

# **AUDIT COMPLIANCE REVIEW**

Name of Firm:

Year:

**The Institute of  
Chartered Accountants  
of Pakistan**

## **AUDIT COMPLIANCE REVIEW – GUIDANCE NOTES**

### **The Audit Regulations**

All firms are required to comply with regulations and provisions contained in Chartered Accountants Ordinance, 1961 (X of 1961), the Chartered Accountants Bye-Laws, 1983, Companies Ordinance, 1984 and International Standards on Auditing adopted by the Institute.

This annual review is referred to as Audit Compliance Review. All firms are required to furnish this information on 01 July at the time of renewal of practicing certificates of their proprietors / partners.

### **What is an Audit Compliance Review ?**

In many ways an Audit Compliance Review (ACR) is an internal audit of the way the firm conducts its auditing work and assures the Institute that proper safeguards are in place to ensure compliance with Auditing Standard on Quality Control for Audit Work.

The ACR should be completed by:

- The designated Partner / the Sole Proprietor.
- A qualified employee only in case where an office / branch is managed by him.

Yes No

## AUDIT COMPLIANCE REVIEW CHECKLIST

Most questions require a 'Yes' or 'No' answer. Where a 'No' answer is given further elaboration is required. All actions taken should be noted (or cross referenced) on the checklist.

### PART A:

#### WHOLE FIRM QUALITY CONTROL PROCEDURES

##### SECTION 1 – GENERAL

1.1 On what date was the previous Audit Compliance Review by the partner carried out.

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1.2 Have all matters requiring action from this review been dealt with?

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1.3 If there is more than one office

- Have all offices been included in the review?

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- Have the results of the review been notified to the concerned staff of all these offices?

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##### SECTION 2– WRITTEN PROCEDURES FOR INTERNATIONAL STANDARDS ON AUDITING (ISAs)

2.1 Does the firm have written Procedures to ensure compliance with ISAs?

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2.2 Does the firm have an established Quality Control Procedures Manual which complies with the requirements of ISAs?

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		Yes	No
2.3	Was the Manual reviewed to ensure that it continues to be relevant and complete? Enter date of last review		
2.4	Is there a record of this review on file, including notes of matters arising and action taken?		
2.5	Have all copies of the Manual been updated following the review?		
2.6	Are copies of the Manual available to all staff, engaged in audit work?		
2.7	Have all staff been made aware of the contents and implications of Manual?		

**SECTION 3 – PERSONNEL**

3.1	Are personnel files maintained for all staff engaged on audit work?		
3.2	Do personnel files contain documentation relating to the following:		
	• Job Application and Interviews		
	• References		
	• Contract of Employment		
	• Appraisals		
	• Training Record		
	• Disciplinary Matters		

		Yes	No
3.3	Has the firm engaged any new personnel since the last audit compliance review?		
	If Yes:		
	• Have the firm's established recruitment procedures been followed?		
	• Has an appropriate job description been drawn up?		
3.4	Has an independence declaration been signed by all principals / audit staff annually?		
3.5	Has a confidentiality declaration been signed by all principals / audit staff on joining the firm?		
3.6	Where performance appraisals have been carried out during the year, have details of appraisals and agreed action been noted on personnel files?		

#### SECTION 4 – MAINTAINING COMPETENCE

4.1	Has the firm's policy in relation to the following matters been documented?		
	• Staff Recruitment		
	• Training Policy and Procedures		
	• Staff Appraisals / Promotion		
	• Disciplinary Procedures		
4.2	Have the firm's policies in relation to the matters outlined in 4.1 above been reviewed to ensure that they continue to be appropriate? Enter date of last review.		
4.3	Have the individual training requirements of all audit staff been considered?		

		Yes	No
4.4	Are records of CPE hours maintained for all professionally qualified staff?		
4.5	Does the firm maintain a technical library, available for use by all audit staff?		
4.6	Has the firm's library been updated to include copies of all new and recent legislation, ethical statements, accounting and auditing standards, and requirements of particular client businesses?		
4.7	Does the firm retain copies of professional journals?		
4.8	Has standard audit documentation been updated to reflect changes in professional standards and disclosure requirements?		

**SECTION 5 – INDEPENDENCE**

5.1	Are all audit staff aware of the current procedures to consider the firms independence in respect of individual clients?		
5.2	Has the firm adopted procedures, in relation to each audit assignment, to ensure that consideration is given to its independence, availability of resources and its ability to properly perform the audit, prior to accepting appointment / re-appointment?		

**SECTION 6 – CONSULTATION ARRANGEMENTS**

6.1	Does the firm have established consultation arrangements in respect of technical, ethical, practical and other significant matters?		
6.2	If not available in-house are there arrangements with a suitably qualified third party?		

	<b>Yes</b>	<b>No</b>
6.3 Are the consultation arrangements referred to in 6.2 above agreed in writing?		

**SECTION 7 – QUALITY CONTROL REVIEWS**

7.1 Does the firm operate a system of quality control reviews, in relation to specific audit assignments?		
If No, proceed to section 8		
7.2 Have matters arising from reviews been followed up and appropriate action taken?		
7.3 Are full records of quality control reviews been retained such as the dates, the names of the reviewers, his comments etc.		
7.4 Does the firm maintain procedures requiring “hot reviews” (i.e. consultation with others prior to completion of the audit) in relation to selected audit assignments?		
7.5 Have these procedures been consistently followed and records retained?		

**SECTION 8 – GENERAL**

8.1 Have any significant changes occurred in respect of the firm’s structure, control, number of offices or composition of its client portfolio?		
8.2 Have all relevant disclosures of such changes been made to ICAP?		
8.3 Does the firm hold client moneys?		
8.4 Have the client moneys been handled according to Code of Ethics?		

## **SECTION 9 – SPECIFIC MATTERS**

Please document below any relevant matters specific to the firm in respect of audit standards compliance.

## **SECTION 10 – MATTERS IDENTIFIED AS REQUIRING ACTION**

Please summarise below matters arising from this review, including those relating to any negative responses.

**Matter Identified**

**Action Taken**

*None*

*Not Applicable*

**Review Performed by:**

**Signed:**



**Yes**                      **No**

**PART B:**

**QUALITY CONTROL PROCEDURES**

**REVIEW CHECKLIST**

**SECTION 1 – GENERAL**

- |     |  |                          |                          |
|-----|--|--------------------------|--------------------------|
| 1.1 | Are the audit files complete in regard to the following:   | <input type="checkbox"/> | <input type="checkbox"/> |
|     | Have the accounts been signed as approved by the Directors and the dates of approval of the financial statements by the Directors noted? | <input type="checkbox"/> | <input type="checkbox"/> |
|     | Have the audit reports been signed and dated?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 1.2 | Were qualified opinions given?   | <input type="checkbox"/> | <input type="checkbox"/> |
|     | If Yes what were the qualifications? If there are many cases, give three important instances.  |                          |                          |

**SECTION 2 – FINANCIAL STATEMENTS**

- |     |   |                          |                          |
|-----|---|--------------------------|--------------------------|
| 2.1 | Does the file contain copies of the full financial statements signed by all relevant parties (directors, client’s authorised signatories etc.)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.2 | Are the dates of approval of the financial statements by the Directors noted?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.3 | Have both the Directors Report and Auditors Report been appropriately dated?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.4 | Has a financial statements disclosure checklist been used?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.5 | Has a review of the financial statements confirmed that no apparent disclosure errors exist?  | <input type="checkbox"/> | <input type="checkbox"/> |

		<b>Yes</b>	<b>No</b>
2.6	Have the reasons supporting the audit opinion adequately documented on the working papers?	<input type="checkbox"/>	<input type="checkbox"/>

**SECTION 3 – ENGAGEMENT**

3.1	Are there signed and current letters of engagement on file, detailing the scope of the assignment?	<input type="checkbox"/>	<input type="checkbox"/>
	Have the engagement being completed in accordance with the terms of the engagement letters?	<input type="checkbox"/>	<input type="checkbox"/>
3.2	Have the firm’s independence, resources and ability to perform the audit been considered and documented, prior to accepting appointment / re-appointment?	<input type="checkbox"/>	<input type="checkbox"/>
3.3	Are any fees outstanding?	<input type="checkbox"/>	<input type="checkbox"/>
3.4	Have signed and relevant letters of representation been obtained?	<input type="checkbox"/>	<input type="checkbox"/>
	Do their dates coincide with the date of the audit report?	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Have all specific matters, concerning the clients’ financial position, system of internal controls or other significant issues, arising during the audit been drawn to the clients’ attention (e.g. by way of management letter or other means)?	<input type="checkbox"/>	<input type="checkbox"/>
3.6	With regard to new engagement, have letters been obtained from the previous auditor confirming that there are no professional reasons why appointment should not be accepted?	<input type="checkbox"/>	<input type="checkbox"/>

**SECTION 4 – AUDIT PLANNING**

4.1	Do working papers file indicate that the assignment was adequately planned?	<input type="checkbox"/>	<input type="checkbox"/>
4.2	Have the audit plans been approved, prior to the assignment commencing, by the responsible individual?	<input type="checkbox"/>	<input type="checkbox"/>

		<b>Yes</b>	<b>No</b>
4.3	Have the terms of engagement been considered during the planning process to ensure that the scope of the audit is adequate?	<input type="checkbox"/>	<input type="checkbox"/>
4.4	Have all meetings, telephone calls etc. with the client, prior to beginning the assignment been documented?	<input type="checkbox"/>	<input type="checkbox"/>
4.5	Have relevant laws, regulations and other particular or special circumstances affecting the client or the audit been taken into account in planning the assignment?	<input type="checkbox"/>	<input type="checkbox"/>
4.6	Have analytical review procedures been adopted at the planning stage?	<input type="checkbox"/>	<input type="checkbox"/>
4.7	Have audit risk assessment been carried out?	<input type="checkbox"/>	<input type="checkbox"/>
4.8	Have separate audit programs been included to cover the work required for any specific report to a third party, if applicable?	<input type="checkbox"/>	<input type="checkbox"/>
4.9	Have the business, its history, the source of accounting entries and the internal controls adopted been recorded?	<input type="checkbox"/>	<input type="checkbox"/>
4.10	Have the accounting system been documented and assessed as a basis for producing the financial statements?	<input type="checkbox"/>	<input type="checkbox"/>
4.11	Have materiality and, if appropriate, sample sizes been calculated?	<input type="checkbox"/>	<input type="checkbox"/>
4.12	Have the audit approach methodology and procedures to be adopted been clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>
4.13	Have the audit assignment teams been chosen with reference to competence, experience and training?	<input type="checkbox"/>	<input type="checkbox"/>
4.14	Is there evidence to indicate that the audit assignment team has been fully briefed, prior to commencing the assignment?	<input type="checkbox"/>	<input type="checkbox"/>
4.15	Was the audit plan specific to the client and adequately documented?	<input type="checkbox"/>	<input type="checkbox"/>

**Yes**                      **No**

**SECTION 5 – AUDIT WORKING PAPERS**

- |     |   |                          |                          |
|-----|---|--------------------------|--------------------------|
| 5.1 | Has consideration been given to agreeing opening balances?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | In the case of a new appointment have steps been taken to confirm the reliability of the opening balances in accordance with the last audited financial statements?                       | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.2 | Has an analytical review of the financial statements been completed and documented and explanations sought where appropriate?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.3 | Has a standard audit program been used?   | <input type="checkbox"/> | <input type="checkbox"/> |
|     | If Yes:   |                          |                          |
|     | Has it been tailored to suit the client's circumstances?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | Have the matters and risks identified during planning been addressed?   | <input type="checkbox"/> | <input type="checkbox"/> |
|     | If No:  |                          |                          |
|     | Were the specific details of the work to be done included within the planning documentation?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.4 | Do the working papers adequately record the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.5 | Have all the work specified been completed, properly signed off and evidenced as reviewed?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.6 | Have conclusions been recorded in respect of each section of the audit?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.7 | In circumstances where stock is held, was the client's stock count attended?  | <input type="checkbox"/> | <input type="checkbox"/> |
|     | If not, were alternative procedures adequate to verify stock in trade / inventories quantities?   | <input type="checkbox"/> | <input type="checkbox"/> |

		<b>Yes</b>	<b>No</b>
5.8	Were bank confirmation letters obtained covering all banks?	<input type="checkbox"/>	<input type="checkbox"/>
5.9	Do the lead schedule agree with the financial statements?	<input type="checkbox"/>	<input type="checkbox"/>
	Do they show comparative figures?	<input type="checkbox"/>	<input type="checkbox"/>
	Are they supported by further analysis?	<input type="checkbox"/>	<input type="checkbox"/>
	Are they evidenced as reviewed by the Responsible Individuals?	<input type="checkbox"/>	<input type="checkbox"/>
	Are all disclosures within the financial statements supported by working papers?	<input type="checkbox"/>	<input type="checkbox"/>
5.10	Have all material balances and transactions been subject to adequate audit work?	<input type="checkbox"/>	<input type="checkbox"/>
5.11	Has a going concern review been carried out?	<input type="checkbox"/>	<input type="checkbox"/>
5.12	Has a subsequent events review been carried out upto the date of the audit opinion?	<input type="checkbox"/>	<input type="checkbox"/>
5.13	Please specify any other relevant matters to the audit.		

## **SECTION 6 – AUDIT SAMPLING**

6.1	Are there sufficient explanations on file to describe how sample sizes have been determined and how the sample has been selected?	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Have samples been based on the assessment of audit risk, materiality and the population size?	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Are the results of sample testing summarised in respect of coverage and related to the total population?	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Where errors are found in a sample, have their effect on the population as a whole been assessed?	<input type="checkbox"/>	<input type="checkbox"/>
6.5	Where errors are material has the sample been extended?	<input type="checkbox"/>	<input type="checkbox"/>

		<b>Yes</b>	<b>No</b>
6.6	Do the summaries of errors contain details of all errors noted regardless of whether adjustments have been made and of materiality?	<input type="checkbox"/>	<input type="checkbox"/>
6.7	Have the summaries of errors been reviewed and considered in respect of the effect on the audit opinion and conclusions?	<input type="checkbox"/>	<input type="checkbox"/>

**SECTION 7 – AUDIT COMPLETION**

7.1	Is there evidence of review and supervision of the work by the responsible individual?	<input type="checkbox"/>	<input type="checkbox"/>
7.2	Have all outstanding points and review points been satisfactorily cleared and documented?	<input type="checkbox"/>	<input type="checkbox"/>
7.3	Are there summaries of significant matters which have affected the conduct of the audit and / or the audit opinion?	<input type="checkbox"/>	<input type="checkbox"/>
7.4	Is there documentary evidence that these matters have been considered by the responsible individual?	<input type="checkbox"/>	<input type="checkbox"/>
7.5	Have all consultations (both internal and external) been fully recorded?	<input type="checkbox"/>	<input type="checkbox"/>
7.6	Has the analytical review of the final financial statements been fully recorded and explained?	<input type="checkbox"/>	<input type="checkbox"/>
7.7	Are there final conclusion by the responsible individual that the audit opinion is appropriate and supported by working papers on the file?	<input type="checkbox"/>	<input type="checkbox"/>
7.8	Are there evidence that the financial statements have been subjected to a final overall review?	<input type="checkbox"/>	<input type="checkbox"/>
7.9	Has consideration been evidenced of the period between the completion of the audit work and the audit report date for events affecting the opinion?	<input type="checkbox"/>	<input type="checkbox"/>
7.10	Are there records of meeting with the clients to discuss the financial statements with details of the matters discussed?	<input type="checkbox"/>	<input type="checkbox"/>
7.11	Does the audit completion section sufficiently document the quality control processes applied?	<input type="checkbox"/>	<input type="checkbox"/>

**SECTION 8 – MATTERS ARISING**

Summary of matters arising from the review, including those relating to any negative responses:

**Area of Concern**

**Action Taken**

**Review Performed by:**

**Signed:**

