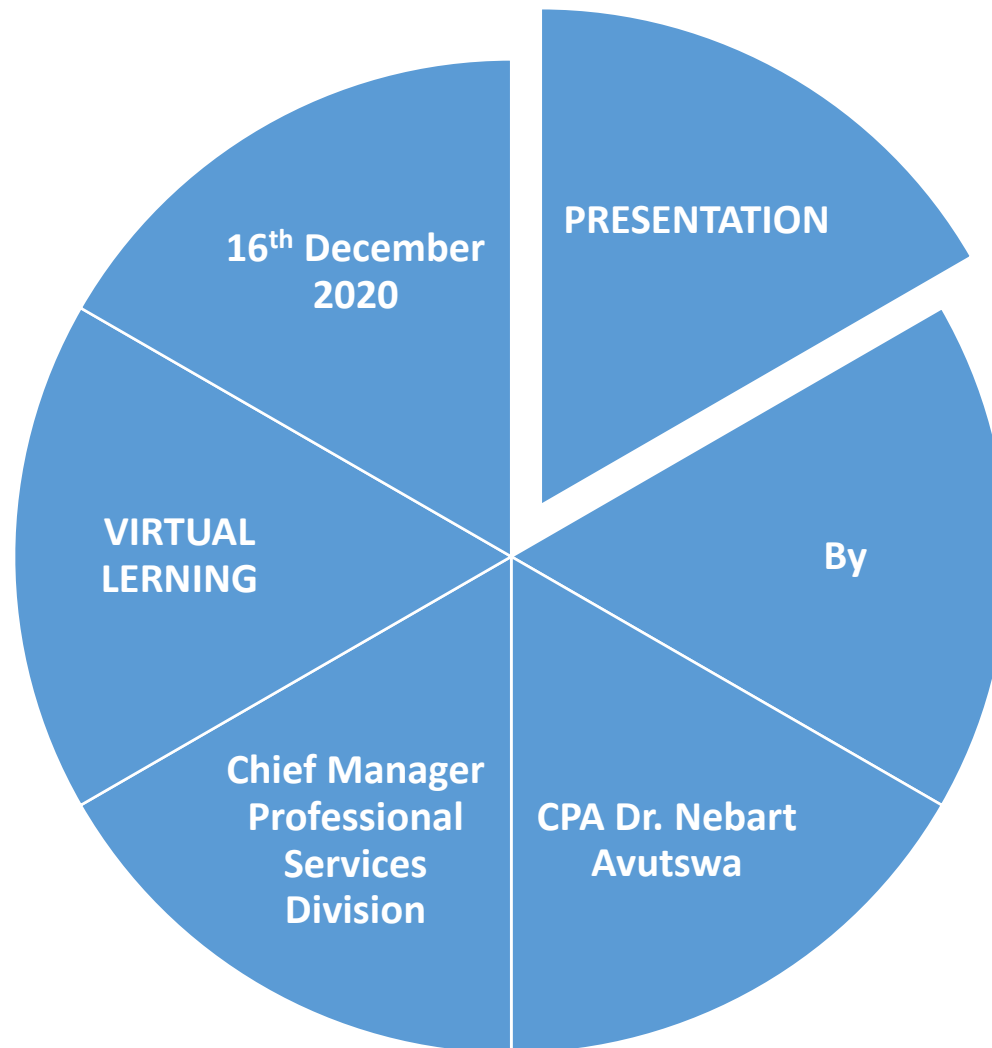




THE INAUGURAL EXTERNAL AUDIT PRACTITIONERS CONFERENCE

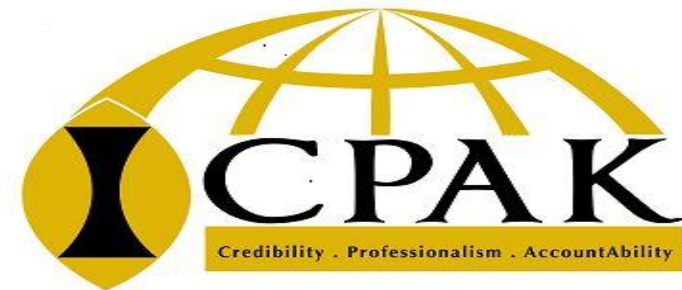
**Theme: Audit Quality Considerations during the
Pandemic**

**TOPIC: Key findings of the Audit Quality
Reviews - Major concerns and practical
responses to the issues**



Uphold public interest

PRESENTATION OUTLINE



libility. Professionalism. Accountability



Why AQR



IFAC's Statement of member Obligations - SMOs



Reviews



Types of review Reports



Benefits



Common Findings

Uphold public interest

Why AQR



The Accountant's Act No. 15 of 2008 section 13(2) provides that the Institute should carry the function of monitoring compliance with professional, quality assurance and other standards published by the Council for observance by the members of the Institute



ICPAK being a member of IFAC is required to comply with various standards as prescribed in the SMOs

IFAC statement of Members Obligation (SMOs)

STRENGTHENING THE ACCOUNTANCY PROFESSION



SMOS:

Statements of Members Obligations (SMOs) provide clear benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants.



The SMOs give IFAC member bodies obligations to support the:

- Adoption and implementation of international standards and other pronouncements issued by the – International Auditing and Assurance Board (IAASB), International Accounting Education Standards Board (IAESB)



SMO 1 - Quality assurance review programs

SMO 2 - International Education Standards for Professional Accountants (IESs)

SMO 3 - Auditing and assurance standards

- **SMO 4 - Code of Ethics for Professional Accountants (the IFAC Code)**
- **SMO 5 - Public Sector Accounting Standards (IPSASs)**
- **SMO 6 - Investigation and discipline of misconduct.**
- **SMO 7 - International Financial Reporting Standards (IFRSs)**

SMO₁

Firms are responsible for implementing policies and procedures that comply with ISQC₁.

Now transiting to ISQM ₁ and ISQM₂

A quality assurance review system monitors compliance with those policies and procedures

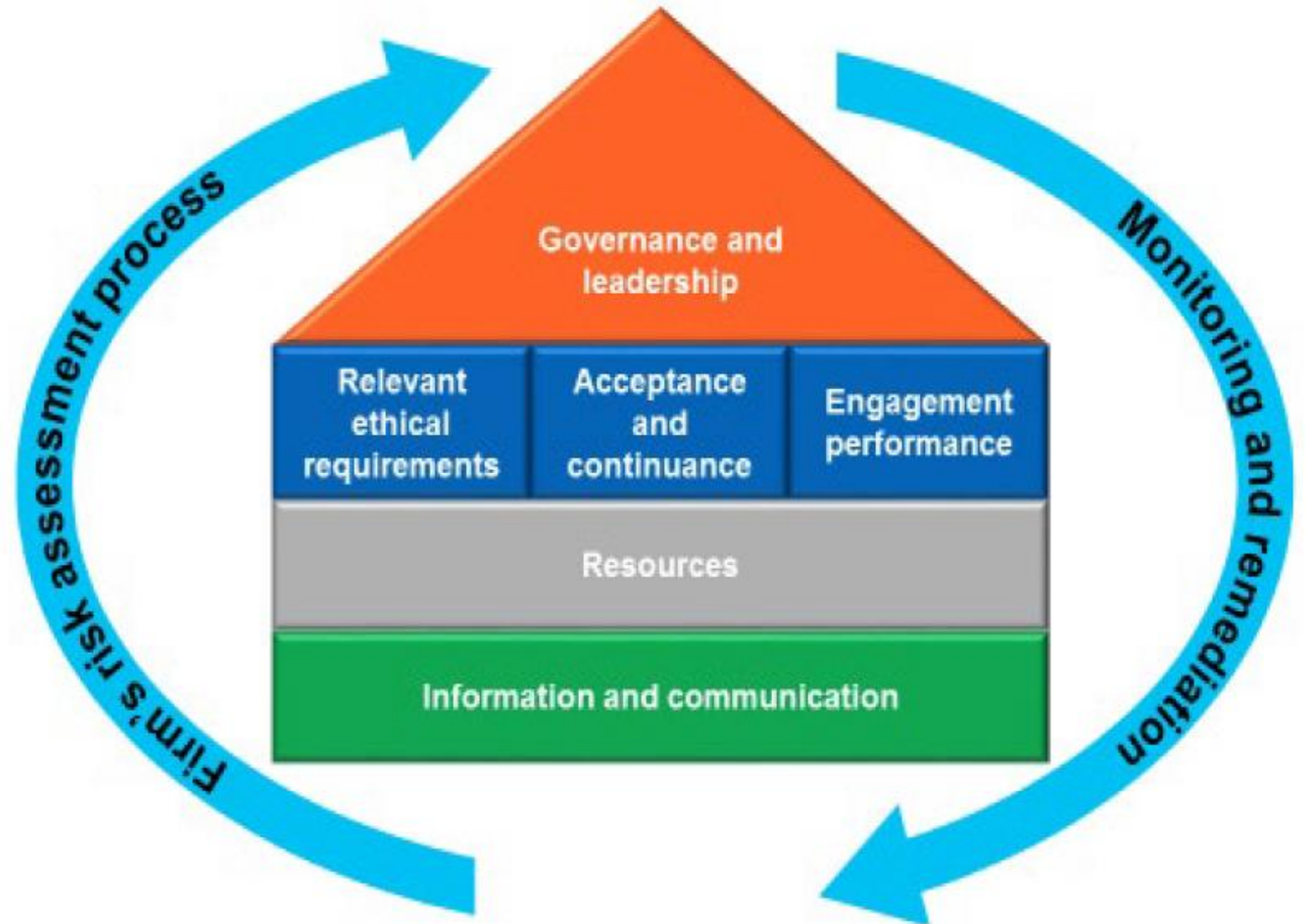
The Components of a System of Quality Management

Exposure Draft February 2019
Comments due: July 1, 2019.
approved in Aug 2020 effective
end of 2022

Proposed International Standard
on Quality Management 1
(Previously International Standard
on Quality Control 1) Quality
Management for Firms that
Perform Audits or Reviews of
Financial Statements, or Other
Assurance or Related Services
Engagements

IAASB

International Auditing
and Assurance
Standards Board



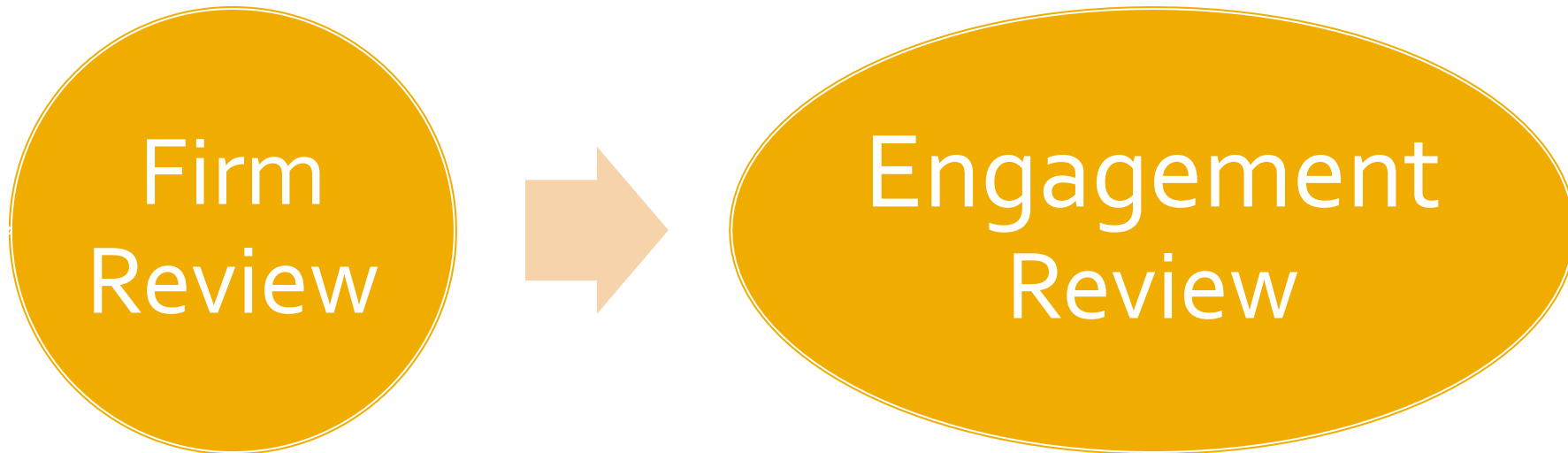
SMO 1



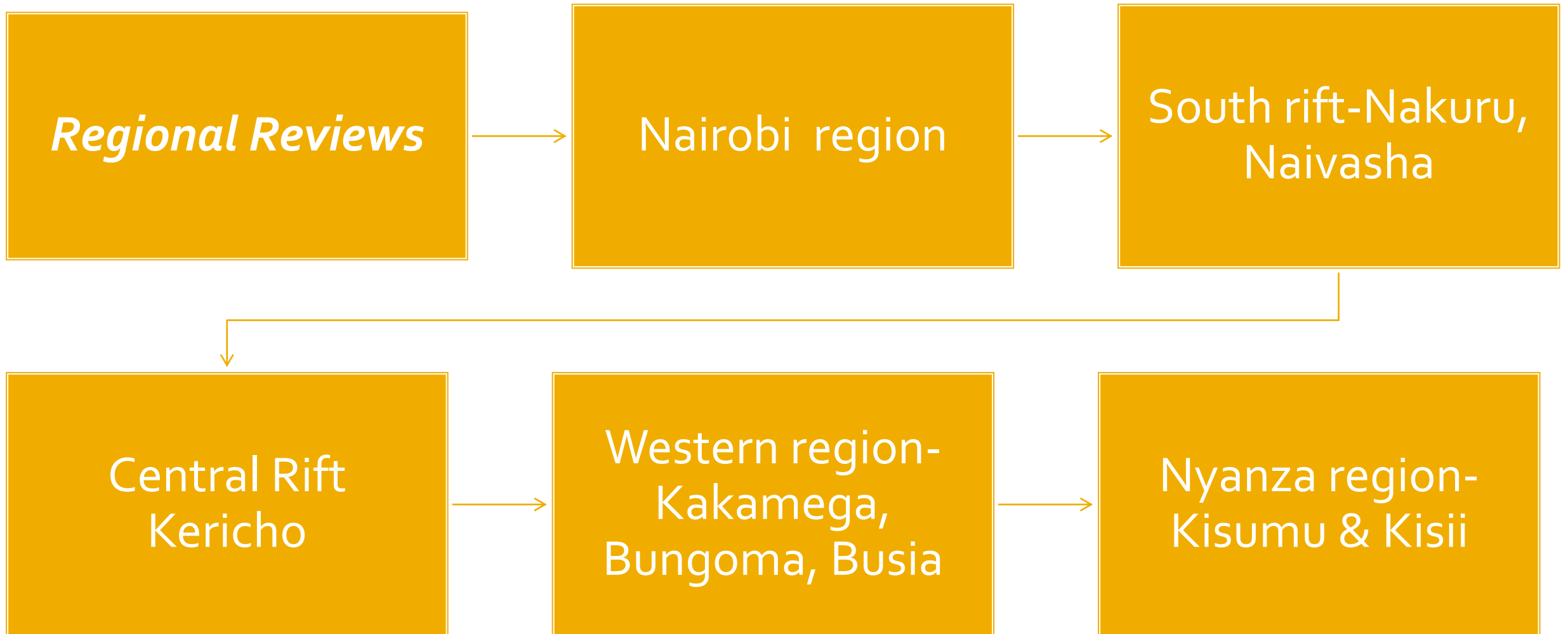
IFAC member bodies are required to establish a system of conducting Quality Assurance review systems for its members who perform audits, reviews, other assurance and related services.

In compliance with the requirement of SMO 1, the Institute in 2004 established a system of Audit quality review for conducting Audit quality Reviews

REVIEWS



Regional reviews carried to date:



Regional reviews carried to date

North Rift

Eastern region

Mt Kenya region

Eldoret, Kapsabet,
Kitale

Machakos, Thika
& Kitui

Karatina, Nyeri
Kerugoya,
Nyahururu, Embu,
Machakos, & Meru

TYPES OF REVIEW REPORTS ISSUED

A-Reports

B-Reports

C-reports

D-reports

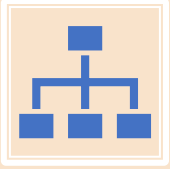
A-report

There are no matters that need addressing and there are no conditions placed on the firm's audit work as well as whole firm procedures.

Next review is after three years.

(Qualifies for a three-year review cycle)

B-report



The overall quality of audit work was good, as were the whole-firm procedures.



A few areas needing improvement and there were just a couple of isolated matters that impacted on the overall compliance with the Audit Regulations.



The Institute has no concerns about the firm's ability and commitment to make the necessary improvements. A follow up review will be done after two years.

C-Report



The quality of audit work is mixed. Some is good, but there are areas requiring improvement.



There are significant documentation problems, there are some weaknesses with whole firm procedures and a follow up review will be done after one year or less than a year.

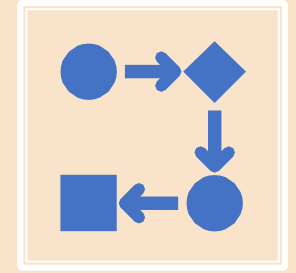
D- Report



THE QUALITY OF AUDIT WORK IS
GENERALLY POOR, NO FIRM
PROCEDURES OR POLICES IN PLACE NO
EVIDENCE OF ANY AUDIT WORK BEING
DONE YET AUDIT OPINION IS SIGNED.



THE FIRM HAS POOR ATTITUDE TOWARDS
AUDIT QUALITY, CONDITIONS ARE PLACED
ON THE FIRM'S AUDIT WORK, DISCIPLINARY
ACTION MAY BE TAKEN.

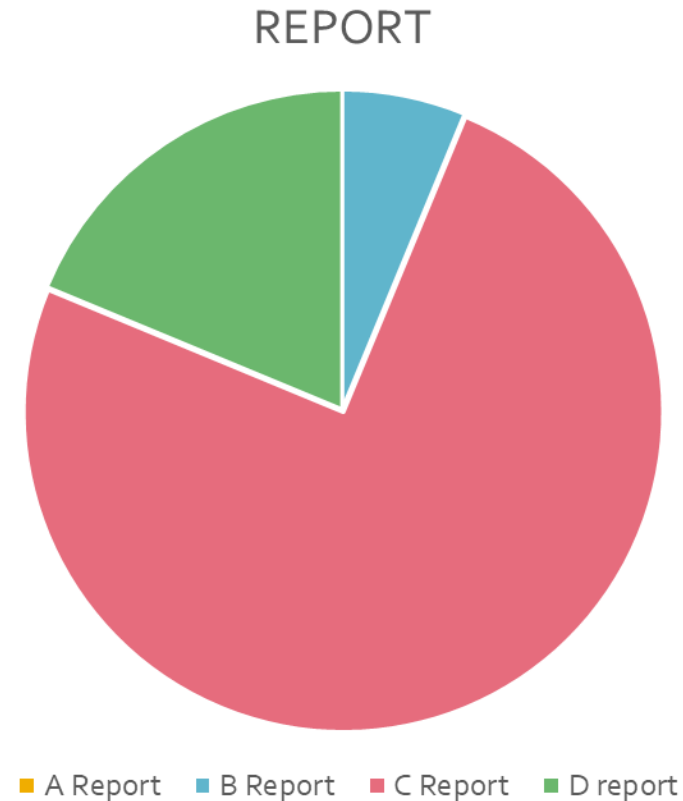


FOLLOW UP REVIEW
WILL BE DONE WITHIN
SIX MONTHS.

REPORTS ISSUED



Of the reviewed firms the following reports have been issued



Benefits of the AQA Program



Promote compliance with professional standards.
Positive projection on the firm for international linkages.



Demonstrate that the profession is committed to self regulation.



Bring increased user confidence in the reliability of financial statements.



Continuously identify weaknesses in the audit process and provide technical assistance for professional development.



Assist in identifying and removing from practice those practitioners who do not adhere to professional standards.

Progress made to date



To date over 800 firms have been reviewed in various regions within the country

Lessons learnt



- Review program gives useful information on the status of entire membership.
- The need for SME firms to come together to exploit the advantages resulting from economies of scale.
- Quality of work depends on the attitude of the partner

No documented system of quality control which culminated to:

- Non-compliance with the system of quality control
- Non-adherence to professional standards
- Non-adherence to the regulatory and legal requirements in performing engagements.

Common Findings:

Members don't perceive AQA reviews as beneficial.
Considers it as a waste of time

A number of firms have signed up for ICPAK model
Audit software
(223 firms)

Expectation on Design of the system of quality control



LEADERSHIP
RESPONSIBILITIES FOR
QUALITY WITHIN THE FIRM



ETHICAL REQUIREMENTS



ACCEPTANCE AND
CONTINUANCE OF AUDIT
ENGAGEMENTS



HUMAN RESOURCE



ENGAGEMENT
PERFORMANCE

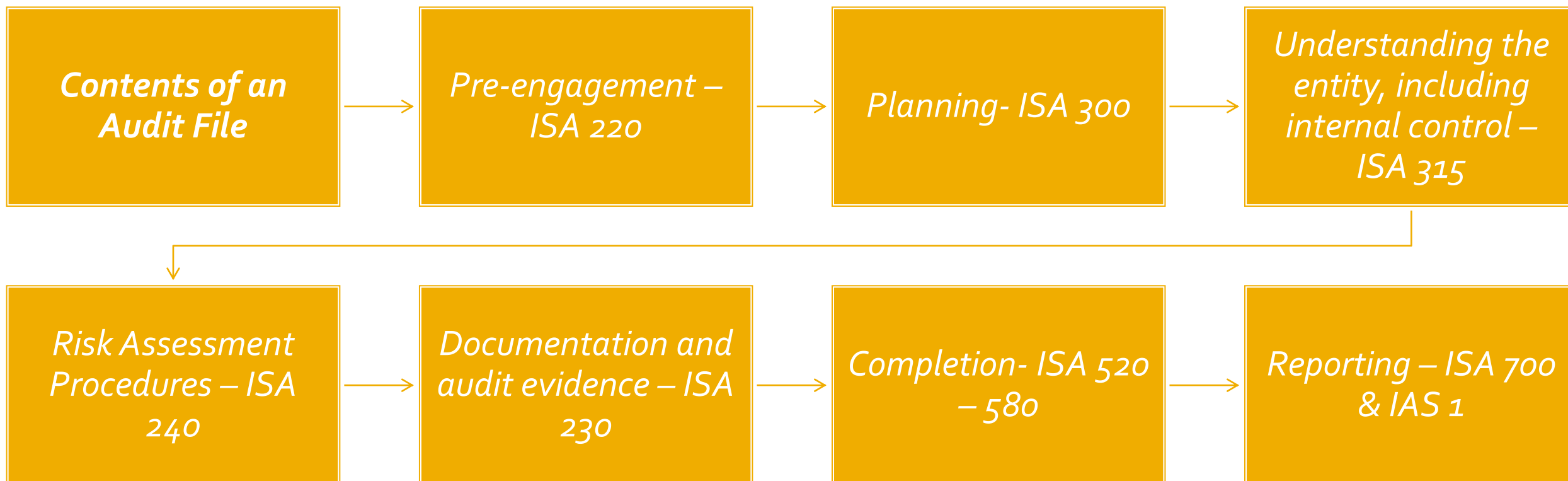


MONITORING



DOCUMENTATION OF A
SYSTEM OF QUALITY
CONTROL

Compliance with professional standards and regulatory and legal requirements



Other Matters



- AQA reports were not given to employees for implementation.
- Other services provided by the firm to the same client.
 - Succession planning.
 - Membership Status.
 - Branch Management
 - Illegal Practices



*Thank
you*



QUESTION AND ANSWER SESSION