

The image features the ACCA logo, which consists of the letters "ACCA" in a bold, white, sans-serif font. The text is centered within a red square that has a thin white border. This red square is positioned in the center of a larger black square, which is itself surrounded by a thick gold border.

**ACCA**

BICA members'  
meeting

The commencement  
of audit monitoring

# Introduction

- BICA's audit monitoring programme will commence in 2010
- Programme has been established under auspices of ACCA/ICAC Monitoring Programme
- All BICA practising firms which conduct audit work will be subject to monitoring
- Purpose of this meeting is to provide background to the programme and explain how monitoring will work

# Agenda for this session

1. Background to ACCA/ICAC Monitoring Programme
2. Benefits of monitoring
3. BICA's approach to audit regulation
4. The role of ACCA
5. ACCA's monitoring credentials
6. ACCA personnel
7. Scope of monitoring visits
8. Selection of firms for visits
9. Notification of visits
10. Planning in the lead up to the visit

# Agenda for this session (Continued)

11. Structure of visits

12. File examinations

13. Assessment of audit work

14. Closing meetings, reporting back on findings

15. Written reports and the firm's response

16. Implementing recommendations

17. Preparing for monitoring

18. *ACCA Quality checked*

19. Further information

20. Concluding comments

# 1. Background to ACCA/ICAC Monitoring Programme

- ACCA agreed with ICAC to offer audit monitoring services to member bodies under its compliance project
- Substantial subsidy from ACCA towards overall costs and provides economies of scale
- ACCA has an objective to ensure that its members in practice are appropriately monitored and regulated
- ACCA has provided the subsidy because ACCA members will be included

## 2. Benefits of monitoring

- Improves the standard of audit work
- Enhances reputation of auditors and BICA
- Enables BICA to discharge its membership obligations to IFAC (SMO 1 – Quality Assurance)
- Protects the public interest
- Encourages inward investment by increasing confidence in audited financial statements

### 3. BICA's approach to audit regulation

- BICA has delegated the conduct of monitoring visits to ACCA
- BICA will retain full responsibility for regulation
- BICA's regulatory approach will be firm but fair
- BICA will encourage firms with weak standards to improve and only take action if they fail to do so
- BICA's approach to regulatory action is intended to improve standards, not to penalise firms

## 4.The role of ACCA

- ACCA appointed only to undertake monitoring visits under instructions from BICA
- ACCA's monitoring will meet the requirements of IFAC
- BICA retains absolute control over the regulation of BICA firms
- When undertaking audit monitoring visits, ACCA will also roll out *ACCA Quality Checked* to firms controlled by ACCA members – at no cost to BICA or firms

## 5. ACCA's monitoring credentials

- ACCA is a statutory regulator of auditors in the United Kingdom and Ireland
- ACCA has 17 years of experience in monitoring and regulation
- ACCA undertakes monitoring for twelve other professional and regulatory bodies
- Using ACCA will ensure confidentiality and no conflicts of interests

## 6.ACCA Personnel

Peter Large, Executive Director – Governance  
Ultimately Responsible

Sha Ali Khan, Director - Practice Monitoring  
Responsible for overseeing delivery of all services  
under the ACCA/ICAC/BICA agreement

Prajesh Damani, Global Assurance Manager  
Responsible for quality control and managing all  
monitoring visits to BICA firms

Faizal Ali, Senior Practice Reviewer  
Based in Trinidad and will undertake most of the  
visits to BICA firms

Other ACCA Senior Practice Reviewers  
Will provide support to Faizal Ali, particularly when  
monitoring large firms

## 7.Scope of monitoring visits

- Undertaken in accordance with IFAC SMO 1
- Covers compliance with International Standard on Quality Control No.1 (ISQC1) and International Auditing Standards (ISAs)
- ISQC 1: Firm-level review of its quality controls and procedures
- ISAs: Engagement reviews of each audit principal
- Engagement reviews will be undertaken at the same time as firm level reviews

## 8. Selection of firms for visits

- Firms will be selected by ACCA based on a visit plan to cover all firms over a 6 year cycle
- Firms will be selected at random or if BICA has a reason to believe a visit is necessary
- The random selection will be stratified to ensure a representative mix of sole practices and partnerships are monitored each year
- Early follow up visits if a monitoring visit has an unsatisfactory outcome

## 9. Notification of visits

- BICA will notify firms in writing that they will be visited and enclose a pre-visit questionnaire
- Firms to complete a short pre-visit questionnaire for ACCA
- Pre-visit questionnaire asks for:
  - Firm's addresses and contact details
  - Names and qualifications of principals
  - Confirmation whether firm has documented quality control procedures
  - Details of audit clients
- ACCA will then contact the firm by telephone to plan the visit
- Please ensure you complete and return the pre-visit questionnaire promptly

# 10.Planning in the lead up to the visit

- Based on pre-visit questionnaire and telephone discussion with contact partner
- Date of agreed visit will be confirmed in writing
- Confirmation letter will include list of documents to be made available at the visit

# 11. Structure of visits

- Opening meeting
  - To obtain information about the firm, its clients and its quality control policies and procedures (ISQC1)
- File examination
  - To assess whether audit work has been undertaken in accordance with auditing standards
- Closing meeting
  - To discuss and agree matters arising and suggest improvements

# 12. File examinations

- Cover all partners' work
- Larger and more complex clients
- Public interest entities
- Latest completed audits – not earlier years

# 13. Assessment of audit work

- Based on examination of a sample of audit work completed recently
- No account will be taken of work performed but not recorded
- File to be assessed as unsatisfactory if failure to comply with auditing standards results in a significant risk that a material misstatement remains undetected
- All files inspected must be assessed as satisfactory otherwise the overall outcome of the visit will be assessed as unsatisfactory
- Serious breaches of independence requirements can also render the outcome as unsatisfactory

## **14. Closing meeting, reporting back on findings**

- All significant matters arising from the monitoring visit will be discussed
- Subsequent report will be based on matters discussed at this meeting
- Offers the firm an opportunity to correct any misunderstanding and refute any criticism
- Intended to assist firms to take corrective action in the future
- Will contain clear message as to whether the outcome is satisfactory or unsatisfactory

# 15. Written reports and the firm's response

- Report will summarise overall outcome of the visit and list all deficiencies noted in audit work. It will deal with only weaknesses and provide recommendations for improvement
- All deficiencies will be cross-referenced to IAASB standards
- Report will be issued to BICA in final form with a copy to the firm
- Firm will have an opportunity to provide its response within 21 days of the report – response will form part of the report
- BICA will subsequently inform the firm of:
  - overall outcome of the visit
  - action, if any, required by the firm
  - whether an early follow up visit is likely

# 16. Implementing recommendations

- Essential to improve standards
- Ask in response to the report if further clarification needed on any aspect
- Ensure recommendations properly and promptly implemented
- Consider seeking advice and confirmation from another firm that all recommendations have been implemented effectively

# 17.Preparing for monitoring

- Key is to ensure you comply with auditing standards
- Use an effective audit programme
- Record all your audit work and reasoning in detail
- Ensure all documents requested are ready before the visit
- Get the most out of your visit by listening carefully to what is said
- Don't panic! The first visit will generally be “advisory”

## 18. What is *ACCA Quality Checked?*

- A new practice assurance scheme for firms controlled by ACCA members
- Covers quality controls and procedures
- Covers all other professional services
- Enhances the quality and efficiency of professional services
- Encourages adoption of “best practice”

## 18. What is *ACCA Quality Checked?* (continued)

- Will be conducted by ACCA in conjunction with audit monitoring visits to firms controlled by ACCA members
- The implementation of recommendations will not be compulsory
- Firms that demonstrate “best practice” are awarded a kitemark for promotional use

# 19. Further information

From BICA secretariat

or

From ACCA Practice Monitoring Department

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## 20. Concluding comments

- Purpose of monitoring is to improve standards; approach adopted will involve assisting firms
- Monitoring visit reports will include all deficiencies found even though the outcome of the visit may be satisfactory
- Regulatory action will only be taken where a firm has serious deficiencies and fails to effect improvements



Thank you

Any questions?

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