

technical factsheet 136

ISQC 1 – International Standard on Quality Control (UK and Ireland)



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GUIDANCE NOTES

A system of quality control to comply with International Standard on Quality Control (UK and Ireland) 1 (ISQC 1) has been required for all auditors from 15 June 2005.

This factsheet reflects the changes introduced by the Clarified ISQC 1 that is applicable to engagements for financial periods ending on or after 15 December 2010.

ISQC 1 deals with quality control at the firm level, whereas ISA (UK & I) 220 deals with quality control at the engagement level.

The objective of ISQC 1 is to provide with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements. Also that audit reports issued by the firm or engagement partners are appropriate in the circumstances.

The objective of ISA (UK & I) 220 is to provide standards and guidance on specific responsibilities of the auditor regarding quality control procedures on individual audits.

The following guidance/information on ISQC 1 has been designed to assist firms to comply with this standard and to record this process using the checklists.

ISQC 1 recognises that small and large firms will adopt different methods of documentation (para A73 and A75 ISQC 1) and also that content will reflect firms size, autonomy of office and complexity of the organisation (para A73 ISQC 1). The documentation provided is aimed to assist small firms or independent offices recording or highlighting the information required by the standard and already in place in firms. A checklist, example letters and forms have been provided and can be tailored to firms' needs.

ISQC 1 can be downloaded from the FRC website at the following website address:

[http://www.frc.org.uk/getattachment/c5d8612f-d7ff-47dc-9e2d-3ded33eb0ee7/ISQC-\(UK-and-Ireland\)-1.aspx](http://www.frc.org.uk/getattachment/c5d8612f-d7ff-47dc-9e2d-3ded33eb0ee7/ISQC-(UK-and-Ireland)-1.aspx) .

Leadership responsibilities for quality with the firm

The firm's culture shall be based on the recognition that quality is essential in performing engagements.

ISQC 1 requires firms to communicate quality control procedures to firms' personnel (ISQC 1 para 17).

Suggest firms' personnel are sent e-mail, memos on the earlier of:-

- (a) any significant update to quality control procedure
- (b) annually with Independence Checklist
- (c) upon joining the firm or taking on a new position or changing location.

A "fit and proper, independence, confidentiality statement" questionnaire can be found in the audit file review section. Such a statement should be obtained from all staff, principals, consultants and sub contractors involved in assurance and related services engagements.

The engagement partner, managing partner or nominee from the managing board or senior member of the firm with responsibility for quality control shall have sufficient and appropriate experience, ability and authority (ISQC 1 para 19) and should assess on an ongoing basis their ability to continue in the role. This can be recorded on forms A2 and B2.

Relevant Ethical requirements (ISQC 1 paras 20 to 28)

ISQC 1 highlights the need to establish policies and procedures to ensure the firm and its personnel comply with relevant ethical requirements for all audit and other assurance engagements.

The ACCA Rulebook, the APB Ethical Standards and the IFAC Code detail the principles of:-

- (a) Integrity
- (b) Objectivity
- (c) Professional Competence and due care
- (d) Confidentiality
- (e) Professional behaviour and
- (f) Independence

At least annually the firm shall obtain written confirmation from all the firm's personnel who are required to be independent, that they are independent of the clients. Written confirmation should be in paper or electronic form.

Safeguards shall be in place to reduce familiarity threats when using the same senior personnel on an assurance engagement over a long period of time. Engagement partners and individuals responsible for engagement quality control review of audited listed companies should be rotated to comply with the IFAC Code and APB Ethical Standards. This can be recorded on form A3.

When the firm accepts a new client and continues to act for an existing client the firm should ensure:

- (a) it has considered the client to have integrity;
- (b) it has the competence, capabilities, time and resources to perform the engagement;
- (c) it can comply with relevant ethical requirements;
- (d) the engagement would not give rise to an actual or perceived conflict of interest. This can be recorded on forms A4 and B3.

With regard to the integrity of the client the firm would consider:

- (a) the integrity and business reputation of the owners, key management, related parties and those charged with its governance;
- (b) the internal control environment and the attitude of the owners, key management and those charged with its governance;
- (c) whether the client is aggressively concerned with maintaining low fees from the firm;
- (d) inappropriate limitation in the scope of work;
- (e) indications that the client might be involved in money laundering or other criminal activities;
- (f) the reasons for the client changing auditors.

This can be recorded on forms A4 and B3.

Human Resources (ISQC 1 paras 29 to 31)

ISQC 1 requires firms to 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 (ISQC 1 para 29).

The policies and procedures should address the following personnel issues:

(a) *Recruitment and performance evaluation*

The firms recruitment processes include procedures that help the firm select individuals of integrity with the capacity to develop the capabilities and competence necessary to perform the firm's work (ISQC 1 para A24).

(b) *Capabilities and competence*

Capabilities and competence are developed through a variety of methods including professional education, continuing professional development including training, work experience, coaching by more experienced staff on the engagement team and independence education for personnel who are required to be independent (ISQC 1 para A25).

(c) *Career development*

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 (ISQC 1 para A27).

(d) *Performance evaluation, compensation and promotion*

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:

- (i) makes personnel aware of the firm's expectations regarding performance and ethical principles;
- (ii) provides personnel with evaluation of, and counselling on, performance, progress and career development; and
- (iii) 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 (ISQC 1 para A28).

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 (ISQC 1 para A29).

This can be recorded on form A5.

Assignment of Engagement Teams

The firm shall assign responsibility for each engagement to an engagement partner. The firm shall establish policies and procedures requiring that:

- (a) the identity and role of the engagement partner are communicated to key members of client management and those charged with governance;
- (b) the engagement partner has the appropriate capabilities, competence and authority to perform the role; and
- (c) the responsibilities of the engagement partner are clearly defined and communicated to that partner (ISQC 1 para 30).

The above steps could be performed and recorded as follows:

- (a) to be done within an audit planning letter.
- (b) a schedule could be prepared, completed by audit partner, and filed on the planning section of the audit file.
- (c) include in the letter of engagement (possibly more than one such letter for any one client).

The firm shall establish 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:

- (a) an understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation;
- (b) an understanding of professional standards and regulatory and legal requirements;
- (c) appropriate technical knowledge, including knowledge of relevant information technology;
- (d) knowledge of relevant industries in which the clients operate;
- (e) ability to apply professional judgment;
- (f) an understanding of the firm's quality control policies and procedures (ISQC 1 para A31).

This can be recorded on form A6.

A form could be included in the planning section in which a senior member of the audit team (partner or manager) addresses each of these points in relation to each member of the audit team. If done by a manager, the partner would have to either review or prepare the assessment in relation to the manager.

Engagement Performance (ISQC 1 paras 32 to 44)

The firm shall 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 (ISQC 1 para 32).

This will usually be achieved by the firm using a standard audit programme relevant to the entity being audited then adapting this standard for the particular entity.

Firms will often accomplish consistency in the quality of engagement performance by using manuals, software tools or other forms of standardized documentation together with industry or subject matter-specific guidance materials.

Matters addressed include the following:

- (a) how engagement teams are briefed on the engagement to obtain an understanding of the objectives of their work.
- (b) processes for complying with applicable engagement standards.
- (c) processes of engagement supervision, staff training and coaching.
- (d) methods of reviewing the work performed, the significant judgments made and the form of report being issued.
- (e) appropriate documentation of the work performed and the timing and extent of the review.
- (f) processes to keep all policies and procedures current (ISQC 1 para A32).

This can be recorded on form A7.1.

It is important that all members of the engagement team understand the objectives of the work they are to perform. Appropriate team-working and training are necessary to assist less experienced members of the engagement team to clearly understand the objectives of the assigned work (ISQC 1 para A33).

Appropriate training during an assignment would seem to be the way to ensure this is achieved. Training should consist of the more experienced members of the team being encouraged to ensure the less senior members of the team understand why they are performing the tests and other work.

Supervision includes the following:

- (a) tracking the progress of the engagement.
- (b) considering the capabilities and competence of individual members of the engagement team, whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
- (c) addressing significant issues arising during the engagement, considering their significance and modifying the planned approach appropriately.
- (d) identifying matters for consultation or consideration by more experienced engagement team members during the engagement (ISQC 1 para A34).

Work performed shall be reviewed by more experienced engagement team members up to the engagement partner. Reviewers should consider whether:

- (a) the work has been performed in accordance with professional standards and regulatory and legal requirements;
- (b) significant matters have been raised for further consideration;
- (c) appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- (d) there is a need to revise the nature, timing and extent of work performed;
- (e) the work performed supports the conclusions reached and is appropriately documented;
- (f) the evidence obtained is sufficient and appropriate to support the report; and
- (g) the objectives of the engagement procedures have been achieved (ISQC 1 para A35).

The reviews shall be carried out in a timely manner so that if further work is to be performed this can be done in a timely and efficient manner. Also following a review of work done it may be necessary to revise the planned nature, timing and extent of work to be performed. The results of the work performed will lead to conclusions which should be compared with the objectives. The objectives, evidence obtained and conclusions should be considered when preparing the report.

Consultation

The firm shall establish policies and procedures designed to provide it with reasonable assurance that:

- (a) appropriate consultation takes place on difficult or contentious matters;
- (b) sufficient resources are available to enable appropriate consultation to take place;
- (c) the nature and scope of such consultations are documented; and
- (d) conclusions resulting from consultations are documented and implemented (ISQC 1 para 34).

This can be recorded on form A7.2.

Consultation can be with individuals within or outside the firm who have specialized expertise to resolve a difficult or contentious matter. Those consulted should be given all the relevant facts which will enable them to provide informed advice on technical, ethical or other matters.

A firm which consults externally (e.g. a firm without appropriate internal resources) may take advantage of advisory services provided by:

- (a) other firms
- (b) professional and regulatory bodies, or
- (c) commercial organizations that provide relevant quality control services.

The firm should ensure that the external provider is suitably qualified (ISQC 1 para A40).

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 (ISQC 1 para A39).

If consultation occurs this should be documented and filed on review (or similar) section of the current audit file.

Differences of Opinion

The firm shall establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and where applicable between the engagement partner and the engagement quality control reviewer. Conclusions reached should be documented and implemented (ISQC 1 para 43).

This can be recorded on form A7.2.

There may be differences of opinion between members of the engagement team, including the partner, those consulted and the engagement quality control reviewer. The differences of opinion should be resolved before the report is dated.

Differences of opinion should be recorded as they occur and there should be policies in place for resolving these matters. It would be advisable to have these policies and procedures in writing and all members of the engagement teams should be aware of them. The conclusions reached, using these policies and procedures, should be documented and their implementation recorded.

Engagement Quality Control Review

The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures should:

- (a) require an engagement quality control review for all audits of financial statements of listed entities;
- (b) set out criteria against which all other audits and reviews of historical financial information, and other assurance and related services engagements should be evaluated to determine whether an engagement quality control review should be performed; and
- (c) require an engagement quality control review for all engagements meeting the criteria established in compliance with subparagraph (b) (ISQC 1 para 35).

This can be recorded on forms B5.1, B5.2 and B7.

The firm should establish policies and procedures to select assurance engagements on which an engagement quality control review should be performed.

The firm's policies and procedures should require the completion of the engagement quality control review before the report is dated (ISQC 1 para 36).

Criteria that a firm considers when determining which engagements other than audits of financial statements of listed entities are to be subject to an engagement quality control review include the following:

- (a) the nature of the engagement, including the extent to which it involves a matter of public interest.
- (b) the identification of unusual circumstances or risks in an engagement or class of engagements.
- (c) whether laws or regulations require an engagement quality control review (ISQC 1 para A41).

The firm shall establish policies and procedures setting out:

- (a) the nature, timing and extent of an engagement quality control review;
- (b) criteria for the eligibility of engagement quality control reviewers; and
- (c) documentation requirements for an engagement quality control review.

This can be recorded on form A7.3.

An engagement quality control review for audits of financial statements of listed entities includes considering the following:

- (a) the engagement team's evaluation of the firm's independence in relation to the specific engagement.
- (b) significant risks identified during the engagement and the responses to those risks.
- (c) judgements made, particularly with respect to materiality and significant risks.
- (d) 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.
- (e) the significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- (f) the matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
- (g) whether working papers selected for review reflect the work performed in relation to the significant judgments and support the conclusions reached.
- (h) the 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 the above considerations (ISQC 1 para A45).

The engagement quality control review should ensure that all the above points are considered and recorded for listed entities. For non listed entities all or some of the above points should be considered and recorded.

Where the engagement quality control reviewer makes recommendations that the engagement partner does not accept and the matter is not resolved to the reviewer's satisfaction, the report is not dated until the matter is resolved by following the firm's procedures for dealing with differences of opinion. The procedures for dealing with differences of opinion should follow ISQC 1 paragraphs 43 and 44. This can be recorded on form B4.

The firm's policies and procedures should address the appointment of engagement quality control reviewers and establish their eligibility through:

- (a) the technical qualifications required to perform the role, including the necessary experience and authority; and
- (b) the degree to which an engagement quality control reviewers can be consulted on the engagement without compromising the reviewer's objectivity (ISQC 1 para 39).

This can be recorded on form B7.

The firm's policies and procedures are 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 (ISQC 1 para A49).

The engagement partner may consult the engagement quality control reviewer during the engagement. Such consultation need not compromise the engagement quality control reviewer's eligibility to perform the role. Where the nature and extent of the consultations become significant, however, care is taken by both the engagement team and the reviewer to maintain the reviewer's objectivity. Where this is not possible, another individual within the firm or a suitably qualified external person is appointed to take on the role of either the engagement quality control reviewer or the person to be consulted on the engagement. The firm's policies provide for the replacement of the engagement quality control reviewer where the ability to perform an objective review may be impaired (ISQC 1 paras 41 and A48).

Policies and procedures on documentation of the engagement quality control review should require documentation that:

- (a) the procedures required by the firm's policies on engagement quality control review have been performed;
- (b) the engagement quality control review has been completed before the report is dated; and
- (c) the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate (ISQC 1 para 42).

The firm shall 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 finalised (ISQC 1 para 45).

The firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation (ISQC 1 para 46).

The firm shall 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 (ISQC 1 para 47).

The engagement quality control reviewer should record and document the review process.

Monitoring (ISQC 1 paras 48 to 56)

The firm shall establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures shall include an ongoing consideration and evaluation of the firm's system of quality control, including, on a cyclical basis, inspection of at least one completed engagement for each partner (ISQC 1 para 48). This can be recorded on forms A7.1, A7.2, A7.3 and A8.

Ongoing consideration and evaluation of the system of quality control includes matters such as the following:

- (a) analysis of:
 - 1 new developments in professional standards and regulatory and legal requirements, and how they are reflected in the firm's policies and procedures where appropriate;
 - 2 written confirmation of compliance with policies and procedures on independence;
 - 3 continuing professional development, including training; and
 - 4 decisions related to acceptance and continuance of client relationships and specific engagements.
- (b) determination of corrective actions to be taken and improvements to be made in the system, including the provision of feedback into the firm's policies and procedures relating to education and training.
- (c) communication to appropriate firm personnel of weaknesses identified in the system, in the level of understanding of the system, or compliance with it.
- (d) follow-up by appropriate firm personnel so that necessary modifications are promptly made to the quality control policies and procedures (ISQC 1 para A65). This can be recorded on form B6.

The inspection of a selection of completed engagements is ordinarily performed on a cyclical basis. Engagements selected for inspection include at least one engagement partner over an inspection cycle, which may, for example, span three years. The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, including the following:

- (a) the size of the firm.
- (b) the number and geographical location of offices.
- (c) the results of previous monitoring procedures.
- (d) 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).
- (e) the nature and complexity of the firm's practice and organization.
- (f) the risks associated with the firm's clients and specific engagements (ISQC 1 para A66).

This can be recorded on form B8.

The inspection process includes the selection of individual engagements, some of which may be selected without prior notification to the engagement team. Those inspecting the engagements are not involved in performing the engagement or the engagement quality control review. In determining the scope of the inspections, the firm may take into account the scope or conclusions of an independent external inspection program. However, an independent external inspection program does not act as a substitute for the firm's own internal monitoring program (ISQC 1 paras 48 and A67).

The responsibility for the monitoring process shall be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility.

The firm shall evaluate the effect of deficiencies noted as a result of the monitoring process and 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 (ISQC 1 para 49).

The firm should communicate to relevant engagement partners and other appropriate personnel deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action (ISQC 1 para 50).

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~
- (d) disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly (ISQC 1 para 51).

Where the result of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement, the firm should determine what further action is appropriate to comply with relevant professional standards and regulatory and legal requirements. It should also consider obtaining legal advice (ISQC 1 para 52).

This problem may arise when an audit report has been issued which, following the monitoring procedure, is considered to be inappropriate.

At least annually, the firm should communicate the result of the monitoring of its quality control system to engagement partners and other appropriate individuals within the firm, including the firm's chief executive officer or, if appropriate, its managing board of partners. Such communication should enable the firm and these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities. Information communicated should include the following:

- (a) a description of the monitoring procedures performed.
- (b) the conclusions drawn from the monitoring procedures.
- (c) where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies (ISQC 1 para 53).

Some firms operate as part of a network and, for consistency, may implement some or all of their monitoring procedures on a network basis. Where firms within a network operate under common monitoring policies and procedures designed to comply with this ISQC 1, and these firms place reliance on such a monitoring system:

- (a) at least annually, the network communicates the overall scope, extent and results of the monitoring process to appropriate individuals within the network firms;
- (b) the network communicates promptly any identified deficiencies in the quality control system to appropriate individuals within the relevant network firm or firms so that the necessary action can be taken; and
- (c) engagement partners in the network firms are entitled to rely on the results of the monitoring process implemented within the network, unless the firms or the network advise otherwise (ISQC 1 para 54).

Complaints and Allegations

The firm shall establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:

- (a) complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and
- (b) allegations of non-compliance with the firm's system of quality control (ISQC 1 para 55).

The firm should establish clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals (ISQC 1 para 55).

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. Small firms may use the services of a suitably qualified external person or another firm to carry out the investigation. Complaints, allegations and the responses to them are documented (ISQC 1 paras A71, A72 and 59).

Documentation (ISQC 1 paras 57 to 59)

The firm shall establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control (ISQC 1 para 57).

Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:

- (a) the size of the firm and the number of offices.
- (b) the nature and complexity of the firm's practice and organization (ISQC 1 para A73).

The firm retains this documentation for a period of time sufficient to permit those performing monitoring procedures to evaluate the firm's compliance with its system of quality control, or for a longer period if required by law or regulation (ISQC 1 para 58).

A1
System of quality control and documentation thereof

ISQC 1 Paragraphs 16 & 57	Answer	Comments	Ref
Ensure firm's system includes policies and procedures addressing:			
(a) leadership responsibilities for quality within the firm			A2
(b) relevant ethical requirements			A3
(c) acceptance and continuance of client relationships and specific engagements			A4
(d) human resources			A5
(e) assignment of engagement teams			A6
(f) engagement performance			A7
(g) monitoring			A8

Date policies and procedures were reviewed

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Date policies and procedures were communicated to the firm's personnel

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The aim of the checklist is to ensure the firm documents its standards and guidance establishing a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances.

The checklist should be continually reviewed and updated with copies retained physically or electronically on any significant update or as a minimum annually. For many firms this will be the same form used when checklist and information is supplied to firms personnel.

A2
Leadership responsibility for quality
ISQC 1 Paragraphs 18 & 19

The firm recognises the importance of maintaining high levels of quality within the firm and the positive impact this has on the firm, firm's personnel and clients.

The firm ensures that any person or persons assigned operational responsibility for the firm's quality control system by the firm's chief executive officer or managing board of partners should have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

- 1 Responsibility for quality in the firm rests with (insert name) who has accepted this role as is evidenced on schedule **B2**.
- 2 Feedback from the firm's personnel and clients is welcomed and encouraged on a regular basis. Message from (insert name).
- 3 This checklist is updated and reviewed regularly (when a significant update has occurred but at least annually). We retain copies of past checklists which are filed (insert file reference location).

A3
Relevant Ethical Requirements
ISQC 1 Paragraph 20

The firms ethical policies and procedures relating to audits and other assurance engagements can be found with the firms standard audit programs and a proforma set of programs can be found at
[insert location]

paras 21 to 25

All firm's personnel are required to complete (minimum annually) the firm's independence checklist:-

(A proforma can be found on pages 38 and 39). Independence checklists completed and signed are kept with the individual's personal file and are reviewed by engagement partners. If you need to review your completed independence checklist contact [insert name]. You must immediately inform engagement partner or [insert name A2] of any change to independence or of any threats to your independence.

A list of firm client gains and losses can be found at [insert location]. Please review this list and inform [insert name A2] of any change that may impact on your independence checklist comments. This list is updated [continually (*ACCA Practice Manager*), weekly, monthly].

A4

**Acceptance and Continuance of Client Relationships and Specific Engagements
ISQC 1 Paragraph 26**

1(a) Client Acceptance

Ensure client acceptance procedures are in place (ref)

Need to address:

- Client integrity
- Ability of the firm to accept engagement
- Ethical requirements have been reviewed.

1(b) Client Continuing to Act

Ensure clients' ability to continue to act procedures are in place (ref)

Need to address:

- Client integrity
- Ability of the firm to continue to act
- Ethical requirements have been reviewed.

[Checklists contained in most audit systems or procedures as contained within *ACCA Practice Manager* review client acceptance procedures. If this is the case refer to that information.]

ISQC 1 ref para 28

2 Continuance of Engagement

Ensure policies and procedures are adequate to cover situations when the firm receives information that would have caused it to decline an engagement if that information had been available earlier. (see schedule **B3**)

A5
Human Resources
ISQC 1 Paragraph 29

A firm should ensure personnel policies and procedures are 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 engagement in accordance with professional standards and regulatory and legal requirements. Also to help ensure the firm issues appropriate reports for all audit and assurance engagements.

	Answer	Comments	Ref
The policies and procedures address the following personnel issues:			
(a) Recruitment			
(b) Performance evaluation			
(c) Capabilities and competence: Professional education CPD Experience Coaching and mentoring Independence education			
(d) Career development Recognising commitment to ethical principles			
(e) Promotion Recognising commitment to ethical principles Importance of firms policies			
(f) Compensation			
(g) Estimation of personnel needs			

The firm should ensure all employees engaged in audit or assurance work or required by ACCA undertake appropriate training development [ACCA Realise (<http://www.accaglobal.com/members/cpd/>)].

[For a large number of small firms, recording employee appraisals including discussions of above points and training and development will be sufficient to ensure compliance with ISQC1].

A6
Assignment of Engagement Teams
ISQC 1 Paragraph 30 & 31

Firms should assign responsibility for each engagement to an engagement partner.

	Answer	Comments	Ref
The policies and procedures address the following issues:			
(a) the identity and role of the engagement partner are communicated to key members of client management and those charged with governance			
(b) the engagement partner has the appropriate capabilities, competence and authority to perform the role			
(c) the responsibilities of the engagement partner are clearly defined and communicated to that partner			
(d) appropriate staff with the necessary capabilities, competence and time to perform engagements in accordance with professional standards and regulatory and legal requirements			
(e) staff have appropriate understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation			
(f) staff have appropriate understanding of professional standards and regulatory and legal requirements			
(g) staff have appropriate technical knowledge, including knowledge of relevant information technology			

**A7.1
Engagement Performance
ISQC 1 Paragraph 32**

ISQC 1 Paragraph 32	Yes/No	Comment
Does the firm ensure policies and procedures are in place to provide reasonable assurance that audit and assurance engagements are performed in accordance with:		
Professional standards?		
Regulatory standards?		
Legal requirements?		
Are appropriate audit and assurance reports being issued?		

[The checklists and programs contained in most audit and procedure manuals will ensure firms comply with this requirement.]

ISQC 1 Paragraph A32	Yes/No	Comment	Sch ref
Does the firm use standardized audit and procedure manuals on all audit and assurance assignments?			
If not, how are the issues in paragraph 32 addressed?			
Where are standard audit and procedure manuals kept?			
How are changes to the standard audit and procedure manuals tracked?			
Is there a list of audit and assurance engagements?			
Is there a list of audit and assurance engagements for which non standardized audit and procedure manuals are used?			

A7.2

Consultation ISQC 1 Paragraph 34	Yes/No	Comment	Sch ref
Do policies and procedures exist to provide reasonable assurance that:			
(a) contentious and difficult matters are discussed?			
(b) consultation is appropriate in relation to the concerns, with appropriate members of the team?			
(c) are discussions of contentious and difficult matters recorded, noting the nature, scope and conclusions reached?			
(d) if appropriate, was guidance sought from commercial organisations, ACCA Technical Advisory or other firms with the same level of authorisation as the firm?			

The above matters will be covered in most audit manuals.

Differences of opinion ISQC 1 Paragraph 43	Yes/No	Comment	Sch ref
Do policies and procedures exist to resolve differences between:			
(a) members of the audit engagement team?			
(b) engagement partner and engagement quality control reviewers?			
Have all matters relating to differences of opinion been documented?			
Have all differences of opinion been resolved before the report is signed and dated?			

The matters above are highlighted in most audit or procedure manuals and suggested procedures for disputes arising between the engagement partner and engagement quality control reviewer can be found in form

Engagement quality control reviewer is a “hot” review by second partner, other firm, professional commercial organisation or other suitable individual.

ISQC 1 defines engagement quality control review as “a process designed to provide an objective evaluation, on or before the date of the report, of the significant judgements the engagement team made and the conclusions they reached in formulating the report.” (ISQC 1 para 12 (d))

A7.3
Engagement Performance
Engagement Quality Control Review
ISQC 1 Paragraph 35

Ensure policies and procedures exist to highlight where engagement quality control reviews (second reviews/hot reviews) are required, for example:

- (a) listed entities
- (b) public interest entities
- (c) complex or unusual businesses
- (d) organisations governed by complex law or regulations
- (e) third party reporting considered as high risk
- (f) required by ACCA Professional Conduct/Monitoring Departments.

Reviews can be conducted by:

- (i) a second partner in the firm
- (ii) another firm with the same level of authorisation
- (iii) professional commercial organisation
- (iv) another suitably qualified individual

Details of firms review criteria can be found at **B5**.

ISQC 1 paragraph 36

For all clients requiring engagement quality control reviews ensure engagement quality control review is completed and differences resolved before any report is dated.

Ensure policies and procedure exist and are documented.

ISQC para		Answer	Comment	Ref
37-38	The nature, timing and extent of an engagement quality control review			B6
39-41	Criteria for the eligibility of engagement quality control reviewers			B5
42	The engagement quality control review has been adequately documented			B6

A8
Monitoring
ISQC 1 Paragraphs 48 to 56

ISQC para		Answer	Comment	Ref
48 & 52	Firms must ensure policies and procedures are in place to provide reasonable assurance that quality control for audit and assurance engagements is complied with.	Yes		
49	Firms must assess any report and where necessary take appropriate action to update the firms quality control systems.	Yes		
50	Firms must communicate to all partners and other appropriate personnel deficiencies noted and remedial action required.	Yes		
51 & 53	Firms must ensure monitoring process is understood and communicated to partners and other appropriate persons (minimum annually) in the firm. Monitoring process must include:	Yes		
	(a) description of the procedures performed			
	(b) conclusions drawn			
	(c) deficiencies noted: type and frequency			
	(d) remedial action proposed including training			
	(e) changes to control policies and procedures			
	(f) where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies			
55	Firms must establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:			
	(a) complaints and allegations that the work performed by the firm fails to comply with professional standards and regulatory and legal requirements; and			
	(b) allegations of non-compliance with the firm's system of quality control.			
	(c) deficiencies noted: type and frequency			
	(d) remedial action proposed, including training			
	(e) changes to control policies and procedures			
	Firms must establish clearly defined channels for firm personnel to raise concerns without fear.			

B1
To firm's personnel

In accordance with the firm's contract to ensure quality within the firm is of the highest standard, we enclose the prepared, ISQC 1 checklist (A1 to A7). The checklist details where you can locate firms policy and procedures and when they were last updated.

We wish to ensure we maintain high standards of quality control within the firm and welcome and encourage feedback thereon.

You can feedback to me in a number of ways:-

- (i) face to face
- (ii) e-mail or letter (anonymously) if you deem fit
- (iii) via your manager/another partner

Finally please take time to ensure the policies and procedures we have set are being complied with, and again please contact me should you have any concerns.

Signed..... [insert name]
Engagement quality control reviewer
Firms designated person

B2
SELF CERTIFICATION
By firm's designated person

Assessment to continue/commence in the role as the firm's designated person with responsibility for firm's system of quality control in accordance with ISQC 1.

With regard to ISQC 1 requests

	Yes/No	Reason for answer
Do I have the required experience, ability and current knowledge to fulfil my role as "designated person"?		
Has the firm provided the necessary level of autonomy and authority?		

I [insert name] having the appropriate ability, experience and authority am able to develop and implement the appropriate policies and procedures required by the firm as required by ISQC 1.

..... [insert name]

If not a partner or board member the above assessment should be countersigned by managing partner or CEO. Having assessed the above comment I concur with the assessment [insert name]

If the answer is "no" to any of the above the firm's board should be referred to the regulatory body.

B3

Continuance of Engagement ISQC 1 paragraphs 26 to 28	Answer	Comment	Ref
If suspicions arise under the Money Laundering Regulations or Proceeds of Crime Act, have procedures relating to continuing to act for the client been followed as prescribed by ACCA and CCAB guidance which can be found on ACCA's Money Laundering microsite at http://www2.accaglobal.com/uk/members/technical/advice_support/law_regulation/moneylaundering/			
For matters other than money laundering etc issues, has the engagement partner adopted the following policies and procedures:			
(a) was consideration given to matters raised by members of the audit team?			
(b) consideration of the requirement, if any, to report to a person(s) who made the appointment?			
(c) consideration of the requirement, if any, to report to regulatory authorities?			
(d) consideration of withdrawing from the audit or assurance engagement?			
(e) consideration of withdrawing from the client relationship?			
(f) having discussions with the appropriate level of the client's management?			
(g) having discussions with those responsible for governance of the client?			
(h) if the firm decided to withdraw from the audit or assurance engagement or from the client relationship then appropriate discussions are held with management and those responsible for governance of the client?			
Consideration of professional, regulatory or legal requirements to:			
(i) remain in place?			
(ii) report the withdrawal from the engagement?			
(iii) report the withdrawal from the client relationship?			
(iv) report the reasons for the withdrawal to appropriate persons or bodies?			
If reports have been filed under the Money Laundering Regulations, have copies been filed in a secure location as required by the CCAB guidance?			

B4
Engagement Performance

Policy and procedure to resolve differences between engagement partner and engagement quality control reviewer (firms designated person).

Engagement quality control reviewer is(as per **B2**)

Where differences are unresolved between both parties they agree to the following procedure:-

- 1 If the engagement quality control reviewer is a member of the same firm as the engagement partner:
 - (a) involve another partner with the firm to try to reach consensus
 - (b) if unable to agree, engage suitable qualified professional consultant to resolve the matter acting in the capacity of arbitration. [ACCA monitoring department approval list]
- 2 If the engagement quality control review is a member of another firm:
 - (a) if unable to agree, engage suitable qualified professional consultant to resolve the matter acting in the capacity of arbitration. [ACCA monitoring department approval list]
- 3 If the engagement quality control reviewer is a professional consultant:
 - (a) seek a second opinion from the consultant, or
 - (b) seek opinion from second consultancy firm (ACCA monitoring department approval list).

B5.1
Engagement Quality Control Review

	Clients requiring 2nd reviews	2 nd partner continuity person other person	Professional commercial organisation	Reason for reviewer selection	Sch ref
a	List entities				
b	List public interest clients				
c	List complex or unusual businesses				
d	List entities governed by complex law or regulations				
e	List clients with third party reporting requirements considered "high risk"				
f	List clients requiring 2 nd review by ACCA Professional Conduct/ Monitoring				
g	Ensure letter of engagement in place for each case where a second review is undertaken by an external person				

B5.2

	Engagement quality control reviews 2nd reviewers	Name and contact details	Qual	Specialism technical expertise	Reason	Sch ref
1	2 nd partner information					
2	Another firm with the same level of authorisation					
3	Professionally competent organisation. eg. PCP Ltd, SWAT, Mercia					
4	Other suitably qualified individual					

B6

	Documentation of the Engagement Quality Control Review ISQC 1 paragraph 42	Answer	Comment	Ref
1	Is there documentation to show that in relation to the engagement quality control review there are policies and procedures such that:			
	(a) the procedures required by the firm's policies on engagement quality control review have been performed?			
	(b) the engagement quality control review has been completed before the date of the report?			
	(c) the reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgements the engagement team made and the conclusions they reached were not appropriate?			
2	Has the firm established policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalised?			
3	Has the firm established policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation?			
4	Has the firm established 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?			

B7

	Monitoring ISQC 1 Paras 48 to 56	Answer	Sch in Audit file	Location where info stored
1	Does the ongoing consideration and evaluation of the system of quality control include analysis of:			
	(a) new developments in professional standards and regulatory and legal requirements and how they are reflected in the firm's policies and procedures?			
	(b) written confirmation of compliance with policies and procedures on independence?			
	(c) continuing professional development, including training?			
	(d) decisions related to acceptance and continuance of client relationships and specific engagements?			
2	Has the system of quality control been amended or improved where necessary, including feedback into the firm's policies and procedures, relating to education and training of the firm's personnel?			
3	Communication has occurred to appropriate personnel within the firm of:			
	(i) weaknesses identified in the system?			
	(ii) an understanding of the system and compliance with it?			
4	Follow up occurs by appropriate firm personnel so that necessary modifications are promptly made to the quality control policies and procedures?			

	Engagement Quality Control Review	Answer	Sch in audit file	Location where info stored
1	Has B5 been completed noting name, contact details, qualifications, area of specialism and reason for selection of all quality control reviewers for each client?			
2	Has a letter of engagement been issued and returned signed for all quality control reviewers? (example can be found on <i>ACCA Engagement Letters</i> CD ROM).			
3	Does the letter of engagement include the following points:			
	(a) degree to which engagement quality control reviewer can be consulted on the engagement without compromising objectivity?			
	(b) technical qualification and expertise of individual?			
	(c) review they will undertake?			
	(d) report they will issue?			
	(e) timing of the review and report?			
	(f) responsibilities of the engagement partner?			
4	Have the following procedures been adopted:			
	(a) the engagement quality control reviewer did not participate in the engagement?			
	(b) the engagement quality control reviewer did not make decisions for the firm?			
	(c) there were no matters that impaired the engagement quality control reviewers' objectivity?			
	(d) when disputes arise, is the firm's policy followed to resolve disputes?			
5	Before dating any client reports did the firm assess the engagement quality control reviewer's report to ensure:			
	(a) no matters have arisen that impair the selection of the engagement quality control review?			
	(b) no matters have arisen from the report that remain unresolved?			
	(c) no matters have arisen that were not highlighted to the reviewer that may have altered their report?			

B9
Monitoring
ISQC 1 Paragraph 48 and A66

The inspection of a selection of completed engagements is ordinarily performed on a cyclical basis. Engagements selected for inspection include at least one engagement partner over an inspection cycle, which may, for example, span three years. The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, including the following:

- (a) the size of the firm.
- (b) the number and geographical location of offices.
- (c) the results of previous monitoring procedures.
- (d) 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).
- (e) the nature and complexity of the firm's practice and organization.
- (f) the risks associated with the firm's clients and specific engagements.

Report to "Designated Person" on Deficiencies Recorded by The Engagement Quality Control Reviewers

Review of X clients period from to highlighted the following matters requiring attention by the firm:-

- (a) adherence to professional standards and regulatory and legal requirements
- (b) whether the quality control system has been properly designed and implemented
- (c) whether policies and procedures have been applied so reports that are issued by the firm or engagement partner[s] are appropriate in the circumstances.
- (d) details of reports that may be incorporated given the procedures followed or evidence obtained. [Firms are recommended to seek legal advice where monitoring process called into doubt the suitability of any report].

From the above deficiencies reported by the Engagement Quality Control Reviewers the audit partner concludes that the deficiencies are either (1) or (2) below:

- (1) 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
- (2) systemic, repetitive or other significant deficiencies that require prompt corrective action.

Ensure relevant engagement partners and other appropriate personnel have been informed of the deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action.

The firms evaluation of each type of deficiency should result in one or more of the following recommendations:

- (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.

If as a result of the monitoring procedures indications are that a report may have been inappropriate or that procedures were omitted during the performance of the engagement, the firm should determine what further action is appropriate to comply with relevant professional standards and regulatory and legal requirements. It should also consider obtaining legal advice.

At least annually, the firm should communicate the results of the monitoring of its quality control system to engagement partners and other appropriate individuals within the firm, including the firm's chief executive officer or, if appropriate, its managing board of partners. Such communication should enable the firm and these individuals to take prompt and

appropriate action where necessary in accordance with their defined roles and responsibilities. Information communicated should include the following:

- (a) a description of the monitoring procedures performed.
- (b) the conclusions drawn from the monitoring procedures.
- (c) where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies.

AUDIT FILE REVIEW

This questionnaire is to be used for reviewing individual audit assignments

Name of firm

Client details

Reference

Nature of business

Public interest client? Yes/No*

Partner

Manager

Dates: Year end

Accounts approved

Audit report

Nature of audit report

Small company disclosure exemptions? Yes/No*

FRSSE being used? Yes/No*

Abbreviated accounts filed? Yes/No*

Extent of accounts preparation by auditor? None/Post TB/Post Cash Book etc/Full*

Audit pack used

Turnover £

Total assets £

Pre-tax profit £

Audit fee £

*Delete as appropriate

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	

REVIEW OF AUDIT CONTROL SECTION

		Yes / No / N/A	Comments
1	Do the signed accounts agree to the lead schedules? (Check all the balance sheet items including notes re those items)		
2	From a brief read, do the accounts seem free of any obvious errors or inaccurate/inadequate disclosures?		
3	Was an appropriate disclosure checklist fully and conscientiously completed?		
4	If the auditors' report is unqualified (with no fundamental uncertainty) does the wording comply with standard practice?		
5	Do the working papers adequately record all work done, and do they adequately justify the audit opinion reached? OR If the auditors' report is qualified (or unqualified but with emphasis of matter paragraph or there was a potential qualification) did a second partner review take place with clear evidence of the partners' conclusions on file?		
6	Did the partner evidence clearance/consideration of all points in the (exception) report to partner?		
7	Were all review comments/ outstanding points evidenced as clear?		
8	Does the file contain either (a) a properly concluded summary of monetary errors with an acceptable level of unadjusted errors; or (b) a clear indication there were no such errors?		
9	Has going concern been adequately considered?		
10	Does the file contain either (a) evidence of a post fieldwork review carried out shortly before the audit report was signed, and signed by the partner; or (b) an indication with valid reasons that a review was unnecessary?		
11	Was a properly dated and relevant representation letter obtained?		
12	Was a meaningful planning review of the accounts carried out?		
13	Was a meaningful final review of the accounts carried out?		
14	Were all significant matters arising reported to the client promptly and in an appropriate manner?		
15	Is there a clear record of the closing meeting with the client?		
16	Did planning include sufficient consideration of the appropriateness of appointment/re-appointment?		
17	Was assignment planning approved by the partner before significant detailed work was carried out?		

18	Was the overall risk assessment consistent with the answers to the detailed inherent risk questions?		
19	Was precision calculated in accordance with the guidelines?		
20	Was the sample selection plan properly complete?		
21	Does an appropriate engagement letter exist for this client?		
22	Were the accounting systems sufficiently recorded?		
23	Was the adequacy of the accounting systems as a basis for the preparation of accounts assessed?		
24	In light of any relevant answers given in questions 6 to 18 inclusive, were the answers and conclusions in the completion checklist correct and/or appropriate?		

REVIEW OF DETAILED SECTIONS

Audit area:

(The area is one of two to be selected by the reviewer as being critical to the audit opinion)

		Yes / No / N/A	Comments
1	Do the lead schedules agree to the supporting schedules?		
2	Did the work done reflect matters identified at the planning stage?		
3	Was the work carried out in accordance with the audit programme?		
4	Were all sections of the audit programme completed and signed off?		
5	If inherent risk is assessed separately does this assessment seem reasonable?		
6	Were significant risk areas adequately tested?		
7	Did we carry out audit work on all material items in the section?		
8	Were sample sizes in accordance with the sample selection plan?		
9	Was enough, and relevant, audit work carried out? (Comment also on an indication of overaudited/ unnecessary audit work)		
10	Was all audit work properly and adequately recorded?		
11	Were all errors in this area collated?		
12	Were all working papers clear and concise and was their purpose clear?		
13	Was any reliance on (a) controls and/or (b) substantive analysis properly justified?		
14	Is there a clear record of all significant audit judgements?		
15	Is there clear evidence that all working papers have been adequately reviewed?		
16	Does the file explain an acceptable method of sample selection?		
17	Were appropriate conclusions properly recorded on (a) individual tests, and (b) the section as a whole?		
18	Does the audit report appear appropriate in the context of this area?		
Other comments			

Reviewers' conclusions on review of audit control section and review of detailed sections

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

Review discussed with (A)

Date

Matters disputed by (A)

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

FIT AND PROPER, INDEPENDENCE, CONFIDENTIALITY STATEMENT

Name:

The firm is required to obtain confirmation from all staff, principals, consultants and sub contractors that they:

- Are fit and proper individuals;
- Are independent; and
- Will comply with confidentiality rules.

The form should be completed and returned to (insert principal name) by (insert date).

Fitness and Propriety

		Yes/No
1	Have you contravened any provision of the Companies Acts 2006 or any regulations made under any of them relating to the seeking of an appointment or acting as company auditor?	
2	Have you contravened any provision of similar legislation or regulations of any territory outside the UK?	
3	Have you on any occasion, in respect of any matter, given the Association of Chartered Certified Accountants false, inaccurate, misleading or incomplete information or failed to co-operate?	
4	Have you at any time been bankrupt, signed a trust deed for creditors or entered into a deed of arrangement of similar in respect of your financial affairs?	
5	Have you at any time been removed from the office of liquidator, trustee, administrative receiver, administrator or supervisor?	
6	Have you at any time been the subject of a disqualification order made under the Company Directors Disqualification Act 1986?	
7	Have you at any time been excluded or refused membership of a professional body on disciplinary grounds?	
8	Have you at any time been found to have failed to ensure that the experience and competence of your employees and practice associates are adequate, having regard to the nature of the work involved?	
9	Have you at any time been a patient under the Mental Health Act 1983?	
10	Have you at any time been subject to disciplinary action under the regulations of your professional body (eg. been found guilty of misconduct by committing a criminal offence) or under the Accountancy and Actuarial Discipline Board?	
11	Have you at any time been the subject of a police investigation?	
12	Have you at any time pleaded guilty to or been found guilty of any offence?	
13	Have you ever been disqualified by a court of law from being a director of any company?	
If you have answered "yes" to any of the above, give details on a separate schedule.		

Independence

		Yes/No
1	Do you have any financial interest in any clients of the firm such as the following:	
	(a) beneficial interests in shares or other investments?	
	(b) beneficial interests in trusts?	
	(c) trustee investments or nominee holdings?	
2	Have you ever:	
	(a) made a loan to or guaranteed borrowings by any client of the firm?	
	(b) accepted a loan from a client of the firm?	
	(c) had any borrowings guaranteed by a client of the firm?	
3	Have you at any time been a patient under the Mental Health Act 1983?	
4	Have you at any time been subject to disciplinary action under the regulations of your professional body (eg. been found guilty of misconduct by committing a criminal offence) or under the Investigation and Disciplinary Board?	
5	Have you at any time been the subject of a police investigation?	
6	Have you at any time pleaded guilty to or been found guilty of any offence?	
7	Have you ever been disqualified by a court of law from being a director of any company?	
8	Have you accepted any material goods or services on favourable terms, or have you received any undue hospitality from any audit client?	
9	Do you act as trustee, cheque signatory or in any management or shadow management role for any client or do you have any personal or family connections with any client?	
10	Have you been employed by any client of the firm during the last two years?	
11	Do you have a personal or family relationship with any client of the firm?	
12	Do you have any mutual business interests with any clients of the firm?	
	If you have answered "yes" to any of the above, give details on a separate schedule.	

Confidentiality

All principals, staff and sub-contractors and consultants of the firm are obliged to complete and sign a statement of confidentiality as a condition of their employment with this firm. The principles are as follows:

- working papers must be kept securely so that unauthorised access is prevented
- no information about any client must be disclosed to any third party without the prior approval of the principal in charge.

Any breach of the requirements in this area could result in disciplinary action being taken against you.

Confirmation

I have answered the above questions accurately and truthfully to the best of my knowledge. Should any circumstances change, I shall inform (inset name of principal) immediately.

I am aware of the necessity to keep the affairs of and my dealings with the clients confidential and understand the implications of not doing so.

Signed

Date

CLIENT MANAGEMENT – CLIENT SERVICE QUESTIONNAIRE

We are always looking for ways in which we can improve the quality of the service we are providing to our clients. We would be grateful if you could spare a few minutes of your valuable time answering the questions below. Obviously it is useful to us if you provide your details below, but if you choose to complete the questionnaire anonymously we perfectly understand. Once you have completed this form please return it to (insert name) in the envelope provided.

Client Name:

Contact Name:

Date:

Please indicate your assessment of our service on a scale of 1 to 6 (please circle your response), on the following:

Do you find our services:			
1	Reactive	1 2 3 4 5 6	Proactive
2	Do not help you	1 2 3 4 5 6	Do help you
3	Do not provide all the financial advice you need	1 2 3 4 5 6	Do provide you with all the advice you need
4	Static	1 2 3 4 5 6	Progressive
5	Too expensive	1 2 3 4 5 6	Good value
6	Deal poorly with problems	1 2 3 4 5 6	Solve problems

Do you find us:			
7	Slow to respond	1 2 3 4 5 6	Quick to respond
8	Not geared to your needs	1 2 3 4 5 6	Geared to you
9	Rarely available	1 2 3 4 5 6	Always available
10	Unhelpful	1 2 3 4 5 6	Helpful
11	Unfriendly	1 2 3 4 5 6	Friendly
12	Apparently poorly trained	1 2 3 4 5 6	Well-trained
13	Unprofessional	1 2 3 4 5 6	Professional

Please give comments, especially on any unfavourable scores (scores of 3 and below)

Are there any additional services, which we do not provide you with, which you believe we should be providing you?

We would like you to answer some general questions regarding our services and relationship with you as a valued client.

What do you like most about our services?

What do you dislike most about our services?

Are there ways in which you believe our services to you could be improved?

Have you ever recommended any other business to use our services?

We are always looking to expand our client base and would like to ask whether you would be willing to refer any of your acquaintances to us as clients?

If there are any people you would like us to contact please enter their details below:

Contact name:
Business name:
Business type:
Business address:
Business telephone number:

Contact name:
Business name:
Business type:
Business address:
Business telephone number:

Thank you very much for your time.

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	

INDEPENDENCE CHECKLIST

		Yes/No
1	<p>Undue dependence on a client Do the total fees of this client/group of clients exceed 15% of gross practice or engagement partner income, or for a member/partner practising part time 15% of gross earned income?</p> <p>Specify percentage if greater than 10%: (In the case of listed and other public interest companies the figure is reduced to 10%)</p>	
2	Overdue fees	
	<p>(a) are there any significant overdue fees for this client?</p> <p>(b) could these overdue fees when taken with the fees for the current period be regarded as a significant loan? Specify the value of the overdue fees:</p>	
3	<p>Actual or threatened litigation Is there any actual or threatened litigation between you and the client in relation to fees for audit work or other work? Where "yes" give brief details:</p>	
4	Associated firms – influences outside the practice	
	<p>(a) is any pressure exerted on the firm by associated practices or from external sources such as bankers, solicitors or other parties?</p> <p>(b) is the audit undertaken on behalf of another firm of accounts? Where "yes" give details:</p>	
5	Family and other personal relationships	
	<p>(a) do you or any of your partners or staff have any mutual business interests with the client or with an officer or employee of the client?</p> <p>(b) do you or any of your partners or staff have a personal or family relationship with any of the company owners, directors or senior staff? Where "yes" give details:</p>	
6	Do you or any of your staff have any financial investment in the company in respect of the following:	
	(a) any beneficial interests in shares or other investments?	
	<p>(b) any beneficial interests in trusts?</p> <p>(c) any trustee investments or nominee shareholdings? Where "yes" give details:</p>	
7	If a public interest audit, have you acted for the client for more than 5 years?	

	Where "yes" specify action to be taken:	
8	Voting on audit appointments Where a partner or staff member holds shares in any capacity in an audit client, have they voted at any general meeting of the company in relation to the appointment, removal or remuneration of the auditor? Where "yes", give details:	
9	Loans Have you or your staff or anyone closely connected with the practice:	
	(a) made a loan to or guaranteed borrowings by the client?	
	(b) accepted a loan from the client?	
	(c) had borrowings guaranteed by the client?	
	(d) has last year's audit fee not been settled in full? Where "yes" give brief details:	
10	Hospitality	
	(a) have you or any of your staff accepted any material gifts or services on favourable terms or received undue hospitality from the client?	
	(b) has the client benefited from material hospitality from the practice? Where "yes" give brief details:	
11	Provision of other services to clients	
	(a) do you or any of your staff perform management functions or make management decisions on behalf of the client?	
	(b) where the firm prepares the company's accounting records, is there any reason why the client will not accept responsibility for the records as his own?	
	(c) if the client is a listed company or public interest company does the firm participate in the preparation of the company's accounting records? Where "yes" give brief details:	
12	Tight reporting deadlines Are there any tight reporting deadlines with which the firm must comply when completing the audit? Where "yes" give brief details:	
13	Unprofitable or fixed fee jobs Is the job unprofitable or has the audit fee been agreed on a fixed fee basis? Where "yes" give brief details:	
14	Resources Do we have inadequate resources to complete the assignment? Where "yes" give brief details:	
15	Desirability	

	Are there any other reasons why we may not wish to act for this client? Where "yes" give brief details:	
--	--	--

Action taken to safeguard independence:

.....

.....

.....

Conclusion:

.....

.....

.....

The firm's independence checklist has been completed and no matters have arisen that impact the staff, partner or firm's independence.

Partner Date:

Second Partner Conclusion (where necessary)

.....

.....

Signed Date:

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	

AUDIT – QUALITY CONTROL PROCEDURES CHECKLIST

Where work is outstanding prior to review, the outstanding (O/S) column should be marked to highlight any work required. As and when work is completed, the final column should be initialled. At this stage the tick should be erased.

	PRE PARTNER REVIEW	Answer	o/s	Initial	Date	Ref
	Adminstration					
1	Is the letter of engagement for the assignment still appropriate	Yes				
2	Has the permanent file been updated?	Yes				
3	Has the firm been properly appointed as auditors in accordance with the Companies Act?	Yes				
	Assignment					
4	Are all planned/expected schedules on the file?	Yes				
5	Do the working papers adequately record all work done, and do they adequately justify the audit opinion reached?	Yes				
6	Has the file been fully cross-referenced?	Yes				
7	Does the file contain comments on the results?	Yes/NCN*				
8	Has the costing section of the file been completed?	Yes/NCN*				
9	Have any necessary points which could impact on the assignment been recorded on a points forward to next year's schedule?	Yes/None*				
10	Are the layout and content of the report satisfactory?	Yes				
11	Are the layout and content of the financial statements satisfactory?	Yes				
12	Has a disclosure checklist been completed to ensure the financial statements comply with the Companies Act 2006?	Yes				
13	Has a suitable letter of representation been drafted?	Yes/No*				

POST PARTNER REVIEW - FINAL		Answer	o/s	Initial	Date	Ref
Administration						
1	Do the working papers and tax computations reflect final adjustments?					
2	Does the closing trial balance reflect all final adjustments?	Yes				
3	Have all the partner's review queries been actioned?	Yes				
4	Has a fee note been drafted?	Yes/NCN*				
Records						
5	Have you arranged to return records to the client?	Yes/None*				
Personnel						
6	Does the partner or manager review include written feedback on staff performance?	Yes				
Commercial						
7	Have we considered what extra services the client might require?	Yes/No*				
8	Has a suitable letter of representation been drafted?					
Practice/Technical Development						
9	Has the partner been notified of any specific points emerging from this job which would benefit other clients of the firm, or which other partners and staff need to be made aware of?	Yes/None*				
10	Are we happy that there are no issues that would result in the firm not wishing to seek re-appointment?	Yes/No*				

COMPLETION QUESTIONNAIRE - FINAL		Answer	o/s	Initial	Date	Ref
File Completion						
1	Where items are marked "None" or "NCN", are these answers acceptable?					
2	Has a signed letter of representation been received?	Yes				
3	Have all "O/S" matters and any other outstanding matters been satisfactorily cleared?	Yes/None*				

Comments

(insert comments on any "no" answers and suggestions for action)

.....

Conclusion

I am satisfied that the quality control procedures of the firm have resulted in the work being carried out and recorded to a satisfactory standard and the report is appropriate and may be signed.

Partner Date:

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	

NEW CLIENT CHECKLIST

Pre-interview

	PRE-INTERVIEW	Yes/No*	n/a	Initial	Date	Ref
1	Are we satisfied that we are independent and are likely to have adequate resources and knowledge to complete the assignment?					
2	Are we satisfied that the acceptance of the appointment would not have an adverse effect on the reputation of the practice?					
3	Are we satisfied that acceptance of the engagement would not create any conflict of interest with existing clients?					
4	Are we satisfied that it is a bona fide business?					
5	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)?					

Deleted:

	POINTS FOR INTERVIEW	Yes/No*	n/a	Initial	Date	Ref
1	Have we identified which marketing source gave rise to the new client?					
2	Name of the previous accountant obtained?					
3	Has a permanent file been prepared?					
4	Have we requested details/copies of the items below?					
	Memorandum & Articles of Association					
	Last annual return					
	Books and records					
	Organisation chart					
	Last set of accounts					
	Fixed asset register					
	HMRC returns					
5	Specific proof of identity					
	Have we got sufficient information to enable us to satisfy the money laundering regulations?					
	Proof of identity					
	Proof of address					
	Are we satisfied that the business is bona-fide?					
	Are we happy that the client does not have a background to give rise to suspicion?					

6	Has the client signed or agreed to sign the necessary authorisations?					
	Tax					
	Bank authority					
	Building Society authority					
	Authority to write to previous advisor					
	Other (specify)					

We are happy that 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

* delete as applicable

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	

NEW CLIENT CHECKLIST (cont)

	OFFICE PROCEDURES	Yes/No*	n/a	Initial	Date	Ref
1	Have we written to the previous accountants for all necessary information?					
2	Does any information contained in the reply impact on client acceptance?					
3	Have we carried out a company search?					
4	Have we written for references/information from other sources? (specify)					
5	Have we sent engagement letter(s) covering all services we are providing, including the following:					
	Incorporated					
	(a) audit					
	(b) accounts preparation					
	(c) personal tax of directors/employees					
	(d) PAYE					
	(e) P11D's					
	(f) VAT					
	(g) company secretarial					
	(h) corporate tax					
	(i) client money rules					
	(j) management accounts					
	(k) bookkeeping					
	(l) tax planning					
(m) other services (specify)						
6	Non Incorporated					
	(a) accounts preparation					
	(b) Personal tax					
	(c) PAYE					
	(d) P11D's					
	(e) VAT					
	(f) partnership tax					
	(g) client money rules					
	(h) management accounts					
	(i) bookkeeping					

	(j) tax planning					
	(k) other services (specify)					
	(l) have any necessary tax elections been prepared and submitted?					
7	Have we notified HMRC and requested a copy of the last return if not otherwise available?					
8	Have the necessary files been opened, as follows:					
	(a) audit					
	(b) accounts					
	(c) tax					
	(d) permanent					
	(e) correspondence					
	(f) special project					
9	Have the client's details been entered on to the time records?					
10	Has the client returned the signed engagement letter(s)?					

I am happy that the client acceptance procedures have been completed and work can now start on the client's affairs.

Signed Partner/Director

Date

OR

The prospective client has not been accepted as a client of the practice.

Signed Partner/Director

Date

CLIENT MANAGEMENT – RECORD OF COMPLAINTS

It is essential that where a complaint has been received by the practice appropriate action is taken. This form should be completed for all complaints received. It should be kept on a central file with a copy being placed on the client file.

Record of client complaint

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:

Before contacting the client consider if we need to inform our PI insurers? If so confirm that this has been done:
--

Detail below the action that needs to be taken:

Detail below the client's response:

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

CLIENT MANAGEMENT – RECORD OF QUALITY STANDARDS

It is essential that the firm has standards for ensuring that clients are dealt with pro-actively. The form below can be used to record the standards that are being adopted by the practice. These should be communicated to staff and to the clients and should be the subject of review to ensure that they are being complied with.

Quality standards for

Event	Standard
Telephone	
Switchboard answering the phone	
Response time to voice mail message	
Response time to message taken by receptionist	
Email	
Frequency of picking up emails	
Response time to email requests	
Fax	
Response time to fax requests	
Letters	
Response time to letter requests	
Response time to official correspondence	
Marketing	
Clients to be contacted by phone every	
Clients to be contacted in writing every	
Client newsletters to be sent every	
Other	

Client				Ref:
Year/Period End	File No:	Completed by:	Date:	
		Reviewed by:	Date:	