



ICPAK AUDIT QUALITY REVIEWS

Presentation by:

CPA Catherine Muema
2017

WHAT IS AUDIT QUALITY REVIEW



- ❖ This is where regulator monitors the quality of audit work for practising members to ensure the audit work complies with the relevant requirements and ensure continues improvement

Why AQR is carried out



- ❖ ICPAK being a member of IFAC (International Federation of Accountants) is required to comply with the accounting and auditing standards and the IFAC statement of membership obligations (SMOs)
- ❖ International Federation of Accountants is the global organization for the accountancy profession.

IFAC SMOs



- These are statement of membership obligations which provide clear benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants

IFAC SMOs

- SMO 1-Quality Assurance
- SMO 2-International Education Standards for Professional accountants issued by IAESB
- SMO 3-International Standards and other pronouncements issued by IAASB
- SMO 4-IESBA code of ethics for professional accountants

IFAC SMOs

- SMO 5-International Public Sector Accounting Standards and other pronouncements issued by IPSASB
- SMO 6- Investigation and Discipline for professional accountants
- SMO 7-International Financial Reporting Standards and other pronouncements issued by IASB

Statement of Member Obligations



- ❖ The SMOs give the member bodies obligations to support the adoption and implementation of International Standards and other pronouncements issued by the IAASB , International Accounting Education Standards Board (IAESB)

SMO 1-AUDIT QUALITY ASSURANCE



- ❖ The member bodies are required to establish a system of carrying out Audit Quality Assurance Reviews for its members who carry out audits and other assurance related services
- ❖ Therefore in compliance with this requirement the Institute in 2004 established a system of Audit Quality review which is currently in use

TYPE OF QUALITY ASSURANCE REVIEWS



FIRM REVIEW

An assessment of the design, implementation and operating effectiveness of a Firm's quality control policies and procedures to address all elements of ISQC 1.

FILE/ENGAGEMENT REVIEW

An assessment of a practitioner's compliance with relevant professional standards in the performance of an assurance engagement

FIRM REVIEW



Firm review entails conducting a review of the firms' overall policies and procedures which ensure quality in the services it provides.

A firm review is the assessment of the design, implementation and operating effectiveness of a firm's quality control policies and procedures to address the following elements of a system of quality control:

Firm review



- a) Leadership responsibilities for quality within the firm.
- b) Ethical requirements.
- c) Acceptance and continuance of client relationships and specific engagements.
- d) Human resources.
- e) Engagement performance.
- f) Monitoring.

Engagement or File Review



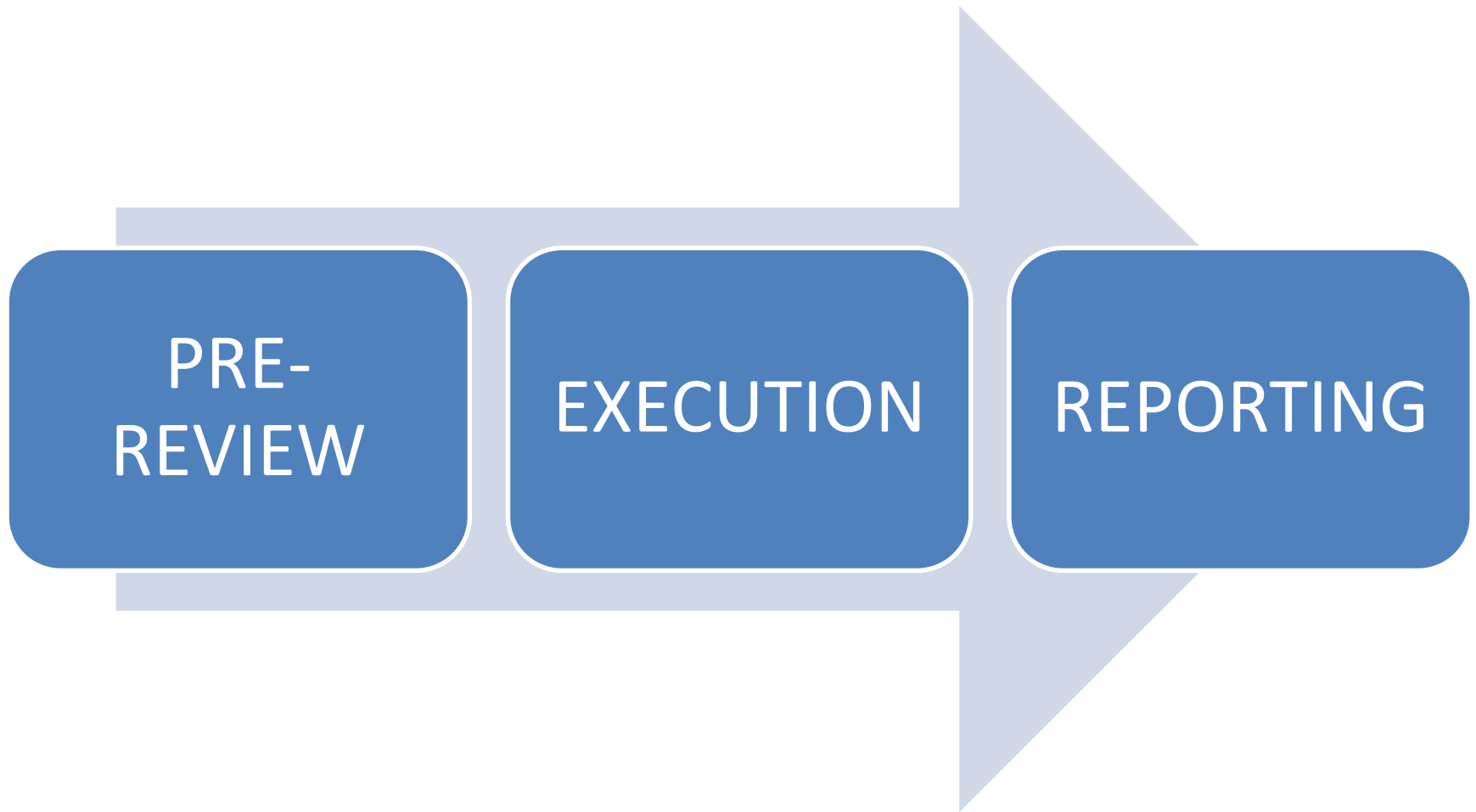
A file review is an assessment of an engagement partner's compliance with the relevant professional standards in the performance of an audit engagement through the selection of an engagement working paper file for the engagement partner. The engagement working paper file must relate to an audit engagement for which the engagement partner was responsible for the audit report.

Engagement or File Review



The review includes an independent assessment of whether the engagement partner obtained sufficient appropriate audit evidence in order to form the audit opinion

ICPAK AQR PROCESS



a) Establish and maintain appropriate quality control policies and procedures and comply with them to ensure the quality of their professional work

(b) Have their own in-house reviews, at least once every three years.

(c) Take remedial and corrective actions as recommended in the Audit Quality Review reports.

Benefits of AQR



- ❖ Ensures that audit work quality is continuously being improved
- ❖ The audit firms get a second eye and are advised on non compliances with ISAs and IFRSs
- ❖ Gives a competitive edge when bidding for audit jobs as it shows the firm is determined in delivering quality audit reports and work

Challenges facing AQR



- ❖ Negative perception by members with regard to the AQR process
- ❖ Lack of commitment by the audit partners

- ❖ Through the review process the reviewers have found that the quality of the work in the firm depends with the altitude of the leaders (partners).
- ❖ Although a number of firms are ready for Audit quality reviews there are a few firms that are not willing to undergo Audit Quality review.

Remember



If it is not documented it was not done

