that they

should have asked during fieldwork, delayed response to coaching notes by teams and high workload amidst low staffing levels. Distressingly, the study findings further revealed that most OAG supervisors cannot differentiate between audit supervision and review, which results in the fusion of these activities. They then spend a lot of time performing audits instead of supervising, which results in poor supervision and delay in the production of reports.

➢ *Recommendations*

These findings are significant to the OAG and outsourced firms to ensure that they develop a supervision guide for their supervision activities with specific consideration for factors influencing the NTE of supervision and supervision roles or QC activities. It is further recommended that supervisors receive specific training interventions on supervision best practice.

D. Audit review

According to the study findings, the OAG does not have defined eligibility criteria for reviewers but it is based on positions held by reviewers. An example of such a case can be seen with engineering audits whose reviewers are not engineers, but because they hold higher positions, they review these reports. However, this casts doubts on their quality since study findings disclosed that it is not the most effective review approach because being high up in the hierarchy does not mean the reviewer has the capacity to review all assignments. The OAG thus needs to build specialised teams to ensure a clear review line from the lower to top levels. Astonishingly, participants revealed a number of situations whose manifestation leads to alteration in the review levels whereby some audits may be audited by SAs under direct supervision of directors and consequently bypassing all other review levels. These situations include limited time to finalise audits, type of requesters (e.g. parliament), high political sensitivity, confidentiality and risk levels of the audit. In contrast to the OAG, the study findings reported that outsourced firms have clearly documented review criteria and guidance and hence this offers a benchmarking base for the OAG to scale down on the review levels in order to enhance efficiency in engagement reviews.

The OAG has adopted email or electronic reviews (Zoom meetings) which was necessitated by the COVID-19 pandemic and the use of Teammate software through which coaching notes and subsequent feedback are administered, albeit with concerns over team delays especially when coaching notes are misunderstood. Other notable review types reported include joint reviews with all reviewers and the team in one place, desk or face-to-face reviews that encourage staff mentoring, field reviews for inspections and group reviews with the team's supervisor as the lead. Other review types highlighted by participants include making independent calls to clients to corroborate information provided by teams, the use of review checklists, pre-issuance (hot) reviews by the Quality Assurance and Audit Development (QAAD) department, peer reviews and inter-directorate reviews although with a warning that despite the intention of peer and inter-directorate reviews being perfection of selected audits and replicating this knowledge and practices to the remaining

audit portfolio, this is not done by most OAG teams because of the absence of proper follow-up mechanisms and high workload.

The study results reported factors influencing the NTE of review to include the audit type being performed, the experience and competency of reviewers, prior year audit and QC issues, the assessed risk of material misstament (RMM), knowledge of the client's business and industry, review workload, the timelines of the assignment, risk levels of the entity, the extent of reviewer involvement in the audit with close involvement meaning minimal reviews, the timing of audits, cooperation and timely provision of information by clients, and the availability of staff whereby staffing gaps imply that the reviewers have to prepare as well as review work which limits the quality and timeliness of reviews performed.

According to Dal Bo (2006:204) and James (2000:333), regulation capture takes place when legislations are set up to serve the greater good but end up benefiting only a few people with the power to influence activities. Accordingly, a rather astounding revelation by the study results was that the OAG has no independent local regulatory body to guide its standards and regulation adoption and consequently the OAG is a self-regulating entity and at risk of regulation capture. This therefore justifies the strong drive to have a formidable engagement performance QC framework to counter these threats and forms a new body of knowledge to ignite debates among regulators, stakeholders and scholars, especially in assessing the likely existence of regulation capture attributes in OAG activities and audit quality effects.

Participants also disclosed limitations like the absence of a review policy or criteria, undefined review roles and reliance on reviewers' knowledge and experience which are subjective and lead to review inconsistencies. They also expounded other limitations that are congruent to those reported by Jaenicke (1980:73) such as the use of incorrect audit procedures, inappropriate timing of reviews especially by directors (i.e. errors slip through to the audit report), delayed response to coaching notes, competence of reviewers and lack of training for reviewers, leading to capacity issues and inconsistencies.

The study results confirmed the likelihood of reviewers relaxing their reviews as a result of placing too much trust in staff, hence gaps pass undetected, a condition referred to by Rich *et al.* (1997:481) as "reviewer's susceptibility to the preparer's work paper stylisation" because it involves preparers preparing WPs in a manner intended to influence/persuade the judgement of reviewers and/or conform to their preferences. Moreover, other significant study discoveries include the overlapping of roles which signals possible mistrust and failure to follow the review eligibility criteria prescribed by SORAs, whereby the risk ranking of entities would influence their review levels and staff deployment.

In like manner, the study results found that peer reviews demoralise staff because of fault finding by reviewers instead of understanding the basis of the team's conclusions, the presence of a multitude of review levels within the OAG which makes accountability for work review difficult, the fact that Teammate reviews have not only killed the creativity and innovativeness of reviewers but also made review an event where reviewers just tick off processes, copy and paste information and then sign off without assessing the quality of the information provided and that outsourced firms are limited in their reviews by their small size, capacity and high labour turnover, limiting their ability to exercise segregation of duties.

➤ *Recommendations*

The findings are significant to the OAG and outsourced firms to ensure that they develop comprehensive audit review guidelines defining circumstances under which many review levels can be merged to eliminate bureaucracy, the eligibility criteria for reviewers, ensure promotion of specialists to higher positions with the capacity and competence to review lower level staff, documented follow-up mechanisms to ensure replication of agreed upon review practices to all audits that were not selected for review, and emphasis on operationalisation and compliance with SORA review guidelines. Likewise, outsourced firms need to structure and perform their audits systematically to avoid poor quality reviews resulting from low staffing levels. Parliament needs to take an interest in developing a local board or commission responsible for guiding the OAG in the formulation, adoption and implementation of different QC policies, standards and regulations, while standard setters should ensure that as they issue standards, there are clear and stringent conditions to be fulfilled for their adoption to avoid possible regulation capture.

E. Audit documentation

Study participants disclosed that the OAG utilises its own records and archives policy, the National Records and Archives Act, professional standards, audit manuals and audit methodology for guidance on documentation, archiving, retention and destruction, while private firms additionally utilise the ICPAU documentation guidelines. Alarmingly, the study results also showed that most OAG participants were not aware of the existence of a documentation policy which perhaps indicates that it is poorly communicated and/or there is poor staff attitude towards documentation.

Generally, the study results identified some factors both desirable and practiced by the OAG and outsourced firms infuencing the NTE of documentation, among which was complexity of the client's business, level of auditee automation and auditors' operations and strength of controls in the entity. The study findings also reported reliance on the auditor's professional judgement, the requirements of Teammate and the 'physical file submission structure' to guide the extent of documentation needed for the final audit report and management letters (MLs), stakeholder interests in the audit/entity, time pressures and the workload. Other considerations identified include availability and quality of information, whereby low quality means collecting more

documentation, adequacy of the audit plan/OAS, the attitude of the audit teams towards documentation, the risk level of the entity or audit, the auditing standard requirements, the availability and competency of audit teams, the extent of audit procedures developed, and the agreed upon minimum required level of documentation for all audit components.

In regards to information archiving, retention and destruction, the study findings revealed that this is governed and guided by the 2017 Treasury Instructions, the National Records and Archival Act, and the OAG Records and Archives Policy that stipulate a retention period of seven years prior to destruction for the OAG and outsourced firms. On the other hand, this does not apply to the OAG's consolidated audit reports that are permanently kept. Outsourced firms retain documents until they get communication from the OAG about their destruction, since all working papers belong to the OAG. Some study participants cited discomfort with the seven-year retention period as being too short, given that there is no legally defined period within which OAG reports can be challenged in courts of law and due to delays by the Public Accounts Committee (PAC) in discussing OAG reports.

In respect to audit project closure or archival period, despite most regulatory bodies providing for closure of engagements and files after 60 days from the audit report date, the current study found that outsourced firms, especially from the 'Big 4', adjusted their archival periods to between 20 and 45 days to ensure prompt closure of projects ready for any subsequent external assurance reviews, while the OAG's archival period was not specified which casts doubts over the appropriateness of its policy. Notwithstanding the documentation challenges of the OAG, the study findings reported that the adoption of the Electronic Document Management System (EDMS) module in MIS will ensure easy retention, archiving and retrieval of documents and that the OAG has also recruited professional staff to manage the records and archives department.

The study participants revealed various considerations for determining the sufficiency and appropriateness of audit evidence to include the significance of risks identified (RMM), audit procedures carried out, materiality levels and base used, corroboration of evidence by another professional third party and documenting issues that are dropped and risks that are identified, but which never materialised. Particularly for appropriateness, the study highlighted some of the attributes of a quality information source to include third-party/external, auditor generated, original, written representations and the reliability of financial internal controls and relevance of evidence to conclusions reached.

➤ *Recommendations*

In light of discomfort with the seven-year information retention period, indefinite storage of audit documents is recommended and the Ugandan parliament should amend its regulations to match the retention period with the maximum delay period allowed to the PAC for discussing OAG reports.

The study findings also imply that the OAG needs to revise its documentation and archiving policy to comprehensively define QC activities such as the NTE of documentation, the role of supervisors and audit teams, considerations for sufficiency and appropriateness of audit evidence, increased sensitisation and training of staff to improve awareness and applicability of the policy, and setting the maximum audit archival period to ensure timely project closures. Likewise, there is need to document supervision and reviews carried out on working papers for outsourced audits to confirm compliance with terms of reference (TORs) and QC measures, to fully computerise its operations such that documents are kept electronically indefinitely to meet emergencies such as legal challenges and fully operationalise the EDMS module in MIS to enhance documentation efficiency. The OAG also needs to engage parliament to ensure proper regulation of the retention and destruction period, for example by setting the maximum delay period allowed to the PAC for discussion of audit reports.

V. CONCLUSION

The study mainly set out to establish, evaluate, and propose improvements to the key engagement performance QC measures used by the OAG and outsourced firms in conducting both in-house and outsourced universities' audits. The study made several recommendations for improvements in the existing OAG and outsourced firm's QC measures and recommendations to the standard setters and regulators to consider in enhancing government audit quality.

The study shows that the OAG faces several challenges in ensuring consistent QC at engagement level such as high workload, partial or no documentation using the Teammate audit software which limits compliance with the auditing framework and methodology, poor work assignment and resource deployment style, undefined audit supervision and review responsibilities leading to an overlap of roles by senior managers, poor QC for outsourced audits, client audit stress from analogous audit activities by accountability institutions and poor attitude of staff and management towards quality management.

Study findings further revealed that audit impact assessment, monitoring and reporting is not the OAG's mandate which stops at issuing an opinion and/or assurance, the need for the OAG to adopt the pooling deployment system to eliminate slack time and deficiencies associated with the current directorate system, introduce a three-year rotation policy for OAG in-house audit entities to complement non-rotation of teams, auditees' desire that the OAG provides implementable audit recommendations and adopts total or positive reporting of key auditee achievements, and adoption of the MIS to improve audit processes and quality management in the OAG.

Major recommendations include the need for regular SAI inspections, the need for parliament to develop a local board or commission responsible for guiding the OAG regulatory activities to avoid regulation capture and set the maximum delay period allowed to the PAC for discussion of audit reports; the need for standard setters to revise International Standards for Supreme Audit Institutions (ISSAIs) to provide guidance on quality management for in-house and outsourced government audits and allowed practices to audit institutions in disastrous periods; while researchers need to assess the impact of government audit outsourcing on the OAG's workload and audit quality and the effectiveness of ISSAIs and International Standards on Auditing (ISAs) triangulation in conducting and reporting on government audits. The results are relevant to the OAG, key stakeholders like parliament and CSOs and international jurisdictions and standard setters in the development of policies, regulations, standards and guidelines for improvement of government sector auditing.

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