



नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**

(Established under the Nepal Chartered Accountants Act, 1997)

## Your Firm's Audit Quality Assurance Review visit



**Time for  
review**

## Quality Assurance Board

# Your Firm's Audit Quality Assurance Review visit

## ABOUT THE VISIT

We conduct Quality Assurance Review visits to all audit firms performing the statutory audit of financial statements and as registered with ICAN. Quality Assurance Board of ICAN is empowered to carry out the Quality Assurance Review visits as mandated by Nepal chartered Accountant Rules 2061 (fifth amendment 2072) and the Audit Quality Assurance Review Procedure 2073.

The objective of the review visit is to carry out an assessment whether firms have developed and implemented a system of quality control and maintained the designated standards of audit quality as appropriate in the circumstances.



### Our scope of review will covers the following:

- \* Review of firm's system of quality control as required by NSQC-1 (ISQC-1) – whole firm
- \* Review of compliance to Nepal Standards on Auditing and Code of Ethics – selected audits
- \* Review of compliance to applicable laws and regulation – selected audits

*We use a risk-based approach to select firms for visits, but have to visit all firms at least every 6 years. We may select firms more frequently, depending on factors such as:*

- \* The size and complexity of the firm;
- \* Its audit clients;
- \* Previous regulatory history;
- \* ICAN finds it necessary for regulation purpose; and
- \* Any other risk based information

**Simplified QAR system will be adopted for review of RA B class firms and will also be subject to normal visit cycle of 6 years. The QA review visit cycle is not adopted for C and D class RA firms but QAB is empowered to make a review visit to these firms as well based upon any risk information about those firms being available to the QAB.**

## FIRMS WITH PIEs/LISTED CLIENTS

Any firm which audits at least one Public Interest Entity (PIE) or Listed entity will now be reviewed in first cycle of this system. Quality Assurance Board(QAB) will decide to carry out the QA Review of remaining firms as well.

We follow the 3 years cycle for audit firms performing the audit of listed entities or public interest entities. But, follow up visits will be arranged for poor performing audit firms which will be for period less than the normal visit cycle.

Follow up visit of your firm will be fixed based on the seriousness of the findings, your commitment and readiness to improve the quality of audit and all right is reserved with QAB for selection of firm for follow up visit.

## PRE-VISIT PROCESS

Please review the list in the 'What you need to have available for the start of the visit' section of this leaflet to ensure that you will have every documents and records available for the reviewer to access.

Your inability to facilitate the review visit for any reasons on the date proposed by us should have to be communicated to the QA review unit as soon as you come to note that the proposed date is not appropriate for you.

We'll make pre-visit telephone calls to notify you usually 7 to 15 days before the visit date to answer any questions you may have, and discuss practical arrangements for the visit.

Also, At least 7 days before the date of visit, you will need to submit us your response to the questionnaire we will have sent you on firm's system of quality control along with this information leaflet.



## THE OPENING MEETING

Our approach is open and friendly, starting with an opening meeting to gain a general picture of your firm.

Prior to commencing the field work, we will convene meeting with senior partner, engagement partner and key persons of the firm. The agenda of the meeting will include :

- # Introduction between reviewers and key persons of the firm
- # Communicate the objective, scope of review, review approach or methodology and review schedule
- # Partners providing introduction and relevant information of their firm.
- # Partners describing the nature of their audit practice and their approach to achieving audit quality
- # Discussion on firm's replies to the questionnaire where further information is needed.

***You are welcome to invite colleagues, such as those involved in internal compliance work/audit managers, to join you.***

## FIELD REVIEW

We will select and review a sample of audit files and we may re-perform a sample of your cold file reviews (performed as part of your audit compliance review) to confirm the firm's results. If your internal review has identified problems, we will look to see how you've dealt with them.

For the files selected under review, we will look into the documentation of all the planning, execution and completion phases of the audit engagements which is in other way, compliance of all applicable NSAs and their documentation.

For the first cycle of our review visit, we will look into only a listed company audit file if the firm selected for review performs the audit of listed entity. From subsequent cycles, number of files covered may be more than one based upon our risk based selection approach.

We will also cover relevant whole-firm procedures as required by NSQC-1 and will review underlying records such as training and appraisal records, and annual declarations.

## CLOSING MEETING

Quality assurance review team will conduct closing meeting after the review is completed.

The agenda of the meeting shall include:

- \* Communicate the review findings to key persons of the firm reviewed
- \* Provide opportunity to the firm to express firm's viewpoint on issues raised
- \* Providing information regarding procedures of review closure.
- \* Discuss with you how you can find solutions to them



## DRAFT QUALITY ASSURANCE REVIEW REPORT

After our review and discussion with you, we will summarize our findings and give it a form of report where you will also have the places to input your replies.

In draft report we will highlight significant issues, including any areas where we consider the firm has not met the requirements and they have potential to significantly impact the quality of audit. We will also report on examples of good audit work done by the firm.



## YOUR RESPONSE

We solicit you to respond to our findings through draft report in writing within 15 days normally. Your responses are an important part of the visit process; so please take particular care when you draft them. Please try to be specific and refer to any actions you have already taken or plan to take, and state by what date.

## AFTER THE VISIT

When we receive your response, we complete our visit documentation. We will only be able to close the process once we have received and considered your responses. If we have any questions, we will contact you as soon as possible.

The QAB-Task Force carries out detailed reviews of quality assurance review reports and will make a recommendation for approval by QAB with Grade based on criteria approved for use by QAB.

You will receive a letter from us to confirm that review of your firm has been completed and inform you of any actions QAB has taken on the report. QAB is empowered to recommend to Council the actions to firms if the firms are found to have compromised the audit quality severely.



## SOURCES OF INFORMATION

Please Visit [www.ican.org.np](http://www.ican.org.np) for useful resources, updates on Quality Assurance and attend the training, workshop and discussion held by ICAN.

## WHAT YOU NEED TO HAVE AVAILABLE FOR THE START OF THE VISIT

The list below sets out information and documents that we may ask to see. If any items are not clear, please discuss them during our pre-visit phone call.

- \* Quality control policy and your relevant NSQC1 documentation.
- \* Records of the last two audit compliance reviews, including cold file reviews, if any,
- \* List of outsourced staffs used, indicating their level of involvement in audits, and the agreements,
- \* Staff performance appraisal records and assessment of your staff resources;
- \* Your firm's training records and staff/senior management/partner meeting minutes.
- \* CPE and training records, fit and proper forms, independence and confidentiality records for the previous two years for responsible individuals and audit staff (including outsourced).
- \* Records of complaints received since last visit (or date of registration if no previous visit) and how they have been resolved; or, if still outstanding, a summary of the issues involved.
- \* Records of any recent disciplinary cases, if any.
- \* Consultation arrangements on ethical, technical, practical or other significant issues.
- \* Audit Practice Manual you have been using for your audits
- \* List of listed audit client
- \* List of other current audit clients, showing name of Engagement Partner (latest year end, Nature of Audit Client and turnover will be useful).
- \* Access to the files of audit clients for audits completed in the previous 12 months. We may need to refer to files for the previous 24 months so, ideally, these should be available.



### CONFIDENTIALITY

As part of professional norms and courtesy, we will keep all the information related to reviewed firm strictly confidential. The reviewers making a visit to your firm are also subject to the independence and confidentiality requirements as applies to practicing members.

### COMPLAINTS

*If the firm has reasons to believe that the reviewer is acting beyond his authority and scope, or his actions are prejudice to the interest of the firm, the partner of the firm may make a complaint through email to Executive Director of ICAN, citing the specific and relevant information thereof.*



# नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL

(Established under the Nepal Chartered Accountants Act, 1997)

#### Head Office :

ICAN Marg, Satdobato, Lalitpur, Nepal  
Phone: 00977-1-5530832, 5530730,  
Fax: 977-1-5550774  
Email: ican@ntc.net.np  
Website: www.ican.org.np

#### Branch Office :

**Biratnagar** : Tel: 021-471395, Email: icanbrt@ican.org.np  
**Butwal** : Tel: 071-543629, Email: icanbtl@ican.org.np  
**Birgunj** : Tel: 051-522660, E-mail: icanbrj@ican.org.np  
**Pokhara** : Tel: 061-537679, E-mail: icanpkr@ican.org.np  
**Nepalgunj** : Tel: 081-525916, E-mail: icannpj@ican.org.np  
**Dhanghadi** : Tel: 091-527493, E-mail: icanhgh@ican.org.np