



# **ISQC-1 Implementation Guide**

**(February 2011)**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF  
PAKISTAN**

# Introduction

Delivering quality services and dealing with compliance issues are crucial features of the everyday running of a modern assurance/accountancy practice. It has always been important for firms to develop and implement good practices and procedures for quality control and to constantly monitor them to ensure that they are properly complied with and are regularly updated as and when required.

Revised International Standard on Quality Control 1 (ISQC 1) became effective on December 15, 2009. Its aim is to establish standards and provide guidance regarding a firm's responsibility for its system of quality control for audits and other assurance and related services engagements. Thus, ISQC 1 aims at establishing firm-wide quality control policies and procedures and not for performing individual audits. Quality control for performing individual audits is dealt with in the International Standard on Auditing (ISA) 220 "Quality Control of Audits of Historical Financial Information".

ISQC 1 requires the firm to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards as well as with regulatory and legal requirements and that reports issued by the firm or engagement partner are appropriate in the circumstances.

While ISQC 1 applies to all firms (including "sole practitioners") regardless of their size, the nature and extent of the policies and procedures developed in compliance of the standard and their formalization and implementation will depend largely on the size of the firm, its practice segments and the resources. However, it is expected that such policies and procedures are designed in a manner that they meet the minimum compliance benchmarks of the Standard.

ISQC 1 also emphasizes documenting and communicating firm's quality control policies and procedures. Though the responsibility of compliance vests with the firm's leadership, each and every person in the practice is expected to realize this responsibility and contribute towards such compliance.

Since ISQC 1 mainly focuses on SMPs, the quality control requirements which are specified are minimal, recognizing the limitations due to size and resources. Firms are expected to comply with them according to the availability of resources.

This ISQC-1 Implementation Guide has been developed and disseminated with the dual objective of providing guidance and understanding of the requirements of ISQC 1 as well as to augment its acceptability and implementation among smaller practices. This Guide will certainly help the SMPs in establishing and maintaining their system of quality control and also in tailoring any existing polices commensurate with their size, services and resources.

<b>Contents</b>		
<b>S.No.</b>	<b>GUIDANCE NOTES</b>	<b>Page No.</b>
	<i>These are detailed guidance notes on the requirements of ISQC-1.</i>	
1.	<a href="#">Introduction</a>	01
2.	<a href="#">Definitions</a>	05
	i) Institute	05
	ii) Partner Incharge of Compliance (PCC)	05
	iii) Ethics Partner	05
	iv) Hot File Review	05
	v) Cold File Review	05
	vi) Code of Ethics	05
3.	<a href="#">Elements of a quality control system</a>	06
	➤ Leadership Responsibilities for Quality within the Firm	06
	➤ Ethical Requirements	06
	➤ Acceptance and Continuation of Client Relationship and specific Engagements	06
	➤ Human Resources	06
	➤ Engagement Performance	06
	➤ Monitoring	06
4.	<a href="#">Leadership responsibilities for quality within a firm</a>	07
5.	<a href="#">Ethical requirements and independence</a>	08
	➤ Ethical Partner / Person	08
	➤ Independence	09
	▪ Self-Interest Threats	09
	▪ Self Review Threats	09
	▪ Advocacy Threat	09
	▪ Familiarity Threat	09
	▪ Intimidation Threat	09
	▪ Rotation of Personnel on Assurance Engagements	11
6.	<a href="#">Acceptance and continuance of client relationships and specific engagements</a>	12
7.	<a href="#">Human resources</a>	14
8.	<a href="#">Engagement performance</a>	16
	➤ EQCR & Hot / Cold Reviews	17
	➤ Role of Partner in Charge of Compliance (PCC)	18
	➤ Communicating Procedures and Changes to Partners and Staff	18
	➤ Annual Audit Compliance Review (ISQC 1 Review)	19
9.	<a href="#">Monitoring</a>	20
	➤ Performing the Audit Compliance Review	21
	➤ Changes at Firm	21
	➤ Whole Firm Fit and Proper	21
	➤ Considering Competence of Staff	22
	➤ Competence of Staff and Staff Appraisals	22
	➤ Adequacy of Partners and Partner Appraisals	22
	➤ Use of Sub-Contractors	23
	➤ Independence	23

	➤ Money Laundering Regulations	23
	➤ Documentation	23
	➤ Consultation Procedures	24
	➤ Cold File Reviews	24
	➤ Previous Audit Compliance Review	24
	➤ Technical Library	24
	➤ Follow-up the Results of Audit Compliance Review	25
	➤ Dealing with a Multi-Office Practice	25
	➤ Inconsistency amongst Partners	26
10.	<a href="#">Complaints and allegations</a>	26
11.	<a href="#">Documentation</a>	27
<b>S.No.</b>	<b>OUR FIRM'S PROCEDURES</b>	<b>Page No.</b>
	<i>This document sets out standard procedures that the firm can adopt to demonstrate compliance. Tailor this document for your firm.</i>	
1.	<a href="#">Quality procedures for the Firm</a>	28
	➤ <b>Our Policy on Quality Control</b>	28
	➤ <b>Standing Details</b>	28
	➤ <b>Our Policy and Procedures on Leadership Responsibility</b>	29
	For a Large Firm	29
	For a Small Firm / Sole Practitioner	29
	➤ <b>Our Policies and Procedures on Ethics and Independence</b>	29
	▪ Policy and Procedure on Code of Ethics	29
	▪ Policy and Procedure on Independence Threats	30
	▪ Policy and Procedure on Non-Audit Services	30
	▪ Policy and Procedure in the case where Partner has a long association with a Client	31
	➤ <b>Our Policy and Procedure Acceptance and Continuance of Client Relationships and Specific Engagements</b>	31
	➤ <b>Our Policy and Procedure on Human Resources</b>	32
	➤ <b>Our Policy and Procedure on Assignment of Audit Teams</b>	32
	➤ <b>Our Policy and Procedure in respect of Engagement Performance</b>	32
	▪ Policy and Procedure on Engagement Procedures	32
	▪ Policy and Procedure on Contentious Issues	32
	▪ Policy and Procedure on Differences of Opinions	33
	▪ Policy and Procedure on Conduct of EQCR	33
	▪ Policy and Procedure on Nature, Timing and Extent of Review	33
	➤ <b>Our Policy and Procedure on Monitoring</b>	33
	➤ <b>Our Policy and Procedure on Complaints</b>	35
	➤ <b>Our Policy and Procedure on Documentation</b>	36
	▪ Policy and Procedure on Documentation	36
	▪ Policy and Procedure on Custody of Documentation	36

<b>S.No.</b>	<b>FORMS AND LETTERS TO HELP DEMONSTRATE COMPLIANCE</b>	<b>Page No.</b>
	<i>These are a number of forms and letters that you can use to help you demonstrate compliance</i>	
1.	<a href="#">Confirmation of understanding schedule</a>	37
2.	<a href="#">Fit and proper form for firm as a whole</a>	38
3.	<a href="#">Staff Compliance Confirmation Checklist</a>	40
4.	<a href="#">Independence register</a>	48
5.	<a href="#">New client checklist</a>	50
6.	<a href="#">Reappointment schedule</a>	54
7.	<a href="#">Candidate Evaluation Form Professional Employees</a>	56
8.	<a href="#">Interview questions</a>	59
9.	<a href="#">Post interview assessment</a>	63
10.	<a href="#">Reference request</a>	64
11.	<a href="#">Training Needs Analysis form</a>	67
12.	<a href="#">Training needs summary</a>	70
13.	<a href="#">Training assessment form</a>	71
14.	<a href="#">CPD training record</a>	72
15.	<a href="#">Skills questionnaire – whole firm</a>	74
16.	<a href="#">Skills questionnaire – individual</a>	76
17.	<a href="#">Assignment of audit team</a>	79
18.	<a href="#">Written agreement for consultation purposes</a>	80
19.	<a href="#">Record of consultation</a>	81
20.	<a href="#">File review planning and control schedule</a>	82
21.	<a href="#">Detailed points from file reviews</a>	85
22.	<a href="#">Engagement Quality Control Review Checklist</a>	91
23.	<a href="#">Engagement quality control review</a>	94
24.	<a href="#">Annual audit compliance (ISQC 1) review questionnaire</a>	95
25.	<a href="#">Public interest client register</a>	102
26.	<a href="#">File review follow up schedule</a>	103
27.	<a href="#">Specimen sub-contractor agreement</a>	104
28.	<a href="#">Independence checklist</a>	105
29.	<a href="#">Complaints form</a>	106

## Definitions

**Institute** – The Institute of Chartered Accountants of Pakistan (ICAP)

**Partner in Charge of Compliance (PCC)** – This is the partner to whom the firm’s management has assigned the operational responsibility for the firm’s quality control system.

**Ethics Partner** – This is the partner responsible for:

- a) The adequacy of the firm’s policies and procedures relating to integrity, objectivity and independence, their compliance with the Code of Ethics for Chartered Accountants and the effectiveness of their communications to partners and staff within the firm; and
- b) Providing related guidance to individual partners.

**Hot File Review** – A hot file review is a review undertaken before the audit report is signed off. Where the firm has identified a client as being a “Public Interest” client, these should be subject to an independent review before the audit report is signed.

**Cold File Review** – A cold file review is undertaken after the audit report has been signed off. ISQC 1 requires that at least one assignment for each engagement partner should be reviewed at least every three years. The purpose of the cold file review is to ensure that the audits have been completed in accordance with the firm’s procedures and with the International Standards on Auditing (ISAs) and that the financial statements have been prepared in accordance with the relevant legislation. In addition, the reviews should ensure that an appropriate audit opinion was given.

**Code of Ethics** – The Code of Ethics for Chartered Accountants issued by ICAP.

## Elements of a Quality Control System

ISQC 1 sets out six areas which should be addressed by firm's quality control policies and procedures, and should be documented and communicated to the firm's personnel:

- Leadership responsibilities for quality within the firm
- Ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Quality control procedures must be properly *documented* and *communicated* to the firm's personnel.

These form an essential part of the ethos of ISQC1 and are dealt with in more detail in the sections that follow. A form for demonstrating that each member of staff and each partner has read and understood the firms' procedures ([confirmation of understanding schedule](#)) is included in the forms in this Guide.

## **Leadership responsibilities for quality within a firm**

The standard requires audit firms to be led from the very top. It is the firm's chief executive officer or managing partner, or if appropriate the management committee who assumes ultimate responsibility for the firm's system of quality control. The firm must establish policies which promote a culture of quality within the organization. ISQC 1 places particular importance on the need for a firm's leadership to recognize that a firm's business strategy is subject to the overriding requirement for a firm to achieve quality in all engagements that a firm performs, and stresses that:

- Commercial considerations should never override the quality of work performed;
- Performance evaluation, compensation and promotion are designed to demonstrate a firm's commitment to quality;
- Sufficient resources should be devoted to the development, documentation and support of its quality control policies and procedures.

It should also be emphasized to all personnel that fee considerations and scope of services should not infringe upon quality of work, documentation and other procedures.

The firm's management will usually assign operational responsibility for the firm's quality control system to a person who has sufficient and appropriate experience, ability and authority; although one person may be given responsibility for the quality system he may delegate specific tasks to other suitably qualified individuals.

This role is central to ensuring good compliance in relation to audit work. It is a role that needs to be considered throughout the year. Any firm's compliance procedures require constant monitoring to ensure that they are being complied with and that those procedures are updated and notified to all partners and staff.

Personnel should be educated about the importance and requirements of following a system of quality control. They should also be informed that failure to adhere to the firm's policies may result in disciplinary action. Training sessions, meetings, formal or informal dialogue should be conducted for the existing and new staff, at least annually and Quality Control procedures and policies should be updated if required.

The partner who is delegated to take responsibility for audit compliance must be chosen carefully. They should be an individual within the practice who is most suitable for the role. This will not necessarily be the most recently qualified partner or the partner with the most audits. The partner chosen to fill the role needs to be familiar with all aspects of the audit regulations, the requirements of the International Standards on Auditing (ISAs) and must have the commitment to ensure that the practice complies with all of these. They need to have the authority to insist that all partners and staff comply with the firm's procedures, and have the time to fulfil their duties which can be time consuming. Time must specifically be set aside to enable the role to be carried out properly. If this does not happen then it may defeat the purpose of this exercise.

The individual who is assigned this role must be eligible to sign off audit reports and should be a partner, not an employee of the firm.

## **Ethical requirements and independence**

The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements such as the Code of Ethics for Chartered Accountants.

Compliance with the following *fundamental principles* is required:

- Integrity
- Objectivity
- Professional Competence and Due Care
- Confidentiality
- Professional Behaviour

The firm must be able to:

- Communicate its independence requirements to personnel and where applicable, others subject to them; and
- Identify and evaluate threats to its independence and apply appropriate safeguards as required.

In order to meet these requirements, sufficient information must be held about the engagements undertaken by the firm, including the scope of the services provided to each client. To achieve this aim the firm needs to ensure that comprehensive up to date engagement letters are in place for all audit clients.

### **Ethics Partner/Person**

In firms with more than three partners who are eligible to sign off audit reports, one partner may be designated as the “ethics partner”. He may be responsible for:

- a) The adequacy of the firm’s policies and procedures relating to integrity, objectivity and independence, their compliance with the Code of Ethics for Chartered Accountants and the effectiveness of their communications to partners and staff within the firm; and
- b) Providing related guidance to individual partners.

In case of sole proprietorship, the proprietor himself may act as the ethics partner or he may delegate such duty to any other person or employee of firm with the suitable qualification and experience.

## **Independence**

The generally recognized threats to independence are:

### **Self-interest Threat:**

This occurs as a result of the financial or other interests of a chartered accountant or of an immediate or close family member. Examples include, a financial interest in a client or jointly holding a financial interest with a client, undue dependence on total fees from a client, having a close business relationship with a client, concern about the possibility of losing a client, potential employment with a client, contingent fees relating to an assurance engagement, a loan to or from an assurance client or any of its directors or officers etc.

### **Self-review Threat:**

This occurs when a previous judgment needs to be re-evaluated by the chartered accountant responsible for that judgment. Examples include, discovery of a significant error during a re-evaluation of the work of the chartered accountant in practice, reporting on the operation of financial systems after being involved in their design or implementation, a member of the assurance team being, or having recently been, a director or officer of that client, performing a service for a client that directly affects the subject matter of the assurance engagement etc.

### **Advocacy Threat:**

An advocacy threat arises when a chartered accountant promotes a position or opinion to the point that subsequent objectivity may be compromised. Examples include, promoting shares in a listed entity when that entity is a financial statement audit client, acting as an advocate on behalf of an assurance client in litigation or disputes with third parties etc.

### **Familiarity Threat:**

A familiarity threat arises when, because of a close relationship, a chartered accountant becomes too sympathetic to the interests of others. Examples include, a member of the engagement team having a close or immediate family relationship with a director or officer of the client, a former partner of the firm being a director or officer of the client or an employee in a position to exert direct and significant influence over the subject matter of the engagement, long association of senior personnel with the assurance client etc.

### **Intimidation Threat:**

This occurs when a chartered accountant is deterred from acting objectively by threats, actual or perceived. Examples include, being threatened with dismissal or replacement in relation to a client engagement, being threatened with litigation, being pressured to reduce inappropriately the extent of work performed in order to reduce fees.

The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and where applicable others subject to independence requirements (including external consultants) maintain independence when required by the Code of Ethics.

Such policies and procedures shall require:

- (a) Engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements;
- (b) Personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and
- (c) The accumulation and communication of relevant information to appropriate personnel so that:

- (i) The firm and its personnel can readily determine whether they satisfy independence requirements;
- (ii) The firm can maintain and update its records relating to independence; and
- (iii) The firm can take appropriate action regarding identified threats to independence.

The firm shall establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures shall include requirements for:

- (a) Personnel to promptly notify the firm of independence breaches of which they become aware;
- (b) The firm to promptly communicate identified breaches of these policies and procedures to:
  - (i) The engagement partner who, with the firm, has the responsibility to address the breach; and
  - (ii) Other relevant personnel in the firm and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action; and
- (c) Prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph (b) (ii) of the actions taken to resolve the matter, so that the firm can determine whether it should take further action.

An example of suitable procedures is contained in the [specimen procedures](#).

The Code of Ethics for Chartered Accountants draws attention to the familiarity threat that may be created by using the same senior personnel on an assurance engagement over a long period of time and the safeguards that may reduce the threat. The firm must establish policies and procedures which:

- (a) Sets out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same personnel on an engagement over a long period of time; and
- (b) For all audits of financial statements of listed entities, requiring the rotation of the engagement partner after a specified period in compliance with the ICAP Code of Ethics for Chartered Accountants.

Annual declarations of independence from all relevant personnel must be obtained. A form for this ([Fit and proper form for an individual](#)) has been included in the useful letters and forms. Firms should also set out criteria for the rotation of senior personnel to ensure that no familiarity threat is created. This is particularly important for listed entities.

Ethics involves knowing when to say “no” and when to sever client, firm member or even partner relationships. It is assumed, unless proven otherwise, that a partner knows, or ought to have known, about other partners activities regarding the practice and its clients. Regular contact during the workday, including regularly scheduled partner meetings and a clear policy on consultation for risky or contentious issues help ensure that each partner is, in fact, aware of other partner’s activities.

The firm is responsible for the development, implementation, compliance, enforcement and monitoring of a control system designed to assist all firm members in understanding, identifying, documenting and managing independence threats and for the resolution of independence issues that arise or are present in engagements.

In order to summarize all potential threats to a firm, it is a good idea to keep a copy of an independence register. An example ([Independence register](#)) has been included in the useful letters and forms. This allows the firm to identify any areas which could give rise to potential problems and to take the necessary action. Further details on this area are contained in the guidance notes on [complaints](#) and [documentation](#). In addition to the consideration of independence, the impact on our ability to be objective when dealing with public interest clients should be considered. A form that can be used for recording public interest clients has been included in the useful letters and forms ([Public interest client register](#)).

### **Rotation of personnel on assurance engagements**

The firm must follow Section 290.156 of the Code of Ethics for Chartered Accountants regarding mandatory rotation of engagement partners and engagement quality control reviewers on all assurance engagements. When the client is a significant public interest entity, and the engagement partner or engagement quality control reviewer has been involved with the client in a senior capacity for a pre-defined period, normally no more than seven years, they should not participate in the engagement until a further period of time, normally two years, has elapsed.

The firm policy should reflect that when a significant independence threat involving the engagement partner or engagement quality control reviewer is recurring, rotation would be the primary safeguard necessary to reduce the threat to an acceptable level.

Assessing independence is part of client acceptance and continuance procedures. When the review concludes that rotation shall be considered, the matter must be referred to the partner responsible for independence. When a matter is referred to the partner responsible for independence, it is presumed that rotation of some kind is required. The circumstances under which rotation would not be recommended or required shall be compelling.

After reviewing the circumstances (including the clients expected reaction) and consulting other partners, the partner responsible for independence will provide a decision in writing as soon as possible, on whether rotation is necessary.

## **Acceptance and continuance of client relationships and specific engagements**

Auditors should consider the following factors when accepting or continuing audit relationships or engagements:

- the integrity of the client;
- the firm's competence to perform the engagement; and
- ethical requirements.

A specimen form for highlighting the firm's policies and procedures in this area is included within the procedures section of the Guide.

The information should be obtained or reviewed at the start of the relationship with the client, when accepting recurring work in second or subsequent years or when accepting a new engagement from an existing client.

There are a number of issues which need to be considered in this area. Firstly the firm should determine if there are any professional or other reasons for not accepting the appointment or reappointment. If the client is new then the firm must get permission from the client to contact the previous auditor. Contact should be formal, by way of letter.

The firm also needs to consider the following types of issues:

- Do they actually want the client?
- Why is the client changing advisers/auditors?
- What is the source of the business?
- What is the client's background/reputation?
- Are there any fee issues?
- Is there any indication of a limitation in the scope of work to be performed?
- Are there any ethical problems in accepting the appointment?
- Does the firm have appropriate technical ability to carry out the assignment?

Information on such matters that the firm obtains may come from, for example:

- Communications with existing or previous providers of professional accountancy services to the client in accordance with the Code of Ethics for Chartered Accountants, and discussions with other third parties.
- Inquiry of other firm personnel or third parties such as bankers, legal counsel and industry peers.
- Background searches of relevant databases.

In considering whether the firm has the capabilities, competence, time and resources to undertake a new engagement from a new or an existing client, the firm reviews the specific requirements of the engagement and existing partner and staff profiles at all relevant levels. Matters the firm considers include whether:

- Firm personnel have knowledge of relevant industries or subject matters;
- Firm personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge effectively;
- The firm has sufficient personnel with the necessary capabilities and competence;
- Experts are available, if needed;
- Individuals meeting the criteria and eligibility requirements to perform engagement quality control review are available, where applicable; and
- The firm is able to complete the engagement within the reporting deadline.

If the firm obtains information that could have caused it to decline an engagement if that information had been available earlier, then the firm must document their decision. The decision should take account of the professional and legal responsibilities that apply to the circumstances, including any reporting requirements to regulators. The firm must consider the possibility of withdrawing from both the engagement and the client relationship.

If the firm declines or withdraws from any appointment, policies should be in place to ensure that the firm:

- Discusses the matter with the client's management and those charged with its governance.
- Considers if there is a professional, regulatory or legal requirement for the firm to remain in place or for it to report the withdrawal from the engagement to the regulatory authorities.
- Documents all significant issues and conclusions.

All work in this area should be properly documented. An example form which is suitable for client appointment ([New client checklist](#)) and one which is suitable for reappointment ([Reappointment checklist](#)) can be found within the forms and letters to help demonstrate compliance.

## Human Resources

The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances.

Firms must ensure that their policies and procedures address the following personnel issues:

- Recruitment;
- Performance evaluation;
- Capabilities;
- Competence;
- Career development;
- Promotion;
- Compensation; and
- The number of staff needed.

These have been covered within the '[Our firm's procedures](#)' section in the Guide.

The firm must ensure they recruit staff of appropriate quality and integrity. To help ensure this happens, the recruitment process undertaken needs to be rigorous. The [Interview questions](#) , [Candidate Evaluation Form for Professional Employees](#) and [Post interview assessment](#) forms contained in the forms and letters to help demonstrate compliance section of the Guide should help in this respect. It is important to ensure references are obtained for all new staff and an example [Reference request](#) can be found in the forms and letters to help demonstrate compliance section of the Guide.

The firm must also ensure that capabilities and competence are developed and maintained by, for example:

- Professional education;
- CPD, including training;
- Work experience;
- Mentoring and coaching by experienced staff.

The continuing competence of the firm's personnel depends to a significant extent on an appropriate level of continuing professional development so that personnel maintain their knowledge and capabilities. The firm therefore emphasizes in its policies and procedures the need for continuing training for all levels of firm personnel, and provides the necessary training resources and assistance to enable personnel to develop and maintain the required capabilities and competence. Where internal technical and training resources are unavailable or for any other reason, the firm may use a suitably qualified external person for that purpose.

The firm's performance evaluation, compensation and promotion procedures give due recognition and reward to the development and maintenance of competence and commitment to ethical principles. In particular, the firm:

- (a) Makes personnel aware of the firm's expectations regarding performance and ethical principles;
- (b) Provides personnel with evaluation of, and counseling on, performance, progress and career development; and
- (c) Helps personnel understand that advancement to positions of greater responsibility depends, among other things, upon performance quality and adherence to ethical principles, and that failure to comply with the firm's policies and procedures may result in disciplinary action.

The size and circumstances of the firm will influence the structure of the firm's performance evaluation process. Smaller firms, in particular, may employ less formal methods of evaluating the performance of their personnel.

Firms should allocate appropriately experienced and qualified staff to each engagement, together with an engagement partner whose responsibilities are clearly defined and understood. Allocation of appropriate staff can be documented using [Assignment of Audit Team](#) included within the forms and letters section of the Guide. The identity and role of the engagement partner should be communicated to key members of the client's management and those charged with governance. The engagement partner must be competent to perform the required role and his responsibilities must be clearly defined. A formal policy is required in this area which has been covered within the '[Our firm's procedures](#)' section in the Guide.

The firm establishes procedures to assess its staff's capabilities and competence. The capabilities and competence considered when assigning engagement teams, and in determining the level of supervision required, include the following:

- An understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.
- An understanding of professional standards and regulatory and legal requirements.
- Appropriate technical knowledge, including knowledge of relevant information technology.
- Knowledge of relevant industries in which the clients operate.
- Ability to apply professional judgment.
- An understanding of the firm's quality control policies and procedures.

The firm must have a system in place to monitor the workload and availability of the engagement partner so that they have sufficient time in order to adequately discharge their responsibilities.

There should also be evaluation of, and counseling on, performance, progress and career development for members of the staff. Following forms in the forms and letters section should help in this respect.

- [Training needs assessment form](#)
- [Training needs summary](#)
- [Training assessment form](#)
- [CPD training record](#)
- [Skills questionnaire – whole firm](#)
- [Skills questionnaire – individual](#)

These forms should help to assess training needs, to identify the skills required for staff to undertake their duties and to provide a statutory record of CPD for the Institute.

## Engagement performance

The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances. A policy is required to cover this area. This has been covered within the '[Our firm's procedures](#)' section on the Guide. ISQC 1 also has a number of requirements relating to the "Engagement Quality Control Review", sometimes known as the second partner review or independent review.

Through its policies and procedures, the firm seeks to establish consistency in the quality of engagement performance. This is often accomplished through written or electronic manuals, software tools or other forms of standardized documentation, and industry or subject matter-specific guidance materials. Matters addressed include the following:

- How engagement teams are briefed on the engagement to obtain an understanding of the objectives of their work.
- Processes for complying with applicable engagement standards.
- Processes of engagement supervision, staff training and coaching.
- Methods of reviewing the work performed, the significant judgments made and the form of report being issued.
- Appropriate documentation of the work performed and of the timing and extent of the review.
- Processes to keep all policies and procedures current.

The firm must have a consultation policy to ensure:

- Consultation is taking place on difficult or contentious matters;
- Sufficient resources are available to enable appropriate consultation to take place;
- The nature and scope of the consultation are documented; and
- Conclusions resulting from consulting are documented and implemented.

The consultation may be internal or external but it should be with those having appropriate expertise in the relevant area. The consultation needs to be appropriately documented. There is a [Written agreement for consultation purposes](#) and a [Record of consultation](#) contained in the forms and letters section of the Guide to help demonstrate compliance in this respect.

Consultation uses appropriate research resources as well as the collective experience and technical expertise of the firm. Consultation helps to promote quality and improves the application of professional judgment. The firm seeks to establish a culture in which consultation is recognized as a strength and encourages personnel to consult on difficult or contentious matters.

The documentation of consultations with other professionals that involve difficult or contentious matters is agreed by both the individual seeking consultation and the individual consulted. The documentation is sufficiently complete and detailed to enable an understanding of:

- (a) The issue on which consultation was sought; and
- (b) The results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.

The firm must have a policy in place for dealing with and resolving differences of opinion within the engagement team and between the engagement partner and the engagement quality control reviewer. The conclusion must be documented for all matters of this nature. The report should not be issued until the matter is resolved.

The firm must assign responsibility for each engagement to an engagement partner. This fact should be communicated to the client. The engagement partner should have clearly defined responsibilities and must be capable of fulfilling the role.

An engagement quality control review must be undertaken for all listed entities. In addition, firms should have procedures for identifying other audits requiring such a review. The following criteria should be used for selecting engagements that require an engagement quality control review:

- The nature of the engagement, including the extent to which it involves a matter of public interest.
- The identification of unusual circumstances or risks in an engagement or class of engagements.
- Whether laws or regulations require an engagement quality control review.

#### **Carrying out Engagement Quality Control Reviews (EQCR) and hot and cold file reviews**

All reviews must be conducted by a suitably qualified person before the report is issued. They should be documented in accordance with the [Detailed points from file reviews](#) which can be found in the forms and letters section of the Guide.

The eligibility of the reviewer depends upon both his or her technical qualifications (including the necessary experience and authority) and the degree to which the reviewer can be consulted on the engagement without compromising the reviewer's independence. Suitably qualified external persons may be contracted by sole practitioners or small firms.

The firm's policies and procedures should be designed to maintain the objectivity of the engagement quality control reviewer. For example, the engagement quality control reviewer:

- (a) Is not selected by the engagement partner;
- (b) Does not otherwise participate in the engagement during the period of review;
- (c) Does not make decisions for the engagement team; and
- (d) Is not subject to other considerations that would threaten the reviewer's objectivity.

An engagement quality control review ordinarily involves discussion with the engagement partner, a review of the financial statements or other subject matter information and the report, and, in particular, consideration of whether the report is appropriate. It also involves a review of selected working papers relating to the significant judgments the engagement team made and the conclusions they reached. The extent of the review depends on the complexity of the engagement and the risk that the report might not be appropriate in the circumstances. The review does not reduce the responsibilities of the engagement partner.

An engagement quality control review for audits of financial statements of listed entities includes considering the firm's independence in relation to the specific engagement, significant risks, judgments made, significance and disposition of corrected and uncorrected misstatements identified during the engagement, matters to be communicated to management and those charged with and appropriateness of the report to be issued. Engagement quality control reviews for engagements other than audits of financial statements of listed entities may, depending on the circumstances, include some or all of these considerations.

The engagement quality control reviewer conducts the review in a timely manner at appropriate stages during the engagement so that significant matters may be promptly resolved to the reviewer's satisfaction before the report is issued.

There must be documentation on file that the review was performed, that it was completed before the audit report was issued (i.e. a hot review) and that the reviewer is not aware of any unresolved matters that suggest that the conclusions of the engagement team were inappropriate. The scope and extent of the EQCR including the conclusions can be documented using the [Engagement Quality Control Review Checklist](#) and [Engagement Quality Control Review](#) which can be found in the forms and letters section of the Guide.

Cold reviews should be planned to ensure that there is adequate coverage of all audit partners. Depending on the size of the practice, the reviewer should aim to review one to two files each year for each partner. The reviewer needs to ensure that he is independent in respect of the client and also that there is an adequate coverage of any special category audits undertaken by the practice. The cold file reviews should be properly planned and [File review planning and control schedule](#) which can be found in the forms and letters section of the Guide can be used to provide evidence that this has been done.

### **Role of the Partner in Charge of Compliance (PCC)**

The main duties of the partner fulfilling this role are summarised below. Although they will have overall responsibility for the standards of the audit work in the practice, the completion of many of the tasks that need to be undertaken can be delegated. The PCC needs to ensure that there are quality procedures in place and that compliance with those procedures is monitored and suitable action taken. It is also important to demonstrate that the firm as a whole maintains good standards of fitness and propriety. A [Fit and proper form for firm as a whole](#) which can be found in the forms and letters section of the Guide can be used to provide evidence that this has been done.

### **Firm procedures**

The practice must have procedures that enable it to demonstrate compliance with the regulations of the Institute. There is no exemption from this requirement for any size of practice. The procedures should be in writing, but they can be guide or electronic. The procedures should be tailored to the individual circumstances of the practice. This is particularly relevant where an off-the-shelf package is used. The procedures must be updated whenever necessary.

### **Communicating procedures and changes to partners and staff**

All partners and staff (including subcontractors and consultants) must be made aware of the practice's procedures, and they must agree to comply. There must also be evidence to show that these procedures, along with any changes to the regulations and/or the firm's audit procedures, have been notified to all such individuals. This can be done most easily by maintaining a signed register confirming an understanding of and willingness to comply with any procedures or changes to procedures by all relevant individuals i.e. those who are involved in audit work. The [Confirmation of understanding schedule](#) which can be found in the forms and letters section of the Guide can be used to provide evidence that this has been done.

When changes do occur staff must be notified of these changes. This may be in writing or e-mail or by way of a memo circulated to all staff. When dealing with a more complex issue it may be more appropriate to undertake an internal training session or arrange for attendance at an externally organised training course.

The PCC must also ensure that the induction programme for new staff covers the issue of familiarising the new staff member with the firm's procedures. This process can be repeated if desired in 12 to 18 months if the staff member requires it.

## Annual Audit Compliance Review (ISQC 1 Review)

Compliance monitoring is a key part of the overall system of audit regulation.

ISQC 1 requires a review to be carried out. The review to be undertaken needs to cover three distinct areas:

### 1. *The whole firm's procedures, at least on an annual basis*

This is designed to ensure that the firm as a whole is complying with the audit regulations. This will include aspects such as Continuing Professional Development (CPD), acceptance procedures etc. An example of a form for using when undertaking an audit compliance review (ISQC 1 review) ([Annual audit compliance \(ISQC 1\) review questionnaire](#)) can be found in the forms and letters section of the Guide.

### 2. *A series of cold file reviews*

A cold file review is a review undertaken after the audit report has been signed off. Cold file reviews should be undertaken covering the work of all partners who are able to carry out audit work. Potentially, also senior members of staff used on audits, as well as subcontractors and consultants should be considered as well. This is particularly important to ensure that the regulations are followed by all partners in the firm and to ensure a consistent standard is maintained across the firm as a whole. A sample of one or two audits for each partner will usually be more than sufficient, although this obviously depends on the size of the firm concerned. ISQC 1 requires that at least one assignment for each engagement partner should be reviewed at least every three years. Three years is the absolute maximum period without a review being undertaken. The purpose of the cold file review is to ensure that the audits have been completed in accordance with the firm's procedures and with International Standards on Auditing (ISAs) and that the financial statements have been prepared in accordance with the relevant legislation. In addition, the reviews should ensure that an appropriate audit opinion was given.

### 3. *Hot file reviews*

A hot file review is a review undertaken before the audit report is signed off. Where the firm has identified a client as being a "Public Interest" client, (see the [Public interest client register](#) which can be found in the forms and letters section of the Guide), these should be subject to an independent review before the audit report is signed. This review should be undertaken by an independent partner in the practice or by a suitably qualified external consultant. Alternatively the firm may have been required by their professional body to have reviews of this nature performed on all or a sample of their audit clients or there may be an independence issue.

A suggested format for recording the reviews can be found in the forms and letters section of the Guide ([Detailed points from file reviews](#)). In addition, there is a [File review planning and control schedule](#) to help firms demonstrate that all partners have been adequately covered and the person undertaking the review is suitably qualified and independent.

## Monitoring

Firms should entrust responsibility for the monitoring process to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility. Firms are required to have procedures in place to monitor the system of quality control, together with a periodic inspection of a selection of completed audit engagements.

ISQC 1 has a number of specific requirements relating to the reporting and follow-up of monitoring reviews. Firms must evaluate their quality control policies and ensure that they are complied with. This will include reviewing:

- Changes in professional standards and regulatory and legal requirements;
- Written confirmation by staff of compliance with independence policies and procedures;
- CPD and training;
- Decisions related to acceptance and continuance of engagements;
- Suggestions for corrective action and improvement;
- Communication of weaknesses in the system to those at an appropriate level;
- Follow up procedures by appropriate firm personnel.

At least one engagement for each engagement partner should be reviewed at least every three years. Three years is the absolute maximum period without a review being undertaken. The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, including the following:

- The size of the firm.
- The number and geographical location of offices.
- The results of previous monitoring procedures.
- The degree of authority both personnel and offices have (for example, whether individual offices are authorized to conduct their own inspections or whether only the head office may conduct them).
- The nature and complexity of the firm's practice and organization.
- The risks associated with the firm's clients and specific engagements.

The firm should evaluate the effect of deficiencies noted as a result of the monitoring process and should determine whether they are either:

- (a) Instances that do not necessarily indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances; or
- (b) Systemic, repetitive or other significant deficiencies that require prompt corrective action.

Small firms or sole practitioners can initiate arrangements with another firm for reciprocal arrangements or they can engage an external organisation. An appropriate report must be issued at the end of the work and if deficiencies are found they must be communicated to the engagement partner along with recommendations for remedial action.

The firm's evaluation of each type of deficiency should result in recommendations for one or more of the following:

- (a) Taking appropriate remedial action in relation to an individual engagement or member of personnel;
- (b) The communication of the findings to those responsible for training and professional development;
- (c) Changes to the quality control policies and procedures; and
- (d) Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

At least once every year the findings should be reported to the managing board of partners or equivalent.

Appropriate documentation relating to monitoring should be maintained.

### **Performing the Audit Compliance Review**

This section is set out in the order that the items appear within the [Annual audit compliance review checklist](#). The audit compliance review must be carried out by somebody who is suitably qualified to do it. It can provide benefit to the practice either by identifying potential areas for improvement or by giving assurance that everything is satisfactory.

The practice should identify the person best placed to conduct the review. This will usually be the partner responsible for compliance or an external reviewer. The external reviewer may be from another firm of registered auditors or a specialist organisation, such as a training company which provides a review service.

One problem to be aware of however, is that in the case of a sole practitioner or where the partner in charge of compliance has carried out the review, they may not be objective enough to carry out cold reviews on their own files. It is generally preferable to use someone independent of the assignment to carry out the cold file reviews.

### **Changes at firm**

Any changes in the partners or PCC or in the firm's address must be notified to the Institute as soon as practicable.

### **Whole firm fit and proper**

In order for a firm to carry out audit work it should consider whether it is fit and proper. Part of this consideration should be looking at the fit and proper status of the practice as a whole ([Fit and proper form for a firm as a whole](#)). This is in addition to each of the individual partners completing a fit and proper form ([Staff Confirmation checklist](#)) in their own right.

Good practice would require these forms to be completed on an annual basis for all partners and staff, including subcontractors and consultants, involved in audit. They also recommend that they are completed for staff not involved in audit.

It is important to ensure that any potential independence problems identified from these forms have been fed through to the relevant audit clients so that appropriate action can be taken. Due to the sensitive nature of their content, the partner in charge of audit compliance must ensure that they are placed in a secure place and that only the issues of relevance are fed through to the audit files. It should also be noted that although a potential problem has been identified on the form this does not necessarily mean that the individual in question is not fit and proper. However, if the individual

fails to notify the problem to the partner in charge of compliance, then this means that the individual is not fit and proper.

### **Considering competence of staff**

A sample of CPD records for both staff working on audit and partners should be reviewed to ensure that all staff and partners have undertaken sufficient suitable CPD. Where someone has not achieved the requisite number of hours, overall and particularly in audit then the reviewer should ascertain what action is being taken to rectify this for the current year. In fact the firm may want to assess progress part way through the year to ensure that the individual is on target.

It should also be remembered that where the practice is employing consultants on audit who are members of the Institute, these individuals are also required to comply with the CPD requirements.

If anyone is regularly failing to achieve their CPD target the reviewer should consider if it is reasonable for them to still be involved in audits.

### **Competence of staff and staff appraisals**

The Regulations of most professional bodies require firms of registered auditors to make arrangements so that all partners and employees (including subcontractors and consultants) doing audit work are, and continue to be, competent to carry out the audits for which they are responsible or employed'. Part of this requirement is a continual assessment of the competence of the individual to work on the audit.

The consideration of the competence must start at the point that an individual is recruited. References should be obtained for all new members of staff. When completing the annual audit compliance review the sample of staff files selected should include a sample of new employees (where applicable) to ensure that such references have been obtained, and that the reference responses have been fully considered.

A sample of staff appraisal forms should be selected to ensure that the firm has considered whether each member of staff used on audit is competent to do the work. The reviewer also needs to consider if the appraisals are reasonable, i.e. they are a fair reflection of the individual staff member's abilities.

The reviewer also needs to consider whether any action plan arising from these appraisals has been implemented, for example, has the individual been booked onto a relevant course when a training need has been identified. The reviewer also needs to consider whether the reviews are undertaken frequently enough and whether they are adequately recorded.

### **Adequacy of Partners and Partner appraisals**

To do this, the work of a sample of partners should be selected and reviewed. Particular emphasis should be placed on the action points and the evidence that these are being properly followed up. Although the practice may wish to take this opportunity to look at all aspects of an individual partner's performance, it is only the technical competence that needs to be assessed. This appraisal can be carried out at the time that a series of cold file reviews is undertaken. It must be discussed with the individuals responsible who must agree to any remedial action which is deemed necessary.

The individual completing the annual audit compliance review must consider whether the points being raised are appropriate and whether there is evidence to show that the agreed action is taking place.

## **Use of subcontractors**

The role and involvement of subcontractors should be examined. It is important to ensure that if a firm uses subcontractors they have a written agreement in place with the subcontractor to maintain confidentiality and also that their competence, fitness and propriety are assessed.

The use of subcontractors on an audit needs to be well controlled. The subcontractor needs to meet all the requirements that are expected of an employee of the practice in respect of fit and proper, independence, CPD etc. Many of these issues are best addressed through a subcontractor agreement and the reviewer needs to consider for all subcontractors used whether a suitable agreement or alternative has been obtained. A sample of these should be inspected at the audit compliance review. A subcontractor agreement in line with the example in this Guide should be in place for all individuals used ([Specimen sub contractor agreement](#)).

## **Independence**

This is an area that frequently leads to problems for audit practices. The Code of Ethics for Chartered Accountants specifies situations which could be a threat to the firm's independence. The firm's procedures must be such that their independence is considered at both the start and the end of the audit. At the start they are considering whether anything has occurred since reappointment which would impact on the firm's or the engagement partner's ability to act. At the end they are considering whether anything has occurred which would impact their ability to seek reappointment. Although many of the issues being addressed only involve the engagement partner, the procedures must also ensure that all the staff used on the assignment is independent.

The issue of the practice independence will usually be addressed via the audit documentation and it is essential that all relevant forms are properly completed. The issue of the staff's independence will often be addressed via the annual completion of the statement of independence and confidentiality and confirmation of fit and proper status. Where a potential problem has been identified on one of these forms then the partner in charge of compliance, as part of his review, should ensure that any necessary action is fed through to the relevant audit file.

Most audit programs contains an independence checklist ([Independence checklist](#)). The traditional safeguard to ensure that the practice's independence is not compromised is to suggest that there is a second qualified partner review of independence. Such a second partner review can be restricted to the planning, completion and control section of the audit but must be evidenced as having taken place. Frequently the independence form has highlighted a particular issue and says that a second partner or external review will be undertaken but, at the end of the job, one does not seem to have been carried out.

In addition to the consideration of independence the firm needs to have procedures to ensure that they have considered whether they are competent to do the assignment and that they have adequate resources. Part of the consideration of adequate resources needs to consider whether the practice has enough senior people to ensure that the work is adequately supervised. They also need to consider whether the client is one that the practice would want to be associated with.

## **Money Laundering Regulations**

With the advent of tougher Money Laundering Regulations around the world, it is important to have adequate procedures in place in relation to Money Laundering.

## **Documentation**

The reviewer needs to consider what audit system is being used and whether it is kept up to date. If the firm does not subscribe to an update service then the reviewer should consider whether the firm can and is keeping the system up to date. The reviewer also needs to consider whether such updates are done promptly and whether it is appropriate given the nature of the firm's clients.

Particular consideration is required where the firm has a number of specialist audit clients to ensure that the programmes and checklists being used are appropriate for those clients. There is a major risk that these audits will not be undertaken properly.

The firm also needs to consider whether all the staff is aware of the requirements of the systems that have been adopted and that they are kept up to date on the requirements.

Where there have been any updates to the regulations in the period since the last review the reviewer should ensure that these have been incorporated in the guide.

The firm's quality control procedures should be reflected in its procedures manual. The reviewer needs to ensure that all partners and staff involved in audit have confirmed their understanding of the procedures within the manual and confirmed their willingness to comply.

### **Consultation procedures**

The firm should have clearly set down procedures for the circumstances in which they are going to seek advice from consultants, in particular the use of hot reviews in situations where there is a threat to independence and in relation to Public Interest clients. All staff and subcontractors should be aware of what these are.

ISQC 1 specifies that the responsibility for consultation rests with the engagement partner. They must be satisfied that appropriate consultation has been sought and that the results have been agreed with the party consulted. The conclusion must be implemented and all discussions documented.

The firm's procedures must provide guidance on when consultation should take place and who it should be with. Consultation can be with an individual or individuals within the practice or with another suitable organisation.

The individual undertaking the annual audit compliance review should review the guidance given on consultation and ensure that it is suitable. This issue is particularly important where there is a large number of staff. The reviewer should then consider when undertaking the review whether consultation has taken place wherever necessary. The reviewer should also consider whether a written agreement has been obtained where consultation is undertaken with another organization or firm.

### **Cold file reviews**

Cold file reviews performed should be spread across the partners and managers so that they are representative of the standard of the firm as a whole. It is important that the results of the review are properly recorded and that any deficiencies are identified and subsequently addressed.

### **Previous audit compliance review**

The previous review should be examined to ensure that suitable action has been taken to resolve any problems previously encountered. This action should be noted on or alongside the previous review. This should cover any shortfalls in the whole firm procedures as well as on the individual audit files.

### **Technical library**

The library should be viewed and its contents considered. The reviewer should consider if the library contains all the relevant books and if these are all up to date. The bare minimum that needs to be included within the library has been detailed in the annual audit compliance review checklist and it is important that the reviewer ensures that these are all available for the staff to use. In a constantly changing profession, it is important to have up to date copies of company's legislation. In periods of change, such as we have at the moment, it is essential that the company's legislation maintained by the practice is constantly reviewed to ensure that it is up to date. In addition, where

the practice has any special category or regulated audits, the reviewer needs to consider whether the library contains adequate information in respect of these entities. It must be remembered that the list within the annual audit compliance review checklist is the minimum requirement and most practices will need further literature.

#### **Follow-up the results of the audit compliance review**

It is important that action is taken to follow up any points arising as a result of the audit compliance review and the file reviews undertaken. [File review follow up schedule](#) is also included within forms and letters section of the Guide.

Both the annual audit compliance review and the series of file reviews would have resulted in an action points list. Wherever possible this list should have target dates for completing these points. The reviewer should then carry out selective reviews to monitor and report on progress before the following compliance review. The results of the individual file reviews can be recorded using the [Detailed points from file reviews](#) schedule that can be found in the Guide.

At least annually ISQC 1 requires that the firm should communicate the results of the monitoring of its quality control system to all partners, including the managing partner or chief executive officer. This communication must include:

- a description of the monitoring procedures performed;
- the conclusions drawn; and
- a description of the deficiencies and the action taken to resolve them.

#### **Dealing with a multi-office practice**

It is more difficult if the practice has more than one office as it is essential to ensure that the firm's procedures are adopted throughout all offices. The results of the annual audit compliance review must be properly communicated to all offices, with resulting action points being agreed. Consistency of work between offices is difficult to achieve, but is an essential requirement of ISQC 1.

Again, it remains the responsibility of the partner in charge of compliance to make sure that the firm's audit procedures are adopted uniformly throughout the practice. The partner in charge of compliance should ensure that the firm's quality control procedures in respect of such offices are sufficient in theory to ensure the quality of the audit work. They should assess if these procedures are being applied rigorously in practice as part of the annual review process.

#### **Inconsistency amongst partners**

There is often a problem with one particular partner within the practice who fails to properly comply with the firm's audit procedures. When the results of an audit compliance review identify such an incidence, then the issue should be addressed with priority at partner level.

In the first instance, it is appropriate to agree a course of action with the partner concerned. The situation should be monitored at the next annual audit compliance review, and also by audit monitoring as well.

If the remedial action that has been agreed is not effective in producing audit files of a suitable quality, then further action will need to be taken. Examples of suitable action in such instances would include:

- second partner reviews on the audits of the partner concerned before any audit report is signed;
- involvement of an external training company;
- rigorous reviews to be carried out by qualified staff, before the partner review; and
- removal of the individual from the list of partners.

The PCC must remember that although this may be a difficult situation that is not easy to handle, once the problem has been isolated, it is his responsibility to ensure that the issue is resolved. If it is not resolved it is the whole practice which has the problem, not just one partner and ultimately the firm could be subject to conditions being imposed on their certificate, or even ultimately losing the right to audit. ISQC 1 requires action to be taken in this case.

## Complaints and allegations

ISQC 1 requires firms to have policies and procedures for handling complaints. There are two types of complaint that need to be considered. Firstly complaints that the firm has failed to comply with professional standards and regulatory and legal requirements and secondly allegations of non compliance with the firm's system of quality control. This issue has been addressed in the '[Our firm's procedures](#)' section of the Guide.

All complaints should be investigated in accordance with the firm's procedures and must be supervised by a partner with sufficient experience who is not otherwise involved in the engagement. Small firms may use the services of a suitably qualified external person, or another firm to carry out the investigation. All complaints and their firm's responses must be documented. A [Complaints form](#) included within the Guide can be used to help demonstrate this.

## Documentation

The requirements in respect of documentation contained in ISQC 1 have been slightly amended following the issue of ISA 230 (revised). These changes became effective on 15 June 2006.

The firm should establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized. Law or regulation may prescribe the time limits by which the assembly of final engagement files for specific types of engagement should be completed. Where no such time limits are prescribed in law or regulation, the firm establishes time limits appropriate to the nature of the engagements that reflect the need to complete the assembly of final engagement files on a timely basis. In the case of an audit, for example, such a time limit is ordinarily not more than 60 days after the date of the auditor's report.

Firms must have sufficient documentation to provide evidence that their quality control system is operating effectively. The nature of this documentation will vary according to the size of the firm, but it must be sufficient to enable an experienced auditor with no previous connection with the audit to understand the work performed, the results and evidence obtained and the significant matters identified and the conclusions reached thereon.

The standard specifies that documentation can be electronic, or it can take the form of manual notes, checklists and forms. The form and content of the documentation should take into account the size of the firm, number of offices, the degree of authority both personnel and offices have and the nature and complexity of the firm's structure.

The firm should establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation. The needs of the firm for retention of engagement documentation, and the period of such retention, will vary with the nature of the engagement and the firm's circumstances, for example, whether the engagement documentation is needed to provide a record of matters of continuing significance to future engagements. The retention period may also depend on other factors, such as whether local law or regulation prescribes specific retention periods for certain types of engagements, or whether there are generally accepted retention periods in the jurisdiction in the absence of specific legal or regulatory requirements. In the specific case of audit engagements, the retention period ordinarily is no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report.

The firm must also now establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. A policy has been included in the '[Our firm's procedures](#)' section of the Guide.

**Quality procedures for insert practice name**  
*(Modify as per your firm's requirements)*

**Our policy on quality control**

The firm is committed to following the requirements of ISQC 1 and promoting a culture of quality throughout the organisation. Our policy is:

- To ensure quality in all assignments that we perform;
- To ensure commercial considerations never override the quality of performance;
- To ensure sufficient resources are devoted to the development, documentation and support of the firm's quality control policies and procedures; and
- To ensure all audit work is controlled and signed off only by specified partners.

**Standing details**

**Partner in charge of compliance**

The Partner in charge of compliance within the firm is insert name

This person has been chosen to fulfil this role because:

- insert details

**Persons eligible to sign off audit reports**

Only the following persons are eligible to sign off audit reports issued by the firm.

<b>Name</b>	<b>Position</b>	<b>Date eligible from</b>
insert name	insert position	insert date
insert name	insert position	insert date
insert name	insert position	insert date
insert name	insert position	insert date
insert name	insert position	insert date
insert name	insert position	insert date

**Ethics Partner /Person (in case of sole partnership firm)**

The Ethics Partner within the firm is insert name

This person has been chosen to fulfil this role because:

- insert details

## **Our policy and procedure on leadership responsibility**

### **For a larger firm**

#### **Policy**

The firm's insert details for example chief executive officer/managing partner/management committee has the ultimate responsibility for audit quality at all times. They can delegate operational responsibility for this to a suitably qualified partner of the firm at their discretion.

#### **Procedure**

On insert date insert details for example chief executive officer/managing partner/management committee agreed to assume responsibility for audit quality within the firm. They gave operational responsibility for this function to insert name who will report to the management board, as required and at least on an annual basis. insert name is now the Partner in Charge of Compliance for this firm.

### **For a Small Firm/ Sole Practitioner**

#### **Policy**

insert name has the ultimate responsibility in respect of audit quality within this firm. In case of sole practitioner the only partner is the responsible person. He may assign the operational responsibility for firm's quality control system to a person who has sufficient and appropriate experience, ability and authority.

#### **Procedure**

- Any changes to our audit procedures can only be made after authorisation has been given by insert name

## **Our policies and procedures on ethics and independence**

### **Policy on Code of Ethics**

- We will ensure that we follow the requirements of the ICAP Code of Ethics for Chartered Accountants.
- All services provided to each client are identified and evaluated to ensure that they do not impair independence.
- The Ethics person or partner is empowered to perform such checks as may be required to ensure that all personnel respect and follow the independence and ethics policies of the firm. Breaches, if any' should be promptly reported to the Managing Partner, who should take such disciplinary action as is warranted.\

### **Procedure on Code of Ethics**

All members of staff and partners should complete annually an independence form confirming their independence and compliance with the firm's policies and procedures.

### **Policy on independence threats**

In cases where the firm's independence is threatened (other than those cases where we are specifically not allowed to act), then an independent review will be carried out by insert name in order to safeguard our position. If this is not possible, another safeguard will be put in place or the firm will resign as auditors. Any such safeguard will be agreed by the Partner in charge of Compliance (PCC) or Ethics Partner, if any.

### Procedure on independence threats

All independence threats identified must be included in the independence register and details of all public interest clients will be recorded in the register of public interest clients.

All potential independence threats must be notified promptly to the Audit Engagement Partner by all audit personnel.

It is the responsibility of the Audit Engagement Partner to notify any breaches or potential problem areas to the PCC or Ethics Partner, if any.

### Policy on non-audit services

The firm will only provide an audit client with non-audit services provided that the principles contained within the Code of Ethics for Chartered Accountants and Listing Regulations of stock exchanges are not breached.

### Procedure on non-audit services

All partners, other than the audit engagement partner who intends to carry out work for an audit client, must notify the audit engagement partner before any such work starts so that they can assess the overall impact of ethical requirements on the audit engagement.

### Policy in the case where the partner has a long association with a client

The firm will utilise appropriate safeguards to ensure that any familiarity threat arising from long association with a client by either a partner or key staff member is reduced to an acceptably low level.

### Detailed policies for specific type of entities

S. No.	Type of Entities	Rotation Requirement	Time Out Period
<b>A</b>	All listed Banks / listed DFIs, Non-banking Financial Companies (NBFCs), Modarabas and Insurance Companies.	Rotation of Firm after 5 years as required by Code of Corporate Governance and by BSD circular letter No. 4 dated 15 March 2005 issued by State Bank of Pakistan.	In case of recommendation by the Audit Committee for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.
<b>B</b>	All Pakistani incorporated non – listed Banks and DFIs.	Rotation of Firm after 5 years as required by BSD circular letter No. 4 dated 15 March 2005 issued by State Bank of Pakistan.	In case of recommendation by the Audit Committee for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.
<b>C</b>	All Listed entities in Pakistan.	Partner's rotation after 5 years as required by Code of Corporate Governance.	2 years.

## **Procedures in the case where the partner has a long association with a client**

The following process will be applied where the audit engagement partner has a long association with an audit client and in any case when dealing with a listed plc where the association is of 7 years duration.

1. The audit engagement partner will discuss the position with the partner in charge of compliance and determine the appropriate action from the steps described in step 2 below. This will be documented and approved before any work is undertaken on the audit.
2. The following actions could be taken:
  - a. The audit engagement partner could stand down and the audit be taken over by another partner in the practice;
  - b. Where there are no additional risk factors and the partner in charge of compliance is in agreement:
    - i. The client will be informed of the risks resulting from the long association;
    - ii. The audit engagement partner will remain in place; and
    - iii. Where any contentious issues arise during the course of the audit the audit engagement partner will request that a hot review is undertaken.
  - c. Where there are additional risks but it is not appropriate to assign the audit to a different partner this should be documented on the file, agreed with the partner in charge of compliance and the following actions will be taken:
    - i. The client will be notified of the risks resulting from the long association; and
    - ii. The file will be subjected to an independent hot review by a qualified individual not associated with the audit;
3. The details of all audits where there is a long association will be recorded on the independence register and a sample will be included in the cold reviews undertaken as part of the annual compliance review.

## **Our policy and procedure on acceptance and continuance of client relationships and specific engagements**

### **Policy**

The firm will only accept or continue an assignment provided we have established that the client concerned does not lack integrity, that we are competent to perform the services required and that we can comply with ethical standards and the Code of Ethics for Chartered Accountants.

If the firm obtains information that would have caused it to reject an engagement if that information had been made available earlier, then the firm must:

- consider the professional and legal responsibilities that apply to the circumstances, including any reporting which might be necessary to those who made the appointment or to any regulatory authority; and
- Consider the possibility of withdrawing from the engagement or from both the engagement and the client relationship.

### **Procedure**

The Audit Engagement Partner must complete the firm's client acceptance/reappointment documentation before the start of every assignment. The relevant section of the firm's standard audit procedures must be completed during the planning stage of the assignment.

The Audit Engagement Partner must consider immediately any information which arises in respect of an assignment which could have had an impact on the decision to accept the appointment initially.

### **Our policy and procedure on human resources**

#### **Policy**

The firm will only employ audit staff who have the relevant integrity and competencies and meet the high standards expected of the firm.

#### **Procedure**

The firm has a comprehensive recruitment procedure and always obtains references for new staff. The firm conducts an annual assessment of all staff employed on audits. This is carried out by completion of questionnaires and skill assessments. The firm considers training as a part of the skills assessment review and the appointment process and decides on appropriate training programmes based on this.

### **Our policy and procedure on assignment of audit team**

#### **Policy**

The firm's policy is to ensure that an Engagement Partner is assigned to each job and their name and role is communicated to the client. The Engagement Partner must have the necessary skills, competence and time to undertake the role.

The firm's policy is to ensure that appropriately competent individuals are assigned to each job so that each job can be performed to the necessary standard.

#### **Procedure**

An appropriate budget will be prepared for each job. Staff will have individual job descriptions and these will be updated on a regular basis.

The identity and role of the Engagement Partner will be communicated to the client firstly via the engagement letter and secondly by way of a face to face meeting with the client before the assignment commences.

### **Our policies and procedures in respect of engagement performance**

#### **Policy on engagement procedures**

The firm's policy is to ensure that all engagements are performed in accordance with professional standards and regulatory and legal requirements and all reports issued are appropriate in the circumstances.

#### **Procedure on engagement procedures**

The firm's procedure is to use the insert details audit manual for all limited company audit clients and the insert details audit manual for regulated assignments. Disclosure checklists will be used to demonstrate that the financial statements comply with IFRS and local regulations.

#### **Policy on contentious issues**

Where difficult or contentious issues arise, the firm is committed to ensuring that appropriate consultation is undertaken and the nature, scope, extent and results of the work are documented.

### **Procedure on contentious issues**

Consultation will either be with those having appropriate knowledge, seniority and experience within the firm or outside the firm on significant technical, ethical and other matters insert details. A written agreement exists for all external engagements. Irrespective of whether or not the consultation is internal or external, a [record of consultation](#) must be completed. All consultations must take place within insert timescale of the matter being notified as arising.

### **Policy on differences of opinion**

In situations where differences of opinion arise, either within the engagement team, with those consulted or between engagement partner and engagement quality control reviewer, all conclusions reached must be documented and implemented and the report must not be issued until the matter is resolved.

### **Procedure on differences of opinion**

Contentious issues and disputes will be documented by using the [record of consultation](#).

### **Policy on conduct of engagement quality control reviews**

Criteria have been set for the conduct of all engagement quality control reviews (EQCR). These criteria are based on audit risk, type of client, size of fee, public interest and regulatory requirements.

### **Procedure on conduct of engagement quality control reviews**

For every audit the firm performs, the Audit Engagement Partner carries out an assessment against the specific criteria set by the firm and if necessary reports the need for a review by an Engagement Quality Control Reviewer. This need is then considered by insert name (the senior audit partner in the firm) and the appointment is subsequently made. The review is always completed before any report is issued.

### **Policy on nature, timing and extent of review**

For each assignment undertaken, the nature, timing and extent of the review must be agreed in advance. Set criteria must be followed in respect of the eligibility of the reviewer particularly regarding their qualifications and objections. Adequate documentation must be produced regarding the review to demonstrate that the review has been carried out in a proper and timely fashion and to show that any unresolved matters have been dealt with.

### **Procedure on nature, timing and extent of review**

The Engagement Quality Control Reviewer is not selected by the engagement partner. The selection is made at the planning stage of the audit (or as soon after this as a need becomes apparent). The reviewer considers their own independence and experience to deal with the issues arising after reviewing the audit plan. The review is fully documented using the firm's standard approach and any unresolved matters are cleared.

### **Our policy and procedure on monitoring**

#### **Policy on monitoring**

The firm's policy is that our system of quality control procedures will be subject to a robust review on an annual basis. This review will be conducted by insert name PCC or insert name external consultants and will include a sample of file reviews. All deficiencies arising from this review and any associated file reviews will be acted upon and corrective action to the system will be made.

The firm's policy is to take disciplinary action against members and staffs who persistently fail to comply with the standards expected by the firm. These may involve preventing the partner concerned from acting as an audit engagement partner or for staff preventing them from being involved in audit work.

### **Procedure on monitoring**

An annual compliance review is carried out by the firm using a set methodology. As part of this review, a series of file reviews are planned and undertaken. Deficiencies arising from these reviews are followed up to ensure that they are addressed. Changes in the firm's procedures are made accordingly. Disciplinary action is taken against those partners and staffs who repeatedly fail to produce work of an acceptable standard and follow the firm's procedures.

An annual summary of the main points arising from the ECQR is provided to all Audit engagement partners and any other persons involved in signing off audit reports at least once a year. If action is required by individual partners, this is followed up to ensure that it has been performed.

### **Disciplinary policy (Applicable for Ethics Independence):**

In order to provide for consistency of treatment, openness of the procedures and clarity for professionals as to what constitutes a violation and the severity of the associated penalty, the Firm has established the following disciplinary policies and procedures.

Failure to comply with the independence policies of the Firm may result in disciplinary action, up to and including termination from the Firm. The Firm has established guidelines for actions to be taken against individuals for violation(s) of independence policies.

The Firm's Ethics & Independence partner is responsible for administering compliance with the independence policies. Disciplinary actions shall be determined by a disciplinary committee consisting of Senior Partner, Ethics & Independence Partner and Function / Location Head. Individuals facing disciplinary action will be provided with the opportunity to explain whether mitigating circumstances should be considered when such violations are evaluated.

There are four general categories of violations and the disciplinary action imposed may differ, depending upon the severity or frequency of such violations.

#### **Category I**

Category I violations are situations that generally involve one-time inadvertent violations. Most Category I violations will result in a notification letter that will be sent to the individual and included in the individual's personnel file. Notification letters will include a description of the violation, recommendations on how to prevent future violations and a description of possible disciplinary actions that could result from additional violations.

#### **Category II**

Category II violations include multiple instances of investments in, or loans from, audit clients, incomplete, inaccurate, or the independence affidavit, failure to cure a violation of the independence policies of the Firm or attending or completing independence training on a timely basis or any other similar type of violation.

Disciplinary actions could include any or all of the following:

- Notification to the Location and Functional Leaders;
- Prior approval of all new investments or a requirement to send duplicate brokerage statements and trade confirms directly to the Firm's Ethics & Independence Partner / Compliance Manager for a specified period of time;
- Additional independence training requirements;

- Compensation adjustment; and/or
- Performance appraisal adjustment.

### **Category III**

Category III violations are characterized by a pattern of carelessness resulting in excessive violations of the independence policies of the Firm. Examples include repeated instances of investments in, or loans from, audit clients, incomplete, inaccurate, or late reporting of significant facts on independence affidavits, a refusal to timely submit an affidavit or information on financial interests, failure to complete independence training, or cure a violation of the Firm's independence rules on a timely basis, or any other similar type of violation.

Disciplinary actions could include any or all of the following:

- Notification to the Location Head and Functional Head;
- Prior approval of all new investments or a requirement to send duplicate brokerage statements and trade confirms directly to the Firm's Ethics & Independence Partner / Compliance Manager for a specified period of time;
- Additional independence training requirements;
- Compensation adjustment; and/or
- Performance appraisal adjustment.

### **Category IV**

Category IV violations include situations characterized by a blatant disregard of the independence policies of the Firm. Category IV violations may include a combination of violations that were previously considered Category I to III violations and also specifically include situations where a professional knowingly acquires or holds securities of, or has a non-permitted loan with, an audit client for whom he or she has provided services.

Disciplinary actions for Category IV violations may include any or all of the disciplinary actions recommended above or may include termination of employment or resignation as a partner / director.

## **Our policy and procedure on complaints**

### **Policy on complaints**

The firm's policy is to ensure that a high quality service is provided to all our clients. All complaints and allegations against the firm in relation to professional matters must be dealt with in an appropriate manner.

### **Procedure on complaints**

Any complaint received by the firm is reported to insert name (or Complaints Partner, if any) using the firm's standard documentation. These partners then instigate the necessary action and response. The investigation is supervised by a partner with sufficient and appropriate experience and authority within the firm but who is not otherwise involved in the engagement, and includes involving legal counsel as necessary. On a monthly basis, reports of complaints are circulated to all partners and trends are identified for further advice, training, disciplinary action and changes to the firm's system.

Further a Hotline is also available for recording and perusal of any complaints.

## **Our policies and procedures on documentation**

### **Policy on documentation**

All audit files should be completed on a timely basis. It is the policy of this firm to ensure that all audit work is complete and is documented before the audit report is signed off. All audit files and supporting documentation must be retained for the minimum period of time required by local laws or by the Institute.

### **Procedure on documentation**

All the audit files and working papers produced by this firm follow our audit system. In the specific case of audit engagements, the retention period is no shorter than five years from the date of the audit report, or, if later, the date of the group auditor's report.

### **Policy on custody of documentation**

All engagement documentation must be subject to controls over its custody, accessibility, confidentiality and retrievability.

### **Procedure on custody of documentation**

The firm's ethical guidelines require all personnel to maintain confidentiality of all information at any point in time unless there is a legal or professional reason not to. The firm has put in place procedures to maintain confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. This is achieved by using passwords to restrict access to electronic documents, use of safe back up facilities, restrictive access to files and good physical security of the files.



**Fit and proper form for the whole firm**

I confirm that:

1. In the last ten years the firm has not made any compromise or arrangement with its creditors, or otherwise failed to satisfy creditors in full' except as detailed below.

Date of agreement	Reason that it does not impact on our ability to act as auditors?

2. In the last five years the firm has not been the subject of any civil action relating to its professional or business activities which resulted in a finding against it by a court, or a settlement being agreed except as detailed below.

Date of action	Brief details of action	Reason that it does not impact on our ability to act as auditors?

3. In the last ten years the firm has not been:
  - a. refused or restricted in the right to carry on any trade, business or profession for which a specific licence, registration or other authority is required;
  - b. refused entry to any professional body or trade association, or decided not to continue with an application;
  - c. reprimanded, warned about future conduct, disciplined or publicly criticised by any professional or regulatory body;
  - d. made the subject of a court order at the instigation of any professional or regulatory body; or
  - e. investigated on allegations of misconduct or malpractice in connection with its professional or business activities which resulted in a formal complaint being proved but no disciplinary order being made except as detailed below:

Date of action	Brief details of action and professional body	Reason that it does not impact on our ability to act as auditors

Signed: .....

(Partner in Charge of Compliance)

Date: .....

### Staff Compliance Confirmation Checklist

**Annual Statement of independence and confidentiality and confirmation of fit and proper status**

Name: .....

Generally professional bodies audit regulations require the firm to obtain confirmation from all partners, staff, sub-contractors and consultants involved in audits that they:

- are independent;
- will adhere to the rules of confidentiality;
- are fit and proper individuals.

Please complete this form, sign it and return it to ..... (name) by ..... (date) at the latest.

Please let the partner know if you have any questions. You will be asked to renew this statement every year. In the meantime, any changes must immediately be notified to the partner in charge of compliance.

**A. Independence**

In accordance with the policy of this firm, all partners, professional staff and others involved in or otherwise connected with audit work must complete and sign a statement of independence as a condition of employment.

S. No.	Independence Assertions to be made	YES/NO
1.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding any direct or material indirect financial interest in an audit client of the firm during the Confirmation Period.</p>	
	<p>I confirm that with respect to all clients audited by the firm I :</p> <ul style="list-style-type: none"> <li>• Have any beneficial interest <input type="checkbox"/></li> <li>• Do not have any beneficial interest <input type="checkbox"/></li> </ul> <p>Where the answer is 'affirmative', please list below the investments held.</p> <p>1-</p> <p>2-</p> <p>3-</p>	
2.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding business relationships during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> <p>1-</p>	

S. No.	Independence Assertions to be made	YES/NO
	2-  3-	
3.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding Loans during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> 1-  2-  3-	
4.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding Credit Cards during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> 1-  2-  3-	
5.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding Savings and cheque accounts during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> 1-  2-  3-	
6.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding Insurance policies during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> 1-  2-  3-	
7.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding</p>	

S. No.	Independence Assertions to be made	YES/NO
	<p>employment of family members and personal relationships during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> <p>1-</p> <p>2-</p> <p>3-</p>	
8.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding employment with audit clients in certain prohibited roles during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> <p>1-</p> <p>2-</p> <p>3-</p>	
9.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding recent service (during the last two years) with audit clients during the Confirmation Period.</p> <p>Where the answer is 'negative' or if there are any exceptions, please list below the details:</p> <p>1-</p> <p>2-</p> <p>3-</p>	
10.	<p>I am a partner in any other audit firm?</p> <ul style="list-style-type: none"> <li>• Yes <input type="checkbox"/></li> <li>• No <input type="checkbox"/></li> </ul> <p>Where the answer is 'affirmative', please list below the Details.</p> <p>1-</p> <p>2-</p> <p>3-</p>	
11.	<p>I was in compliance with Firm's independence policies as outlined in the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984 regarding</p>	

S. No.	Independence Assertions to be made	YES/NO
	<p data-bbox="337 254 1317 342">purchase of goods and services during the Confirmation Period and didn't accept any material goods or services on favourable terms, or received undue hospitality from any audit client?</p> <p data-bbox="337 373 1003 405">If there are any exceptions, please list below the details:.</p> <p data-bbox="337 436 362 468">1-</p> <p data-bbox="337 499 362 531">2-</p> <p data-bbox="337 562 362 594">3-</p>	

\*Beneficial interest includes ownership of shares by yourself or a closely connected person. The ownership may be direct or indirect, for example as a trustee of a trust that has an interest.

The following will normally be regarded as being closely connected with a person:

- (a) his spouse or cohabitant, except in the case of a spouse from whom the person is separated or a shareholding of a spouse or cohabitant of whose financial affairs the person has been denied knowledge;
- (b) his minor children, including step children; and
- (c) a company in which he has a 20 per cent or more interest.

In all considerations of the independence of a person or firm, regard must be given to the substance of a relationship. The above list is not, therefore, exhaustive.

**B. Outside business interests**

The firm must be independent in its dealings with business clients. Please list below any business interests, directorships, etc. that you have. If you have none, please state "none".

*Business interests:*

*Directorships:*

*Other:*

**C. Confidentiality**

In accordance with the policy of the firm, all partners, staff, sub-contractors and consultants involved in or connected with audit work, must complete and sign a statement of confidentiality as a condition of employment. Your attention is drawn to the need for confidentiality on all audit assignments, in particular:

- working papers must always be kept secure so that unauthorised access is not gained by either the client's staff or third parties;
- the firm's audit procedures should not be disclosed to third parties without proper approval from the partner in charge;
- information about the client should not be disclosed to either the client's staff or third parties without proper approval from the partner in charge or the client.

Breach of the rules regarding confidential information will be considered as gross misconduct and normally, subject to investigation, will result in instant dismissal and, in certain circumstances, legal action.

**D. 'Fit and proper' status**

***Financial integrity and reliability***

<b>S. No.</b>	<b>Queries to be replied</b>	<b>YES/NO</b>
1.	In the last ten years, has any court, given any judgement against you about a debt?	
2.	In the last ten years have you made any compromise arrangement with your creditors?	
3.	Have you ever been declared bankrupt or been the subject of a bankruptcy court order, or has a bankruptcy petition ever been served on you?	
4.	Have you ever signed a trust deed for a creditor, made an assignment for the benefit of creditors, or made any arrangements for the payment of a composition to creditors?	

***Convictions or Civil Liabilities***

***NB***

*There is no need to mention any offences committed before the age of 17 (unless committed within the last ten years) and road traffic offences that did not lead to a disqualification or prison sentence.*

S. No.	Queries to be replied	YES/NO
5.	Have you at any time pleaded guilty to or been found guilty of any offence? If so, give details, at the end of this form, of the court which convicted you, the offence, and the penalty imposed and date of conviction.	
6.	In the last five years have you, in the Pakistan or elsewhere, been the subject of any civil action relating to your professional or business activities which has resulted in a finding against you by a court or a settlement being agreed?	
7.	Have you ever been disqualified by a court from being a director, or from acting in the management or conduct of the affairs of any company?	

***Good reputation and character***

S. No.	Queries to be replied	YES/NO
8.	Have you ever been: <ul style="list-style-type: none"> <li>refused the right or been restricted in the right to carry on any trade, business or profession for which a specific license, registration or other authority is required?</li> </ul>	
	<ul style="list-style-type: none"> <li>investigated about allegations of misconduct or malpractice in connection with your professional activities which resulted in a formal complaint being proved but no disciplinary order being made?</li> </ul>	
	<ul style="list-style-type: none"> <li>the subject of disciplinary procedures by a professional body or employer resulting in a finding against you?</li> </ul>	
	<ul style="list-style-type: none"> <li>reprimanded, excluded, disciplined or publicly criticised by any professional body which you belong or have belonged to?</li> </ul>	

S. No.	Queries to be replied	YES/NO
	<ul style="list-style-type: none"> <li>refused entry to or excluded from membership of any profession or vocation?</li> </ul>	
	<ul style="list-style-type: none"> <li>dismissed from any office (other than as auditor) or employment or requested to resign from any office, employment or partnership?</li> </ul>	
	<ul style="list-style-type: none"> <li>reprimanded, warned about future conduct, disciplined, or publicly criticised by any regulatory body, or any officially appointed enquiry concerned with the regulation of a financial, professional or other business activity?</li> </ul>	
	<ul style="list-style-type: none"> <li>the subject of a court order at the instigation of any regulatory body, or any officially appointed enquiry concerned with the regulation of a financial, professional or other business activity?</li> </ul>	
9.	Are you currently undergoing any investigation or disciplinary procedure as described in 8 above?	

Please give detail above of the circumstances surrounding any 'yes' answer.

**Other issues**

10.		
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**E. Confirmation**

I have read and understood the requirements prescribed under the Code of Ethics for Chartered Accountants and the Companies Ordinance, 1984.

I have read and understood the restrictions on insider dealing and am aware of the need to avoid any conflict with clients' interests.

I am aware of the need to keep clients' affairs confidential.

I am aware of the firm's money laundering procedures and am not aware of any suspicion that has not been notified to the State Bank of Pakistan (SBP).

I am not aware of any actual or potential claims against the practice that have not already been notified to the partner in charge of compliance.

I have answered the questions above truthfully and honestly, to the best of my knowledge and belief. Should any of the circumstances above change, I shall inform the partner in charge of compliance immediately.

Signed \_\_\_\_\_

Date \_\_\_\_\_

**F. Review**

I have considered the answers given on the Staff Compliance Confirmation Checklist I am satisfied that the above person is eligible to carry out audit work for this firm.

(Insert details below to explain the reasons behind the above statement where the answer to any of the above questions is 'yes'.)

Signed \_\_\_\_\_  
Partner in charge of compliance

Date \_\_\_\_\_

## Independence Register

**Firm name** ..... **Date completed** .....

**Record 1**    **Client name** .....

**Record 2**    **Client name** .....

**Record 3**    **Client name** .....

**Record 4**    **Client name** .....

**Record 5**    **Client name** .....

**Record 6**    **Client name** .....

**Record 7**    **Client name** .....

**Record 8**    **Client name** .....

**Record 9**    **Client name** .....

**Record 10**    **Client name** .....

**Record 11**    **Client name** .....

**Record 12**    **Client name** .....

### Independence Register

Client name .....

Entity type	
Fee	
Services provided	

Audit partner	
No. of years in role	

Audit manager	
No. of years in role	

Independence issues	
Action required	

## New Client Checklist

### Basic Information

Question	Answer	Initials
Full Legal Name of the Entity		
Entity's Principal Address		
Detailed Information		
Name of Ultimate Parent		
Major Shareholder Section	Names of Major Shareholders: 1. 2. 3.	
Principal Officer Section	Number of Principal Officers:  Names and Designations: 1. 2. 3.	
Client Function that is the primary service provider for this Entity.	Please Tick:  Audit  Advisory  Tax	
What is the functional organizational unit that is the primary service provider for this entity?		
Industry that most closely describes the primary business of the Entity.		
Entity's Main Business (Provide Description)		
Has firm previously declined to accept this Entity?		
Is the Entity listed or planning to list its securities in any stock exchange in the next twelve months?		
Does the Entity have control or have significant influence over another public		

company?		
Does another public company have control or significant influence over the Entity?		
Is this a public interest Entity?		
Is the industry in which the Entity operates considered higher risk?		
Is the Entity part of a complex legal ownership structure that cannot be justified?		
Is the Entity's business or business model subject to significant uncertainties?		

**Ethical considerations**

	Yes/No	Comments	Initials
Are we satisfied that there are no threats to objectivity or independence?			
Does the firm have adequate knowledge and resources?			
Can we confirm that acceptance of the client will not create a conflict of interest?			
Are we satisfied that the acceptance of the appointment would not have an adverse effect on the reputation of the practice?			
Are we satisfied that there are no other ethical reasons why the firm should not accept the client?			
Are we satisfied that there are no other reasons why we would not wish to act for the client (for example, financial difficulties or litigation)?			

**Change in appointment**

	Yes/No	Comments	Initials
Has the previous auditor been contacted in accordance with the Institute's regulations?			
Does any information contained in the reply impact the client acceptance?			

Have the statutory resignation procedures been complied with?			

**Money laundering**

	Yes/No	Comments	Initials
Have we confirmed the identities and addresses of the client and relevant individuals (directors/owners)?			
Are we satisfied that the entity is a bona fide organization?			
Have we carried out a company search?			
Have we addressed all concerns about the integrity of the owners and management of the entity?			

**Administration**

	Yes/No	Comments	Initials
Has a permanent file been set up?			
Do we have all the necessary details of directors and major shareholders?			
Has a company search been performed, where appropriate?			
Has the letter of engagement been drafted?			
Have the new client's details been included in the firm's time recording system?			
Has the client signed or agreed to sign the necessary authorizations in respect of: <ul style="list-style-type: none"> <li>• the relevant tax authorities</li> <li>• the bank</li> <li>• building societies</li> <li>• the previous auditor</li> <li>• solicitors</li> <li>• others (specify)?</li> </ul>			

**Other**

	<b>Yes/No</b>	<b>Comments</b>	<b>Initials</b>
Have we established how this new client was gained by the firm?			
Do we have the following? <ul style="list-style-type: none"> <li>• Certificate of incorporation</li> <li>• Memorandum and Articles of Association</li> <li>• Latest annual return</li> <li>• Relevant tax returns</li> <li>• Latest set of accounts</li> <li>• Details of books and records maintained</li> <li>• Fixed asset register</li> <li>• Organization chart</li> <li>• Signed authorities to enable communication with banks, etc.</li> </ul>			
Have we written to the previous auditor for all necessary information?			
Have we written for information from other sources? (Specify)			
In the light of the risk attaching to this client, have we considered the need for a hot review of any work performed?			
<b>Engagement Quality Control Reviewer Required</b>  If "Yes" Please specify name:			

The client acceptance process ..... (can/cannot) continue.

If the client has not been accepted, this document should be retained by the partner/director. Its contents should be considered before any disclosure is made to a third party.

Signed.....  
Partner/Director

Date .....

## Reappointment Schedule

**Client name:** .....

**Period end:** .....

### Basic Information

Question	Answer	Initials
Full Name of the Entity		
Entity's Principal Address		
Detailed Information		
Name of Ultimate Parent		
Major Shareholder Section	Names of Major Shareholders: 1. 2. 3.	
Engagement Quality Control Reviewer Required	YES <input type="checkbox"/>  NO <input type="checkbox"/>  If "Yes" Please specify name:	
Client Function that is the primary service provider for this Entity.	Audit <input type="checkbox"/>  Advisory <input type="checkbox"/>  Tax <input type="checkbox"/>	

### History with client

Question	Answer	Initials
What is the sophistication and experience of the client with regard to the service to be provided?	Please tick below appropriately:  <ul style="list-style-type: none"> <li>• Experienced Client</li> <li>• Previously received similar services</li> <li>• New service for this client</li> </ul>	
Is this a public interest Entity?		
Is the industry in which the Entity operates considered higher risk?		
Is the Entity part of a complex legal ownership structure that cannot be justified?		
Is the Entity's business or business model		

subject to significant uncertainties?		
Is the client or the prospective purchaser a Private Equity House or Hedge Fund?	If Yes Describe how this risk will be mitigated	

**Specific Considerations**

<b>Issues</b>	<b>Yes/No</b>	<b>Comment/action</b>
Have any issues in respect of independence arisen during the audit?		
Have any issues in respect of client integrity arisen during the audit?		
Have any issues arisen in respect of the firm's competence during the audit?		
Do we have reason to believe that the audit will not make an adequate recovery in future?		
Did the Firm previously decline to accept this engagement?		
Are there any other issues that should be taken in to consideration when determining whether reappointment should be sought?		
<b>Conclusion</b>		

Partner \_\_\_\_\_

Date \_\_\_\_\_

**Candidate Evaluation Form for Professional Employees**

Applicant's name:				
	Last		First	Middle

Candidate for:		Grade:		Management		Non-Management
Position						

Discipline:		Assurance		Tax		Advisory	
-------------	--	-----------	--	-----	--	----------	--

**1 Person Specifications**

	<b>Firm's Requirement</b>	<b>Candidate</b>
Academic Qualifications	<input type="text"/>	<input type="text"/>
Professional Qualifications	<input type="text"/>	<input type="text"/>
Professional Experience (No. of years)	<input type="text"/>	<input type="text"/>
Computer Skills Level User <input type="checkbox"/> Competent <input type="checkbox"/>	<input type="text"/>	<input type="text"/>

SUITABLE CANDIDATE

HOLD

2

**Overall evaluation of potential to demonstrate skills, knowledge and behaviours as per Global Competency Framework appropriate to this level based on competency ratings on the next page**

High

Medium

Fair

3 **Recommendation**

Recruit

Hold

**Interviewed By:**

Name

Signature

Date

**Please complete this form immediately following the interview and return it to the HR Coordinator**

Please ✓ the appropriate rating

**Global Skills & Behaviors**

<u>High</u>	<u>Medium</u>	<u>Fair</u>
-------------	---------------	-------------

1. Business Focus			
2. Accountability			
3. Drive and Resilience			
4. Feedback and Learning			
5. Developing People			
6. Building Relationship			
7. Problem Solving			
8. Making an Impact			
9. Professionalism			
10. Delivering Quality Service			
11. Technical Knowledge			
<b>Overall Evaluation</b>			

### Interview Questions

<b>Name:</b>	<b>Position sought:</b>
<b>Date available:</b>	<b>Salary required:</b>
<b>Other considerations:</b> (Insert specific issues resulting from your review of the application form or relating to the specific job)	
<b>Question</b> (insert specific questions resulting from your review of the application form)	<b>Participant's answer</b>

Juniors and above	Participant's answer
What benefits do you feel a company derives from a statutory audit?	
What do you understand the purpose of an audit of a small business to be?	
What steps would you take to ensure that your work/section was ready for review by your senior?	
How would you achieve the ..... (insert specific objective e.g. completeness) objective when auditing ..... (insert section) for a ..... (insert nature of the business)?	
Why do you attend a stock take?	
What is the purpose of a bank letter?	
Why would you be asked to perform a debtors' circularization?	
How will you organise your work and study time?	

Senior and above	Participant's answer
How would you explain the process of an audit to a junior member of the staff?	
How would you manage a junior's time on an audit and what work/areas do you think they should complete?	
How would you approach discussing a potential audit qualification with a client?	
What would you discuss at the planning meeting with a client in the..... (insert nature of the business)?	
Give some examples of how you would use a spreadsheet to improve the efficiency of your work.	

General questions	Participant's answer
What do you feel are the key communication skills required by an auditor when dealing with a client?	
Give some examples of how you have dealt with multiple projects.	
How would you approach discussing below standard work with a junior?	
How would you prepare for a meeting with a potential client?	
Give an example of how you have responded to constructive criticism.	

**Conclusion** (use this space to record your initial thoughts on the candidates suitability for the post)

**Post interview assessment**

**Candidate name:** .....

**Position sought:** .....

**Date of interview:** .....

**Partner/Manager conducting interview:** .....

<b>Question</b>	<b>Answer/Comment</b>
1. Did the candidate meet the requirements for the position applied for, in terms of:  a. Qualification? b. Experience?	
2. What are the salary and benefits expectations of the candidate?	
3. What notice period does the candidate have to give?	
4. What professional training commitment does the individual have?	
5. Does the candidate have any holiday commitments, and can these be easily accommodated?	
6. Will the candidate fit in with the current staff profile?	
7. Was the candidate:  a. Well presented? b. Polite? c. Orally competent?	
8. What rating would you give the individual, on as scale of 1-6? 1 being ideal and 6 being unsuitable.	

**Letter requesting references**

Insert name and address of referee

Dear ..... (insert name)

**Re.:** ..... (insert applicant's name)

..... (insert applicant's name) residing at .....  
(insert applicant's address), has applied to us for the position of .....  
(insert details of the job applied for) and has submitted your name as a referee.

In your capacity as referee, we would be grateful if you could complete the questionnaire attached and return it to us in the envelope provided by ..... (insert date).

We thank you for your co-operation.

Yours sincerely,

..... (insert name)

**Questionnaire** (to be filled by the Referee)

*Strictly Private & Confidential*

1. In what capacity and for how long have you known ..... (insert applicant's name)?

.....  
.....  
.....  
.....

2. How would you rate ..... (insert applicant's name) in relation to the following:

(1-Very Poor, 2 – Poor, 3 – Average, 4 – Good, 5 – Excellent)

(i)	Motivation	1	2	3	4	5
(ii)	Willingness to learn	1	2	3	4	5
(iii)	Competence	1	2	3	4	5
(iv)	Attendance	1	2	3	4	5
(v)	Timekeeping	1	2	3	4	5

3. Which of the following characteristics would best describe the candidate's personality?

**(select any three)**

Honest	<input type="checkbox"/>	Mature	<input type="checkbox"/>	Tactful	<input type="checkbox"/>
Cooperative	<input type="checkbox"/>	Diligent	<input type="checkbox"/>	Confident	<input type="checkbox"/>

4. Are you aware of any personal issues, which could affect the candidate's performance?

- Yes
- No

If Yes please describe.

5. How would you describe candidate's communication skills

- Written  Fair  Good  Excellent
- Verbal  Fair  Good  Excellent

6. The key responsibilities necessary for the role applied for are:

.....  
.....

.....  
..... (insert details).

Please give reasons why you feel ..... (insert applicant's name) would be suitable for this position:

.....  
.....  
.....  
.....

Give reasons why you may hesitate in employing ..... (insert applicant's name) *(if any)*:

.....  
.....  
.....

7. Is there any other information that you feel is relevant, which should be brought to our attention?

.....  
.....

I confirm that I have read this reference form and filled out the details as truthfully and accurately as possible.

Signed: .....

Dated: .....

## Training Needs Analysis Form

Name of Employee:

.....

Department:

.....

### General

1. Are you a new employee or a long-standing employee of the company?

.....

2. How long have you been in your **present** job?

.....

### Confirmation of Current Duties

3. Do you have a Job Description for your job?

Yes

No (Go to Q 6)

4. Is your job accurately described in the Job Description?

Yes (Go to Q 14)

No

5.A If no, what extra duties do you do that need to be added to your Job Description?

.....

.....

.....

5.B What duties are no longer part of your job and can be deleted from your Job Description?

.....

.....

.....

### Job Analysis

6. Describe the tasks you regularly perform that are critical to carrying out your job effectively.

.....

.....

7. Describe the type of equipment you are required to use (for example, , computer, machinery, tools of trade, etc).

.....

.....

8. Do you require a high degree of technical knowledge for your job?

Yes

No

9. How do you work? Please circle

Alone

Part of a team

Other (specify below)

10. If you work as part of a team, do you perform the same of different work to members of your team?

11. To what extent does your job require you to work closely with other people, such as customers, clients or people in your own organization? Please circle.

Very little

Moderately

A lot

12. How much autonomy is there in your job, i.e., to what extent do you decide how to proceed with your work? Please circle.

Very little

Moderately

A lot

13. How much variety is there in your job, i.e., to what extent do you do different things at work, using several skills and talents? Please circle.

Very little

Moderately

A lot

### Training Needs

14. **To perform your current job:** What training do you still need (either on-the-job or a formal course) to perform your current job competently (e.g., Excel, bookkeeping, English as a second language, etc)?

15. **To perform other jobs in the organization:** What other roles in the organization would you be interested in doing if a vacancy became available (e.g. transfer to another section, supervisor position, etc)?

16. **To perform other jobs in the organization:** What training or experience would be required (e.g., machine operation, negotiation skills, Occupational Health and Safety Awareness, etc)?

**Future Development Needs**

17. What are your career aspirations?

.....  
.....  
.....

18. What training or development do you need to help make this happen (e.g. external degree study, formal meeting procedures, leadership training, etc.)?

.....  
.....  
.....

**Recognition of Prior Learning**

19. What training have you attended within the last three years? (This will help identify if any training sessions have been missed or if any refresher training is required.)

.....  
.....

20. What training or skills have you acquired outside your current job that may be relevant to the wider organization?

.....  
.....

**Action Plan**

**Agreed training and development to be provided over the next 12 months :**

(Record the details of training courses, on-the-job experiences, mentor arrangements, and include the recommended dates the staff member can expect these to occur.)

<b>Training</b>	<b>Date</b>
-----------------	-------------

.....	.....
.....	.....
.....	.....

**Signature of Staff Member** : ..... **Date** : .....

**Signature of Supervisor** : ..... **Date** : .....



**Training assessment form**

**Name:** .....

**Training course attended:** ..... (insert course title)

**Training course provider:** .....

**Date attended:** .....

<b>Course objective:</b>
<b>Course summary:</b>
<b>Work experience that is needed to reinforce the training given:</b>
<b>How is this going to be achieved?</b>
<b>Was the training course effective?</b>
<b>Would you recommend it to someone else?</b>
<b>Attendee</b> _____ <b>Date</b> _____
<b>Action agreed:</b>
<b>Supervisor</b> _____ <b>Date</b> _____

## CPD training record

Name:

Position:

Year:

Learning objectives for the period

--

Satisfaction of objectives

Reading

Ref	Details	Comment

Course attendance

Date	Details	Comment

**Other**

Ref	Details	Comment

**Conclusion**

<b>Objectives achieved:</b>	
<b>Objectives for next year:</b>	
<b>Conclusion:</b>	
<b>Individual</b> _____	<b>Date</b> _____
<b>Reviewer</b> _____	<b>Date</b> _____

**Skills questionnaire – whole firm**

<b>Skill</b>	<b>Capacity required (hours)</b>	<b>Capacity available (hours)</b>	<b>Sufficient skill present?</b>	<b>How is gap to be filled?</b>	<b>Comments</b>
<b>Technical</b>					
Audit supervision					
Audit senior					
Audit junior					
Taxation specialist					
Personal tax					
Corporate tax					
Capital tax					
Payroll taxes					
Indirect taxes					
Accounts clerk					
Company					
Secretarial					
<b>IT</b>					
Training					
Web design					
Spreadsheets					
Word processing					
Databases					
Presentations					
<b>Other</b>					
Presentations					

Marketing					
Assurance services (specify)					
Insolvency					
Investment Business					
Other (specify)					

Action required by the firm:	By whom	By when

### Skills questionnaire – individual

Name: .....

Position: .....

Date completed: .....

Skill	Level expected (1 – 6)	Level attained (1 – 6)	Comments
<b>Technical skills:</b>			
<b>IT skills:</b>			
<b>Analytical skills:</b>			
<b>Judgmental skills:</b>			
<b>Communication skills</b>			
Oral			
Written			

Skill	Level expected (1 – 6)	Level attained (1 – 6)	Comments
<b>Leadership skills</b>			
Ability to organize self			
Ability to organize others			
Mentoring abilities			
<b>Client skills</b>			
<b>Personal qualities</b>			
<b>Other</b>			

**Action plan**

Development issue identified	Method of satisfying need	Date accomplished

**Reviewer's comments**

**Confirmation and comments on action plan:**

**Conclusion on level of competence and role that the individual can undertake on assignments:**

**Reviewer** \_\_\_\_\_

**Date** \_\_\_\_\_

**Individual** \_\_\_\_\_

**Date** \_\_\_\_\_

### Assignment of Audit Team

**Client:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Issue	Answer	Comment
Does the team have sufficient practical experience to enable them to undertake this assignment?		
Does the team have sufficient understanding of professional standards and regulatory and legal requirements?		
Does the team have sufficient up to date technical knowledge including knowledge of relevant information technology?		
Does the team have sufficient knowledge of the business and of the industry in which the client operates?		
Does the team have sufficient members who are able to apply sound professional judgment?		
Does the team have sufficient knowledge of the firm's quality control policies and procedures?		
<b>Conclusion</b>		

**Partner** \_\_\_\_\_

**Date** \_\_\_\_\_

## Written agreement for consultation purposes

Insert name and address of consultants

Dear ..... (insert name)

This letter sets out the terms on which ..... (I / we) agree to provide consultation services for your firm. .... (I / We) will provide your firm with consultation on ethical and audit related issues, where requested and possible.

### Agreement of independent consultant

1. .... (I / We) confirm that assignments will only be completed where..... (I am / We are) independent.
2. .... (I / We) confirm that assignments will only be completed where ..... (I / We) have no conflict of interest.
3. .... (I / We) confirm that any information obtained during the course of any consultation or review will be treated in confidence and no information will be divulged to any other party, without your prior written consent.
4. The work will be undertaken on the basis that no legal action or other claims will be made against ..... (me / us) by you in respect of any reviews conducted.

Yours sincerely

.....  
(name of consultant)

**Record of consultation**

**Client:**

**Year/Period end:**

Problem to be considered:
Name of consultant used and reason for selection:
Actions discussed:
Conclusion:

Preparer \_\_\_\_\_

Date \_\_\_\_\_

Reviewer \_\_\_\_\_

Date \_\_\_\_\_

**EQCR, Hot and Cold File Review Planning and Control Schedule**

**Engagement Quality Control Review (EQCR) planning and control schedule**

Firm:

Period covered:

1. Detail below the people undertaking the EQCRs.

.....  
 .....  
 .....  
 .....  
 .....

2. Details of files to be reviewed:

Engagement partner/ senior member of staff	Files to be reviewed	Reviewer

Issue	Yes / No
Have all the people detailed above confirmed their independence on the assignments being reviewed and, where appropriate, signed the agreement for consultation purposes?	
Has the scope of the review been agreed?	
Were the findings in line with the review?	

**Cold file review planning and control schedule**

Firm:

Period covered:

1 Detail below the people undertaking the cold file reviews.

.....  
 .....  
 .....  
 .....  
 .....

2 Details of files to be reviewed:

Engagement partner/ senior member of staff	Files to be reviewed	Reviewer

Issue	Yes / No
Have all the people detailed above confirmed their independence on the assignments being reviewed and, where appropriate, signed the agreement for consultation purposes?	
Does the sample of files selected give adequate coverage of all audit partners and senior staff in the practice? (Two /three files per partner.)	
Does the sample of files selected give adequate coverage of high risk and special category audits?	
Has the independence register been reviewed to ensure that all necessary files have been included in the sample?	

**Hot file review planning and control schedule**

Firm

Period covered

1 Detail below the people undertaking the hot file reviews.

.....  
 .....  
 .....  
 .....  
 .....

2. Details of files to be reviewed:

Engagement partner/ senior member of staff	Files to be reviewed	Reviewer

Issue	Yes / No
Have all the people detailed above confirmed their independence on the assignments being reviewed and, where appropriate, signed the agreement for consultation purposes?	
Does the sample of files selected give adequate coverage of high risk and special category audits?	
Has the independence register been reviewed to ensure that all necessary files have been included in the sample?	

Detailed points from file reviews

Key to files reviewed

File	Client	Period end	Partner	Type of review	Result
1.					
2.					
3.					

**File review points**

<b>General</b>
----------------

**Permanent file**

<b>Points Raised</b>	<b>Action Taken</b>
<b>Engagement letter</b>	
<b>Background knowledge</b>	
<b>Laws and regulations</b>	
<b>Related parties</b>	
<b>Business risk</b>	
<b>Consideration of controls</b>	
<b>Assessment of accounting system</b>	

**Planning**

<b>Points Raised</b>	<b>Action Taken</b>
<b>Independence</b>	
<b>Risk and materiality</b>	
<b>Assessment of key &amp; high risk areas</b>	
<b>Preliminary analytical review</b>	
<b>Consideration of fraud and error</b>	
<b>Initial assessment of going concern</b>	
<b>Client meeting</b>	
<b>Staff briefing</b>	
<b>Other planning issues</b>	

**Completion and control**

<b>Points Raised</b>	<b>Action Taken</b>
<b>Adequate control procedures</b>	
<b>Final analytical review</b>	
<b>Disclosure review</b>	
<b>Post balance sheet events</b>	
<b>Final assessment of going concern</b>	
<b>Representation letter</b>	
<b>Unadjusted errors</b>	
<b>Audit report and conclusion</b>	

**Detailed work**

<b>Points Raised</b>	<b>Action Taken</b>
<b>Intangible fixed assets</b>	
<b>Tangible fixed assets</b>	
<b>Investments</b>	
<b>Stock</b>	
<b>Debtors</b>	
<b>Cash in hand and at bank</b>	
<b>Creditors</b>	
<b>Long term loans and deferred income</b>	
<b>Provisions</b>	

Points Raised	Action Taken
Capital and reserves	
Direct and indirect taxation	
Profit and loss account – income	
Profit and loss account – expenses	
Profit and loss account – payroll	
Other	

## Engagement Quality Control Reviewer Checklist

**Client**

***Period-end***

<b>I. Engagement partner</b>		
		<b>Comment</b>
1.	<p>I have not dated the auditor's report, until:</p> <ul style="list-style-type: none"> <li>• I have discussed significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer,</li> <li>• All comments and issues raised by the engagement quality control reviewer have been satisfactorily resolved, and</li> <li>• The engagement quality control review has been completed.</li> </ul>	
▶	<p>Signature:</p>  <p>Partner: _____</p>  <p>Date: _____</p>	

<b>II. Engagement quality control reviewer</b>		
		<b>Comment</b>
2.	<p>I confirm that I have performed an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report, by:</p> <ul style="list-style-type: none"> <li>a. Discussing significant matters with the engagement partner and, if appropriate, others.</li> <li>b. Reviewing:                             <ul style="list-style-type: none"> <li>i. The financial statements,</li> <li>ii. The proposed auditor's report, and</li> <li>iii. Significant written communications and other reports to those</li> </ul> </li> </ul>	

charged with governance, management or, where applicable, other parties such as regulatory bodies prior to issuance of such communications and other reports.

(Note: such communications and other reports are those that the engagement quality control reviewer or the engagement partner has determined to be significant.)

- c. Reviewing selected audit documentation relating to the significant judgments the engagement team made and the conclusions they have reached, including:
  - i. Significant risks identified by the engagement team and the response to those risks, including the engagement team's assessment of and response to risk of fraud, and
  - ii. Other activities and documentation related to significant judgments.

(Note: such activities and documentation are those that the engagement quality control reviewer or the engagement partner has determined to be appropriate for review.)

- d. Considering:
  - i. Whether the proposed auditor's report is appropriate,
  - ii. Whether the financial statements are presented in conformity with the applicable financial reporting framework,
  - iii. The engagement team's evaluation of Firm's independence.
  - iv. 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, and
  - v. Whether audit documentation reviewed reflects the work performed in relation to the significant judgments made and supports the conclusions reached.

- 3. I confirm that I have met the necessary experience and training requirements for IFRS or the necessary waivers are in place if applicable.
- 4. I confirm that, if I had reason to believe that the engagement team collectively may not have the appropriate competence and capabilities, I have discussed the matter on a timely basis with the engagement partner and, if the matter was not resolved to my satisfaction, I have discussed the matter with the risk management partner.
- 5. I am satisfied that:
  - a. The required engagement quality control review procedures have been performed.
  - b. The engagement quality control review has been completed on or before the date of the auditor's report.
- 6. I have confirmed with the engagement partner that there are no unresolved matters that would cause me to believe that the significant judgments the

<p>engagement team made and the conclusions they reached were not appropriate.</p> <p>7. Based on my review and the relevant facts and circumstances of which I have knowledge, no matters have come to my attention that cause me to believe that:</p> <ul style="list-style-type: none"><li>a. The entity's financial statements covered by our report are not in conformity with the applicable financial reporting framework in all material respects,</li><li>b. The audit was not performed in accordance with the relevant auditing standards and Firm's requirements, or</li><li>c. Auditor's report is not appropriate in the circumstances.</li></ul>	
---	--

<p>Signature: _____</p> <p>Engagement quality control reviewer: _____</p> <p>Date: _____</p>	
--	--

### Engagement Quality Control Review

<b>Client name:</b>	
<b>Period end:</b>	
<b>Audit engagement partner:</b>	
<b>EQC reviewer:</b>	
<b>Reason for the review:</b>	
<b>Scope and extent of the review:</b>	
<b>Detailed findings:</b>	
<b>Issue</b>	<b>Clearance</b>
<b>Conclusion:</b>	

**Annual Audit Compliance (ISQC 1) Review Questionnaire**

Issue		Yes /No /NA	Comments
Detail below the structure of the practice, along with the details of the partners.			
Practice Structure:			
Partners			
1			
2			
3			
4			
5			
6			
7			
8			
Is there a partner (or other person with sufficient and appropriate experience and authority) responsible for monitoring the effectiveness of the quality system and compliance as well as a partner responsible for establishing the system (usually the PCC)? Name:			
Are these roles allocated to the most suitable individuals?  If no what is the suggested action?			
Is sufficient time allocated to enable the individuals to fulfil their roles?			
If no state what remedial action is being taken?			
Consider whether this structure:			

Issue	Yes /No /NA	Comments
➤ Is acceptable?		
➤ Reflects the position recorded on the annual return?		
Consider the number and nature of audits undertaken, have these been adequately covered in the cold reviews undertaken?		
Where there have been changes since the previous review have these been properly and timely notified to the Institute?  List changes:		
Has the firm taken adequate steps to demonstrate that it is a fit and proper practice? Including:  ➤ Completing a fit and proper declaration for the firm as a whole? ➤ Ensuring all staff and partners involved in audit (and others if desired) have completed a fit and proper declaration and that there is evidence to show that all negative answers have been considered by the partner in charge of compliance and dealt with adequately.		
Has the firm demonstrated that they have considered the competence of the staff and partners working on audits, paying particular attention to:  ➤ Completion of appraisals (partners and staff), including setting objectives ➤ Production of a training plan  ➤ Follow up of any action plan from the previous appraisal  ➤ Consideration of the adequacy of the CPD training including where there are special category audits		
Does the firm have adequate audit partners to ensure that the work of all staff is adequately supervised?		
Consider whether the firm uses sub contractors on any of its audits, if so:		
➤ How many have been used and in what capacity?		
➤ Have they been required to sign an agreement that covers their responsibilities, supervision and confidentiality?		

Issue	Yes /No /NA	Comments
➤ Has their competence been assessed?		
➤ Have they been required to complete a fit and proper questionnaire and statement of independence?		
➤ Has the cold file review confirmed that their work has been adequately planned, controlled and reviewed?		
<p>Has the firm taken steps to ensure that the firm and its employees remain independent, in particular covering the following issues:</p> <ul style="list-style-type: none"> <li>➤ Undue dependence on an audit client or group of clients</li> <li>➤ Personal or family relationships</li> <li>➤ Beneficial interests in trusts which have an investment in an audit client</li> <li>➤ Involvement as a trustee in an audit client</li> <li>➤ Mutual business interests</li> <li>➤ Signing power on any client bank account</li> <li>➤ Long association with the client</li> </ul>		
➤ Other: specify		
<p>Where any of the above has been recognised as a problem have adequate steps been taken to mitigate the risks?</p> <p>List below the steps taken</p>		
<p>Has the firm appointed an Ethics Partner? Name:</p>		
<p>Does the firm have adequate arrangements to ensure that it prevents undue influence from being applied by any person? specify below:</p>		

Issue	Yes /No /NA	Comments
Do the above procedures ensure that there is a process for dealing with conflicting views regarding important matters between audit staff, between audit staff and the audit engagement partner and between the audit engagement partner and the independent partner?		
<p>Do the firms procedures for appointment and reappointment cover the following areas:</p> <ul style="list-style-type: none"> <li>➤ Competence?</li> <li>➤ Resources?</li> <li>➤ Independence?</li> <li>➤ Consideration of the integrity of the owners, directors and management of the entity?</li> <li>➤ Consideration of whether the rules have been complied with in respect of a change in appointment?</li> </ul>		
Does the firm have adequate procedures for ensuring that if any issues arise during the course of the audit there is consideration of whether the firm should continue acting?		
Is particular attention paid to whether the firm should seek reappointment at the end of the audit?		
Does the firm have adequate procedures to demonstrate compliance with the Money Laundering Legislation?		
Has the firm received any claims or complaints in respect of their audit work or any other work undertaken in the practice?		
Is the firm aware of a potential claim or complaint resulting from their audit work or any other work undertaken in the practice?		
If so has action been taken to ensure that the action resulting in the complaint will not be repeated? Identify action taken:		

Issue	Yes /No /NA	Comments
<p>Does the firm have policies and procedures in place to comply with ISQC 1 in respect of:</p> <ul style="list-style-type: none"> <li>➤ Leadership responsibilities</li> <li>➤ Ethics</li> <li>➤ Acceptance and continuance of appointment</li> <li>➤ Human Resources</li> <li>➤ Engagement performance</li> <li>➤ Monitoring</li> <li>➤ Documentation</li> </ul>		
<p>Consider the documentation used for carrying out audits and ensuring compliance in the financial statements:</p> <ul style="list-style-type: none"> <li>➤ Are there suitable programmes and disclosure checklists for all types of work?</li> <li>➤ Are these kept up to date?</li> <li>➤ Where there are specialist audits, is suitable and up to date documentation used?</li> <li>➤ Are there procedures in place to ensure that any changes to the system have been notified to the staff?</li> <li>➤ Are there procedures in place to ensure that all new staff is thoroughly briefed on the use of the documentation?</li> </ul>		
<p>Does the firm have adequate procedures for consultation that have been notified to all staff and sub contractors?</p>		
<p>Does the firm have a procedure to ensure that an independent review is undertaken whenever necessary?</p>		
<p>Does this procedure cover the procedures to be adopted for the following:</p> <ul style="list-style-type: none"> <li>➤ Listed companies?</li> </ul>		
<ul style="list-style-type: none"> <li>➤ Public interest audits?</li> <li>➤ High risk audits?</li> </ul>		
<p>Has an independence register been completed including a list of files that should be subjected to cold or hot review?</p>		

Issue	Yes /No /NA	Comments
Has this register been followed when undertaking cold reviews?		
Where an independent review has been deemed necessary has this been undertaken before the audit report has been signed?		
<p>Has the firm undertaken a series of cold file reviews? Covering all of the following:</p> <ul style="list-style-type: none"> <li>➤ Ensuring that all partners and senior staff have been covered?</li> <li>➤ All files identified as needing a cold review on the independence register have been reviewed?</li> <li>➤ All audits have been completed in accordance with the auditing standards?</li> <li>➤ All financial statements comply with the relevant disclosure requirements?</li> <li>➤ An appropriate audit opinion has been signed?</li> <li>➤ All audit reports have been signed using the correct registered name, with registered auditor displayed prominently?</li> <li>➤ Identified action where needed and assessed that the firm has the ability and resources to carry it out?</li> </ul>		
<p>Detail below the action points arising from the previous compliance review:</p> <ul style="list-style-type: none"> <li>➤</li> <li>➤</li> <li>➤</li> <li>➤</li> <li>➤</li> <li>➤</li> </ul>		
Has appropriate action been taken in all of these areas?		
<p>Detail below the main action points arising from the previous series of cold file reviews:</p> <ul style="list-style-type: none"> <li>➤</li> <li>➤</li> <li>➤</li> <li>➤</li> <li>➤</li> </ul>		
Has appropriate action been taken in all of these areas?		
Have any managers/partners in the firm consistently failed to produce work of an acceptable standard?		

Issue	Yes /No /NA	Comments
If so what action has been taken to address this issue?		
<p>Does the firm have a readily accessible technical library containing the following manual or computerised versions of:</p> <ul style="list-style-type: none"> <li>➤ Company's legislation?</li> <li>➤ Audit regulations?</li> <li>➤ Institute's member's handbook/ Rulebook?</li> <li>➤ Auditing and accounting standards?</li> <li>➤ Institute's magazines?</li> <li>➤ Specialist audit literature and documentation?</li> <li>➤ Other?: Specify</li> </ul>		



**File Review Follow Up Schedule**

<b>Issue arising</b>	<b>Required action</b>	<b>By whom</b>	<b>By when</b>	<b>Comments</b>

**Sub-contractor agreement**

Firm Name:  
Name of sub-contractor:  
Office:  
Date on which work commenced:

I/We confirm that:

I/We have completed the statement of independence and confidentiality and confirmation of fit and proper status.

I/We have read the firm's *ISQC 1 Compliance Manual* and confirm my/our understanding of the firm's auditing procedures and my/our agreement to comply with them.

I/We will undertake adequate audit CPD necessary to maintain competence and comply with the regulations. Structured CPD will be paid for by myself/ourselves/the firm.

I/We have read and understood the office rules and procedures and will comply with them when carrying out work on behalf of the practice.

I/We am/are responsible to .....  
when carrying out work on behalf of the practice.

Signed:

Sub contractor: \_\_\_\_\_

Date: \_\_\_\_\_

Partner in Charge of Compliance: \_\_\_\_\_

Date: \_\_\_\_\_

### Independence Checklist

Completed by:	Date:	Ref:
Reviewed by:	Date:	

When answering the questions below, consideration should be given to the contents of the Code of Ethics for Chartered Accountants of the Institute.

Issue	Yes/ No	Details	Proposed action
Are there any issues that could result in a self interest threat?			
Are there any issues that could result in a self review threat?			
Are there any issues that could result in an advocacy threat?			
Are there any issues that could result in a familiarity or trust threat?			
Are there any issues that could result in an intimidation threat?			
Do we have adequate resources and skills to complete the assignment?			
Are there any other reasons why we may not wish to act for this client?			

**Conclusion**

**Partner** \_\_\_\_\_ **Date** \_\_\_\_\_

**Second Partner Conclusion (where necessary)**

**Signed** \_\_\_\_\_ **Date** \_\_\_\_\_

## Complaints Form

**Client name** \_\_\_\_\_

**Date** \_\_\_\_\_

**Client partner** \_\_\_\_\_

Partner responsible for dealing with the complaint: \_\_\_\_\_

Nature of the complaint:

Detail below the results of the investigation into the complaint:

Detail below the action that needs to be taken:

Detail below the clients response:

Are there any issues that need to be communicated to staff? If so, state how this has been dealt with: