THE INSTITUTE OF CHARTERED ACCOUNTANTS OF TRINIDAD AND TOBAGO

THE AUDIT PRACTICE MONITORING PROCESS

Approved by Council November 17th, 2017
Following Council’s approval of applications in respect of practising certificates, a letter will be forwarded to the member enclosing the following information:

- Information on Audit Practice Monitoring
  - The Audit Monitoring Process
  - How Visit Outcomes are Assessed
  - Requirements for the Preparation for the Audit Monitoring Visit

- The Guidelines for Reviewing Audit Monitoring Reports

Request to attend two (2) compulsory training sessions annually in respect of audit monitoring:
- General Information on Audit Monitoring
- Common Deficiencies in File Reviews
- Disclosure of Monitoring Statistics
- Attend a compulsory training session to ensure competence in professional ethics

**The Audit Monitoring Process**

The audit monitoring process is divided into three key stages:

**Stage 1 – Planning and preparation**

- Select firm for visit
- Contact firm to obtain relevant information and agree date of visit
- Plan and prepare for the visit

**Stage 2 – On-site visit**

- Conduct an opening meeting to obtain background information and an understanding of quality controls and procedures
- Review compliance with ISQC 1
- Review selected audit engagements
- Summarise findings and recommendation
- Conduct a closing meeting to discuss findings, recommendations and outcome

**Stage 3 – Reporting**

- Draft report and subject it to an independent internal quality review
- Issue report to firm and request a response and action plan
- Review the firm’s response and action plan
- Request a revised action plan if the original is not adequate or appropriate
• Send the report, the firm’s response and action plan to the institute with a recommendation on any regulatory action, if required

**How Visit Outcomes are Assessed**

**Monitoring Information**
Assessing individual audits and the overall outcome of the monitoring visit is undertaken by the Independent Reviewer on behalf of ICATT. The Independent Reviewer’s assessment of whether an audit has been performed satisfactorily in compliance with International Standards on Auditing is largely focused on whether sufficient and appropriate audit evidence is obtained and recorded in support of the audit opinions issued.

On most audit files, there will inevitably be some deficiencies in compliance with the auditing standards, and an assessment needs to be made as to whether these are sufficiently serious to conclude that the audit is unsatisfactory. To make that assessment, ACCA applies the concept of “reasonable assurance” referred to International Standards on Auditing, “Objective and General Principles Governing an Audit of Financial Statements” and considers whether the deficiencies noted could result in a significant risk that material misstatements might remain undetected.

The overall outcome is also assessed as unsatisfactory if serious breaches of the code of ethics are found, irrespective of whether compliance with auditing standards is assessed as satisfactory.

Where a public interest entity (PIE) audit contains serious breaches in compliance with ISA or where serious breaches of the code of ethics are found the firm is reported to ICATT at the same time the reports are issued to the firms. The purpose is to allow the institutes to take appropriate regulatory action in a timely manner.

**GRADING OF VISIT OUTCOMES**

Visit outcomes are graded as follows:

**A.** Audit quality controls are well developed and the audit work in all the files examined appeared in accordance with ISAs, forming an adequate basis for the audit opinions issued. Few, if any, audit deficiencies were noted and none are serious.

**B.** The overall outcome is satisfactory, however:
  i. there are some shortcomings in audit quality controls and breaches of ISAs; and/or
  ii. deficiencies were found in the audit work examined but these were not serious in key areas in half or more audit files inspected and the work recorded formed a reasonable basis for the audit opinions issued on these files, subject to none of the unsatisfactory audits examined being in respect of Public Interest Entities (PIEs), other large clients or containing widespread serious deficiencies.

**C.** The overall outcome is unsatisfactory, because:
i. there have been significant breaches of the IFAC Code of Ethics for Professional Accountants (IFAC Code of Ethics); or

ii. audit quality controls are poorly developed resulting in serious breaches of ISAs; and/or

iii. instances were found of audit opinions not adequately supported by the work performed and recorded in more than half of the audit files examined or in respect of audits of PIEs or large clients. The overall outcome is also unsatisfactory where one or more of the audits examined contains widespread serious deficiencies.

D. Outcomes are assessed to consider whether the firm’s next monitoring visit should take place in two years’ time (F2) or four years’ time (F4). The assessment takes into account the extent of the serious deficiencies found in the firm’s audit work, any breaches of the IFAC Code and other risk factors.

E. Immediate regulatory action is required by the national regulator as:

i. there have been serious breaches of the IFAC Code of Ethics or other requirements (e.g. eligibility etc.); and/or

ii. at a third or subsequent visit instances were found of audit opinions not adequately supported by the work performed and recorded in more than half of the audit files examined or in respect of audits of PIEs or large clients. It also includes instances where one or more of the audits examined contain widespread serious deficiencies.

FOLLOW-UP CODES – six-year (6) routine cycle
The following codes are used to determine the timing of a firm’s next visit.

F2 Follow-up visit required within two years to monitor remedial action because of the significant extent of the serious deficiencies found in the firm’s audit work, serious breaches of the IFAC Code and/or other risk factors

F4 Follow-up visit required within four years to monitor remedial action because of the limited extent of the serious deficiencies found in the firm’s audit work, no serious breaches of the IFAC Code and/or other risk factors

FR The firm does not need to be re-visited in advance of the normal cycle (6 years).

Requirements for the Preparation for the Audit Monitoring Visit

The Audit monitoring visits will be scheduled by the Independent Reviewer (ACCA) on behalf of ICATT. The visit consists of discussions with the principals (partners or directors) and with senior staff principally concerned with audit work together with an examination of records, books, documents and files. The following information and documents listed below will be required for inspection during the visit.
Firm’s management material

1. Partnership agreement (if not a sole practice)
2. Copies of fee notes (invoices) issued in the last twelve months to date and latest aged listing of client debtors

Audit related material

3. List of audit clients detailing name, status (private company, listed company, public sector organisation), activities, turnover, fees and partner responsible, if not provided with the Annual Return
4. Signed statements from principals/staff relating to independence, confidentiality, fitness and propriety (if any)
5. Any audit manual, standard audit programmes, checklists etc., in use
6. Details of any audit software used
7. Audit and other files (including permanent notes/correspondence) relating to audit clients