

Audit Quality Assurance Training Workshop

Presentation by:
CPA Nebart Avutswa

International Standard on Quality Control (ISQC) 1
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Uphold

Public

Interest

OUTLINE

Introduction



What is ISQC 1



Audit Quality Control



Developing, Documenting and Implementing a Quality Assurance Policy



Challenges and Impediments of Implementing Quality Control, Solutions, and Benefits



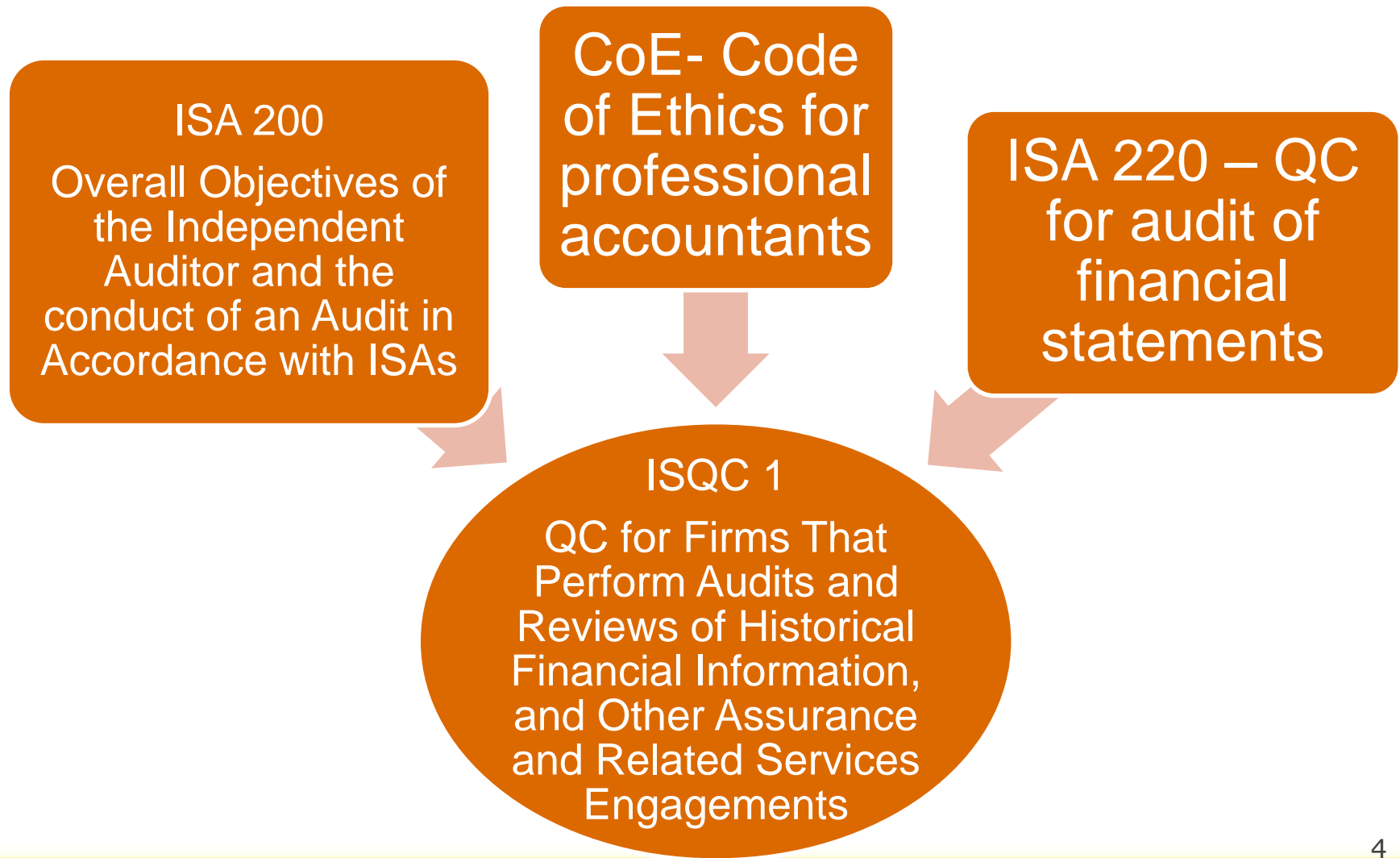
Is ISQC 1 implementable in one man one staff firm



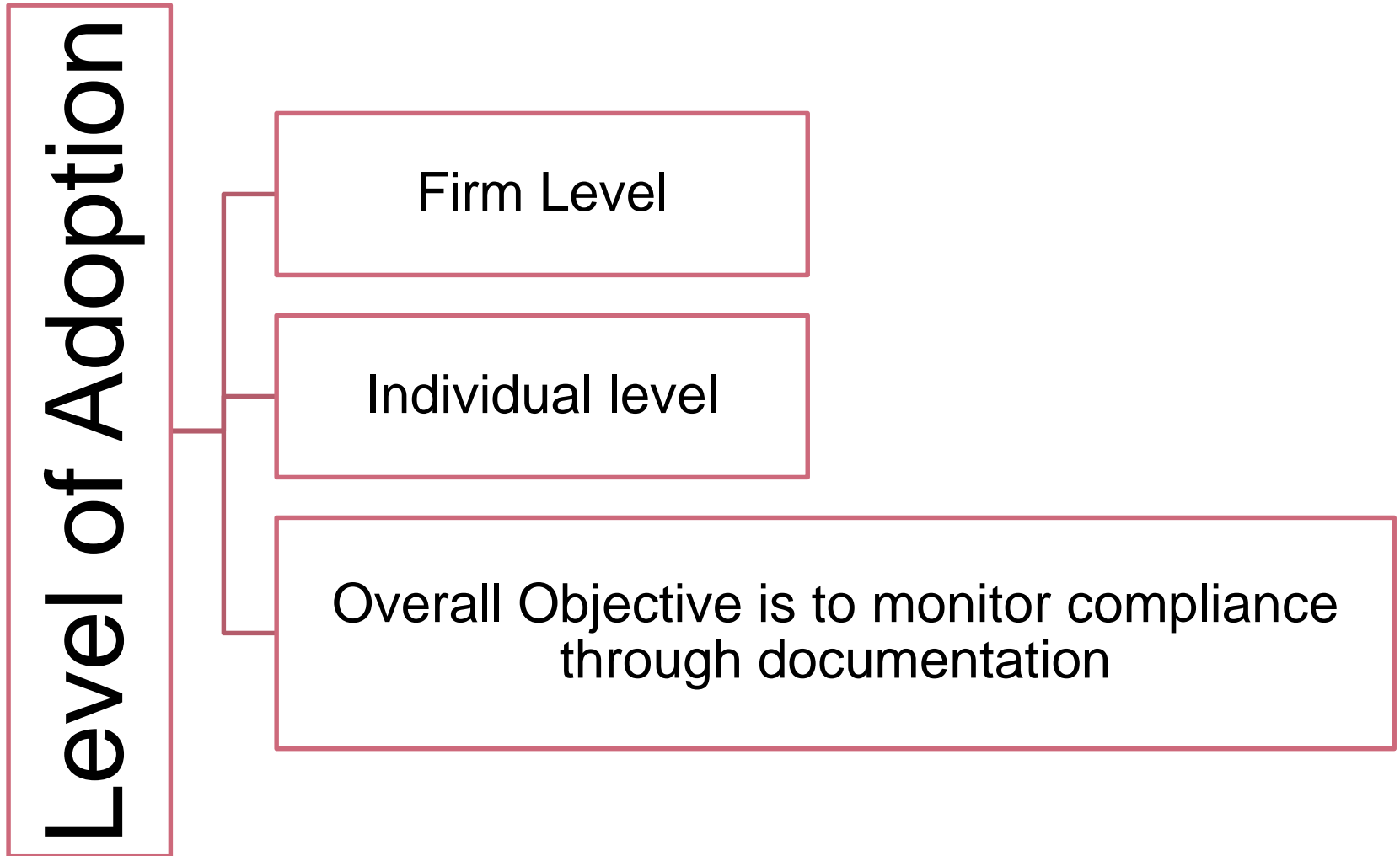
Introduction

- ▶ When was ISQC 1 introduced?
- ▶ What is the purpose?
- ▶ Has it been useful to firms?

What is ISQC 1?



AUDIT QUALITY CONTROL



► Convergence of thoughts and uniformity for different audit stakeholders.

- ❑ Provide evidence of work done to support the audit opinion
- ❑ Significant matters must be documented
- ❑ Audit working papers should be reviewed.
(Leadership)

Objective of ISQC 1

Remember

Establish a system of quality control designed to provide a firm with **reasonable assurance** that the firm and its personnel comply with **professional standards** and **regulatory** and **legal requirements**, and that **reports issued** by the firm or engagement partners are **appropriate in the circumstances**.

What are some of legal & regulatory requirements that a firm needs to comply with?

Relevant Ethical
Requirements

Leadership
Responsibilities
for Quality
within the Firm

Acceptance
and
Continuance of
Client
Relationships
and Specific
Engagements

Human
Resources

Engagement
Performance

Monitoring

Documentation






Integrity: Honesty but also fair dealing and truthfulness:




Objectivity: Fair, intellectual, honest and free of conflict of interest



Professional competence and due care: Necessary professional qualifications, practical experience



Confidentiality: Not to use such information for personal gain or advantage or for the advantage of a third party



Professional behaviour: Not to do anything that will bring the partner/ employees /firm or the profession into disrepute.



Independence: **Independence of mind & Independence in appearance**

Threats to Independence

Threats

Self-interest threat

Self-review threat

Familiarity threat

Intimidation threat

Safeguards

Education and training.

Adherence to continuing professional development requirements.

Adherence to professional standards, and monitoring and disciplinary procedures.

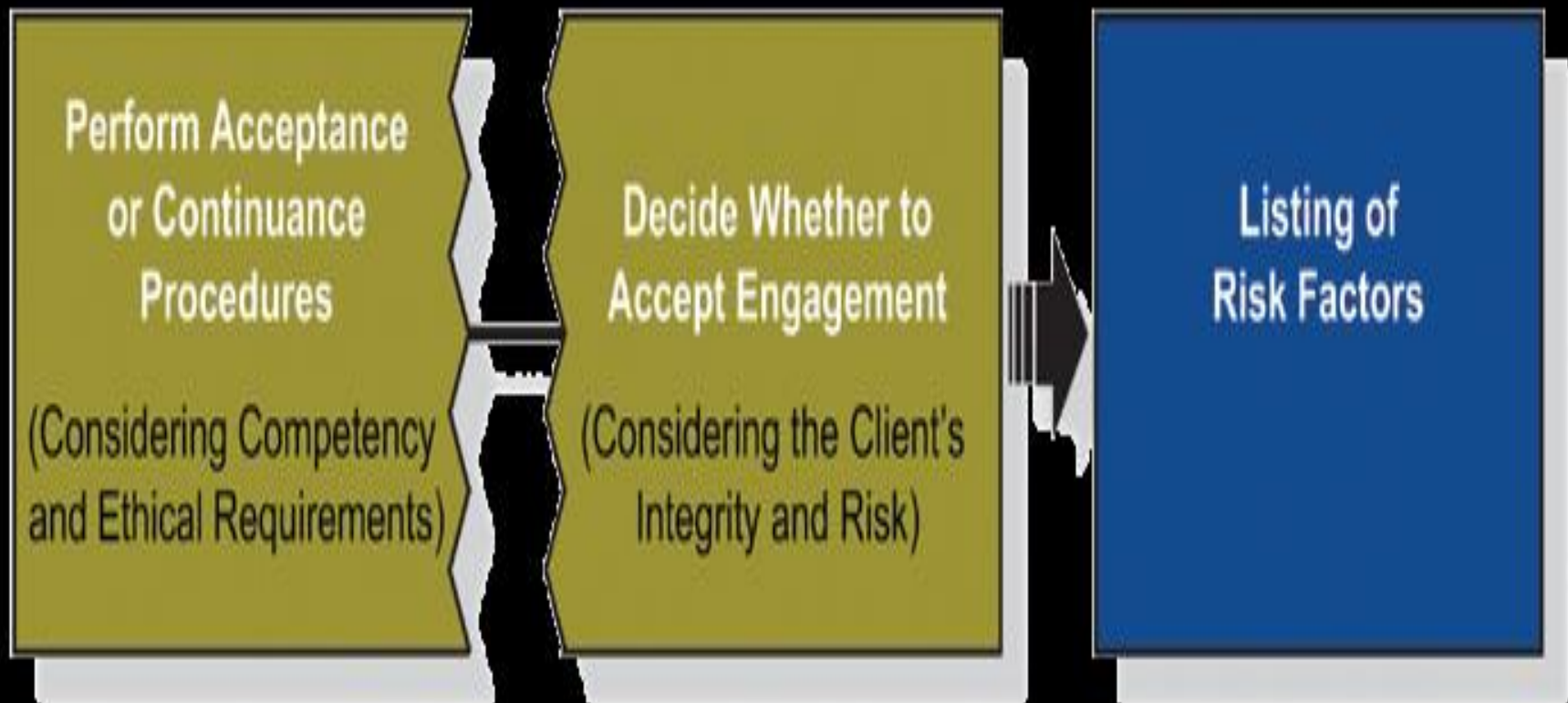
External review of the firm's quality control systems.

Adherence to legislation governing the independence requirements of the firm

A firm should only accept or continue with, a client where:

- ✓ It has considered the **integrity** of the client and does not have information that the client lacks integrity.
- ✓ It is **competent** to perform the engagement and has the capabilities, including time and resources, to do so.
- ✓ It can **comply with ethical requirements**, including appropriate independence from the client

Acceptance and Continuance





Capabilities



Career development



Compensation



Performance evaluation



Competence



Promotion



Recruitment - The estimation of personnel needs



Firms **MUST** produce a manual of standard engagement procedures and give all staff so that they know the standards they are working towards.

Ensuring good engagement performance involves a number of issues:

Direction

Supervision

Review

Consultation

Resolution of disputes/differences of opinion

Planning

- ❑ Discussion of significant matters with the engagement partner;
- ❑ Review of the financial statements or other subject matter information of the proposed report;
- ❑ Review of selected engagement documentation relating to significant judgements the engagement team made and the conclusions it reached;
- ❑ Evaluation of the conclusions reached in formulating the report and considering whether the proposed report is appropriate.

For listed companies in particular the review should include:

- ✓ The engagement team's evaluation of the firm's independence in relation to the specific engagement
- ✓ Significant risks identified during the engagement and the response to those risks
- ✓ Judgements made, particularly with respect to materiality and significant risks
- ✓ Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations

For listed companies in particular the review should include:

- ✓ The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- ✓ The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
- ✓ Whether documentation selected for review reflects the work performed in relation to the significant judgements and supports the conclusions reached.

The standard states that firms must have policies in place to ensure that their quality control procedures are:

- ✓ Relevant
- ✓ Adequate
- ✓ Operating effectively

Ongoing Evaluation:

Has it kept up to date with regulatory requirements?

Cyclical Inspection:

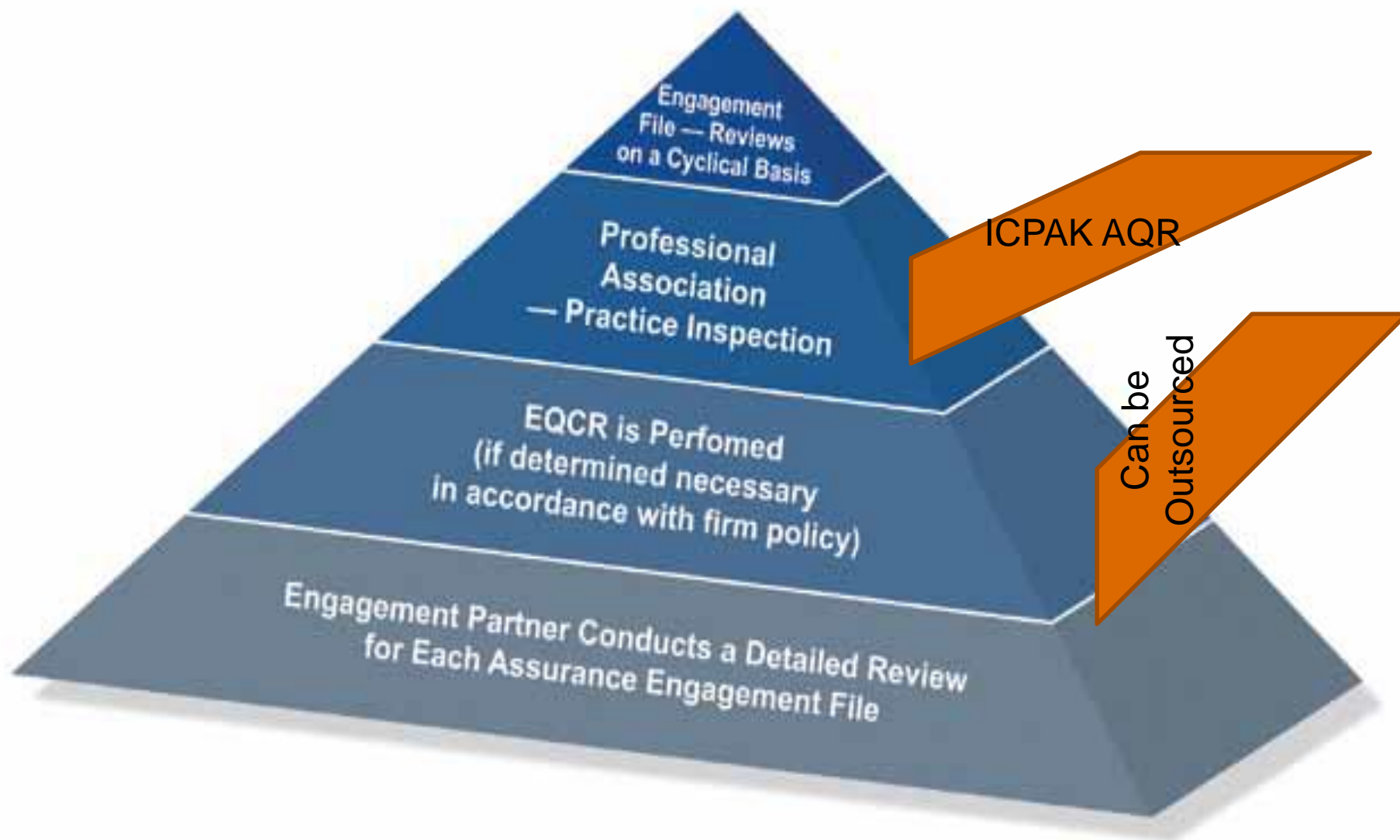
Usually fall over a period such as three years, in which time at least one engagement per engagement partner would be reviewed.

2 levels

External professionals may serve in the capacity of monitor provided they are suitably qualified,

OR

The firm may opt to contract with another firm with whom they have an alliance. **How Many partners can apply this?**





✓ Documentations of the Engagement Quality Control Reviews




• Completion of the Assembly of Final Engagement Files



• Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of Engagement Documentation



• Retention of Engagement Documentation



• Documentation of the system of Quality Control

Document the operation of the quality control system

✓ Deliver quality audits consulting when needed and meeting requirements for engagement quality control review

✓ Lead from the top giving a consistent message on the importance of quality control.

✓ Always act ethically in accordance with relevant standards and pronouncements

✓ Accept only those engagements where the firm is confident it can provide a service in compliance with requirements with particular emphasis on integrity and competence

✓ Recruit, develop and support capable and competent staff giving due attention to the firm's human resource policies and procedures



Direction:

Responsibilities; the objective of the work to be performed, The nature of the entity's business, Risk issues, Problems that may arise, Detailed approach to the audit engagement.

Supervision:

Tracking the progress of the audit engagements; Considering the capabilities of individual members of the engagement team and that they understand their instructions, Addressing issues that arise and modifying the audit approach if appropriate, Identifying matters for consultation or consideration by more experienced members of the audit engagement

Review:

Must be done by a senior person to ensure; the work has been carried out in accordance with professional and regulatory requirements, Significant matters have been raised for further consideration, Appropriate consultations have taken place and have been documented, Where appropriate the planned audit work is revised

OPEN DISCUSSION

- Is it attitude?
- Is it resources? – Human / Financial
- What kind of support do you need?

Partners Views

Employee views

THANK
YOU

