



QUALITY ASSURANCE UNIT PROCEDURES MANUAL 2020

Quality Assurance Board

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL
(Established under the Nepal Chartered Accountants Act, 1997)

Foreword

This manual is a practical guide for the ICAN QA Unit when they conduct QA for audit reviews (QA reviews). It has been tailored for current QA Unit operational procedures but must be updated for any changes made to legislation or operation subsequent to its issue in January 2020.

QA reviews focus on the procedures, processes and controls which firms use to ensure that audits comply with professional standards and whether the firm meets the requirements of applicable laws and regulations. The work carried out during the course of a QA review will assess the quality of audit work performed by a firm and provide guidance to the firm on making any necessary improvements. This monitoring process is designed to provide a structure for ICAN to meet its obligations under the Nepal Chartered Accountants Act 1997, the Companies Act 2063, and any other laws or regulations which may be issued on the conduct of audit work.

The manual focuses on the need to:

- identify any deficiency in audit work
- ensure adequate action is taken by a firm to correct deficiencies
- help practitioners and firms by giving them constructive and practical advice and
- carry out QA reviews as efficiently as possible.

The approach and procedures in this manual are designed to help QA reviewers reach key decisions on:

- how much work is needed on a QA review
- the quality of audit work reviewed and
- the overall ability and commitment shown by the firm.

The approach may be varied according to circumstances found at each firm. QA reviewers should be able to exercise their professional judgement. However working papers must be completed to support judgements made and conclusions reached.



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1 Introduction

Objective of monitoring

- 1.1 The Companies Act and other Acts requires all corporate bodies to have an annual audit. All Chartered Accountants (CAs) with COPs and with their firm duly registered with ICAN can carry out any audit. Registered Auditors (RAs) with a COP may carry out audits only up to a set income level which depends on their RA class (B, C or D).
- 1.2 Monitoring of audit firms on a cyclical basis is an IFAC requirement.
- 1.3 The QA review process concludes on the quality of audit work carried out by firms and helps firms identify and design appropriate actions to correct deficiencies where necessary. The process is constructive and provides added value to firms where possible.

Scope

- 1.4 This manual applies to all QA reviews. However, the review of Registered Auditor's firms is going to be simplified in that the separate checklist as decided by the QAB will be used for their review, grading will not be done as in point 5.6 of this manual and specific provisions in the Audit Quality Assurance Review Procedure 2073 relating to Registered Auditor's firms will be applicable for conduct of their review.

2 Visit selection and timings

Visit selection

- 2.1 Most firms are subject to a six-year review cycle. Reviews are selected from the whole population of audit firms. There are three classifications of review – 'ROUTINE', 'RISK' and 'FOLLOW-UP'. Firms which audit public interest entities (PIEs) are subject to a three-year review cycle.

2.2 ROUTINE visits

Most visits are ROUTINE visits. These are selected with a view to visiting a representative sample of firms each year. The selection takes account of size, previous reviews and the geographical spread of firms.

2.3 RISK visits

RISK visits can be identified in a number of ways.

The QA Unit may select small number of firms on the basis of risks identified from any annual information provided by audit firms.

The Quality Assurance Board (QAB) or Council may also request visits as a result of information it has received.

QAB sets the scope of these visits.

2.4 FOLLOW-UP visits

The QAB or Council may also require FOLLOW-UP visits to check on improvements made by audit firms since their previous monitoring visit. They will decide on the scope of a FOLLOW-UP visit. The audit firms may be required to pay for these visits as they arise from failures in compliance by the firm and are not part of the normal cycle of visits.

Timings

- 2.5 Audit visits to single-office firms with a maximum of two people who sign off audit reports should usually be completed in two to three days. Visit lengths for larger firms should be planned by reference to a combination of factors, including the number of people who sign off audit reports, the number and type of audit clients and the number of offices.



- 2.6 The QA Unit proposes the firms to be visited for a ROUTINE visit and suggests the length of the visits according to their knowledge of the firm. QAB should approve the proposed visit schedule before the QA Unit contacts the firms and the visits commence.

Scheduling

- 2.7 QA Unit should agree the visit date and timing with the firm, giving at least 30 days' notice. If a firm refuses to have a visit at an agreed date, QA Unit should refer the details to QAB for it to take appropriate action.
- 2.8 QA Unit send the firm a letter telling it of the visit which includes:
- **Annex-1 - an information questionnaire** to be returned to QA Unit no later than one week before the visit - this will provide information to help plan the visit. To suit the nature and size of non PI Firms, for non PI CA Firm and Registered Auditor Firm, **Annex – 1.A** and **Annex – 1.B (Nepali Language)** will be used respectively.
 - a copy of a document telling the firm what the audit review process involves and containing a list of documents and records which may be requested at the visit – **Annex 2 – Your firm's audit quality assurance review visit.**

3 Pre visit planning

Information to review

- 3.1 The QA reviewer will obtain all relevant information about the firm. This will include the information questionnaire, any information from the firm (for example from annual returns, CPE details for the audit partner(s), details of any previous visits (if applicable) and copies of correspondence between ICAN and the firm.
- 3.2 For RISK visits, the QA reviewer also receives details of why the visit was selected. The risk indicators may include:
- poor regulatory history
 - undue fee dependency
 - accepting an appointment to carry out a PIE audit
 - significant increase in audit income
 - doubts about financial viability
 - ownership and control issues
 - recent disciplinary cases
 - number of complaints and
 - poor quality of accounts.
- 3.3 For RISK visits selected on the basis of information received by ICAN, the QA reviewer also receives copies of correspondence relating to the reason for the visit and should discuss the visit with the QA Unit Head and/or the QAB Chair. All information can be disclosed to the firm unless circumstances are exceptional, in which case, the QA reviewer will be informed. For FOLLOW-UP visits, the QA reviewer receives the previous visit report, a copy of the firm's response to the report and any other relevant correspondence.
- 3.4 The QA reviewer will complete the *Annex-3 'Quality Assurance Review Planning Record'* and submit this for approval by the QA Unit Head.



Initial contact with the firm by the QA reviewer

- 3.5 QA reviewer informs the firm approximately seven days before the visit. The discussion should make clear anything noted in the planning process (for example, key individuals' availability), deal with any questions that the firm may have at this time (it will have received a copy of a document telling it what the audit review process involves and containing a list of documents and records which may be requested at the visit), and cover administrative points (parking, public transport, start times, etc). On visits to more than one office, it would be appropriate to discuss on issues such as the location of records and details of audit clients at various offices to assist with visit planning. The QA reviewer should record in the working papers any relevant points arising from the pre-visit discussion.

Other planning considerations

- 3.6 At the planning stage of complex, high profile or other potentially difficult visits, the QA reviewer should consult with the QA Unit Head. Where more than one QA reviewer is to carry out a visit, it is the responsibility of the senior QA reviewer to brief other QA reviewers. The QA reviewer should record any consultation or briefing in the working papers.
- 3.7 The QA reviewer's pre-visit planning should be a relatively brief exercise for most of the visits.
- 3.8 The pre-visit planning should enable the QA reviewer to form an initial view of the work required on the visit and of any additional work that may be required. Any work plans drawn up at this stage can focus on additional procedures likely to be required. This manual sets out the minimum level of work required on all visits.

4 On site**Opening meeting**

- 4.1 The opening meeting provides the first face-to-face contact with the firm and is a good opportunity for the QA reviewer to establish a good relationship with the firm. The QA reviewer normally holds the opening meeting with the partner responsible for audit compliance matters and any other appropriate individuals.
- 4.2 The objectives of the opening meeting are for the QA reviewer to gain an understanding of:
- the firm's business, structure, organisation and culture
 - the firm's attitude to audit quality
 - the firm's audit practice
 - the procedures and processes that the firm has in place to meet the requirements of the NSAs, NSQC1 and any audit regulations which may be in place and
 - the particular risks facing the firm.
- 4.3 An opening meeting agenda has been designed to help achieve these objectives by listing topics to prompt coverage of the relevant aspects. This agenda should be tailored to the circumstances of the visit. **Annex 4 – Opening meeting Agenda** provides the general outline of matters to be discussed in the opening meeting.
- 4.4 The QA reviewer should encourage the firm to talk openly in order to get the most benefit from the opening meeting and should be prepared to deal with any questions the firm may have. Open questions encourage wide-ranging discussions and are more likely to lead to a constructive visit. Depending on the size and structure of the firm, it may be appropriate to have additional discussions with other individuals on particular topics (for example risk management, human resources, ethics).



- 4.5 The opening meeting discussions should cover all relevant aspects of the firm's audit practice and any risks identified before the visit. For RISK and many ROUTINE visits, the QA reviewer will have questions that have been identified before the visit. On FOLLOW-UP visits (and for any other visit when significant failings were identified previously), the QA reviewer should discuss the actions taken since the previous visit and find out how effective the firm thinks this has been. For RISK and FOLLOW-UP visits, QA reviewers should follow any instructions given by QAB about the visit scope. If the scope of the visit is restricted, the QA reviewer should remain alert to other risks he may need to follow up.
- 4.6 The minimum level of work (extended, if necessary) should be sufficient to check the information given without in-depth investigation. If there are suspicions, the QA reviewer should obtain satisfactory explanations. In some circumstances, the visit may need to be longer than originally scheduled to allow sufficient time to cover the risks.
- 4.7 During the opening meeting, reference will be made to the information supplied in the information questionnaire and any annual information provided by the firm. If it appears that the firm has deliberately or negligently supplied information that has given a misleading picture of the firm's circumstances, the QA reviewer should consider the need to report this separately to QAB and/or further to Council.

Final planning of visit approach

- 4.8 After the opening meeting, the visit plan should be finalised. This involves making an initial assessment of the firm's own monitoring reviews and findings, and the other minimum level of work requirements in paragraphs 4.15 and 4.19.
- 4.9 In the initial assessment of the firm's own monitoring reviews, QA reviewers consider how much they can rely on the effectiveness and coverage of this review and if there are any other matters which need to be followed-up. It is necessary to 're-perform' at least one of the firm's own monitoring reviews to justify relying on its findings and reducing the amount of file reviews the QA reviewer needs to do. To 're-perform' means reviewing either
- the same file reviewed in the firm's own monitoring reviews or
 - the following year's audit of the file reviewed as part of the firm's own monitoring reviews.
- Looking at the following year's audit (if completed) is more effective as this will show what action – if any – the firm has taken to address issues identified.
- 4.10 The information gathered from the pre visit information, opening discussions and the results of the firm's own monitoring reviews often lead the QA reviewer to identify areas where more work than the minimum requirements is appropriate (for example if an independence issue is identified or if the firm has specialist audit clients).
- 4.11 If firms have more than one office, it may not be necessary to visit them all. The QA reviewer should ensure that all individuals in the firm who sign audit reports are covered either by the QA reviewer's review of audit files or on a cyclical basis through the firm's own monitoring review process. The number of offices to be visited is less important than covering the key issues that have been identified through the planning process (for example possible inconsistent application of audit procedures between offices). The QA reviewer will also need to consider practical matters, such as the location of individuals in the firm who sign audit reports and where the firm's records are located. Further guidance on the extent of whole-firm and file review work to be undertaken is included in paragraphs 4.15 and 4.19 below.
- 4.12 Consultation with the QA Unit Head may be appropriate at this stage of the visit, as the decisions made set the detail and direction of subsequent work. If the QA reviewer has any concerns, it is better to share them at this stage when they can be most easily resolved.



Compliance with quality control and other firm-wide requirements

- 4.13 Work in this area assesses the adequacy and documentation of the firm-wide policies and procedures, including those covering the six key components of NSQC1. These components are:
- leadership
 - ethical requirements
 - acceptance and continuance
 - human resources
 - engagement performance and
 - monitoring.
- 4.14 The complexity of the procedures and processes, and how these are documented, will vary with the size and nature of the firm. As a minimum, QA reviewers should follow the NSQC1 checklist. The firm will have completed and returned this as part of the information questionnaire. The QA reviewer should verify the firm's answers through discussion and testing a sample of records and this should be recorded. In very small firms, a discussion and the minimum work requirement may be sufficient. As the size of firm increases, work is likely to involve the review of documents to support the communication of relevant procedures and processes.
- 4.15 The QA reviewer needs to ensure that he carried out sufficient work to reach a conclusion on compliance with the NSQC1. The following minimum work is required on all visits:
- review of the firm's own monitoring reviews process, its findings and the action the firm has taken on its findings, together with re-performance in areas where the QA reviewer plans to reduce work by placing reliance on it;
 - review of the firm's approach to, and record of, continuing professional education (CPE);
 - review of how the firm ensures audit partners and all other individuals involved in audit work comply with any requirements covering independence, fit and proper status and confidentiality;
 - review of other NSQC1 requirements;
- Any failings should be considered in terms of compliance with NSQC1. It is the firm's responsibility to address the issues.
- 4.16 The QA reviewer should review appraisal records if they are considered necessary to assess audit competence. The QA reviewer judges the extent of the review of individuals' CPE records based on the firm's culture and attitude to compliance; coverage by the firm's own monitoring reviews and the results of the re-performance; the quality of the audit work; the size of the firm; the number of audit staff, and any other relevant factors.
- 4.17 Further firm-wide work may be necessary following the file reviews to identify and understand the underlying reasons for any significant failings. For example, if audit work indicates that an individual is not up to date technically, it may be appropriate to review that individual's training or appraisal records to establish the reasons why. If a weakness appears to be more widespread, it may be appropriate to undertake a broader review of the firm's overall training programmes and procedures manuals. In addition to procedures, controls and training, the reasons for failings may lie in resources (including staffing and financing), personal circumstances, culture, organisation and structure of the firm.



File reviews

- 4.18 The review of individual audit files enables the QA reviewer to assess the quality of audit work and the level of compliance with applicable auditing standards and accounts disclosure requirements. File reviews provide information on how the firm is complying with the requirements of the NSAs, NFRS and Companies Act requirements on individual audits (for example (re)appointment procedures or independence issues). Where a file review is a re-performance of the firm's own monitoring review, this will also assess the quality of the firm's own internal file reviews and how much you can rely on them.
- 4.19 When they select files for review, QA reviewers should select:
- on all visits, a minimum of two audit files for review, except if there is only one or no audit clients; the review of the second or subsequent files may be restricted to specific aspects of the audit;
 - files to cover the identified risks, including coverage of audit partners;
 - one file to re-perform the firm's own monitoring review of a completed audit, if the QA reviewer plans to rely on the firm's own monitoring reviews; and
 - recent examples of completed audit work; it is unlikely that audit work done more than two years ago would be sufficiently recent to provide evidence of competence at the date of the visit.
- 4.20 File reviews should be documented using the **Annex-5 'Quality Assurance Review – Review Notes'** checklist and should consider any additional specialist technical guidance as appropriate.
- 4.21 Findings and questions on the file reviews should be documented and discussed with the audit partner (and possibly also the audit manager). During the discussion, the QA reviewer should try to find out if any deficiencies identified were because the firm did not obtain audit evidence or because it did not record the evidence obtained. Discussion of the detailed findings and questions at this stage supports the QA reviewer's final visit conclusions and helps to ensure the report to the firm contains no surprises.
- 4.22 The QA reviewer should, as far as possible, identify the underlying causes of any significant weaknesses through discussions with the audit partner. The QA reviewer may need to do this by considering all file reviews together. This is an important aspect of the visit because, to be effective, any actions the firm agrees to take to address issues with the audit need to fix the underlying causes. The underlying causes will be different for each firm and depend on the training, procedures and controls that the firm has selected to achieve compliance and how they are operating. The QA reviewer should identify the most significant underlying causes. These are most easily identified by considering what changes to resources, organisation, culture, training, procedures or controls are most likely to enable the firm to correct an issue in the future. Ineffective quality control (for which the audit partner is responsible) will always be a contributory factor but, where possible, a more thorough analysis of other factors will be more useful to the firm.
- 4.23 The QA reviewer should complete an '**Annex- 6 Individual Audit Level Quality Assurance Review**' questionnaire for each file reviewed as he is reviewing the file. The QA reviewer should note the conclusion, based on the firm's responses, on whether the firm has cleared the points, whether there are areas needing improvement or instances of non-compliance with auditing standards, or disclosure requirements. If the firm's own monitoring review findings are inconsistent with those of the QA reviewer, it is the firm's responsibility to address this and there is no requirement for the QA reviewer to review additional files. The QA reviewer may need to make additional notes to provide a clear trail from the findings to the conclusions.



Closing meeting

- 4.24 The final stage of the on-site visit process is the closing meeting. Before the closing meeting, the QA reviewer should complete both the '**Quality Assurance Review – Review Notes**' checklist and the '**Individual Audit Level Quality Assurance**' checklists.
- 4.25 The QA reviewer should then complete the '**Annex-7 Evaluation Sheet for Grading of the Firm's System and Compliance**'. The QA reviewer should award marks based on his assessment of the firm's compliance with each of the requirements. Where the QA reviewer reviews more than one audit file, the QA reviewer should assign marks based upon the situation observed in both files and on his determination of whether the issue is a typical one or is widespread across multiple engagements. He needs to discuss with the relevant firm personnel in obtaining that idea. Where a question on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' is not applicable this should be ignored for the purposes of scoring and the overall score should be grossed up to reflect this (for example if only 95 marks are possible and a firm scores 45 this would be grossed up to $45/95 \times 100 = 47$).
- 4.26 The score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' will provide an indicator of the firm's overall grading. However, this must be supplemented by an overall summary of the key issues before presentation to QAB in form in **Annex-9 Summary QA Report to QAB** which will also include the visit rating as prescribed in point 5.6.
- 4.27 The main purpose of the closing meeting is to discuss the findings and the action the firm should consider addressing any significant deficiencies. Where possible, the closing meeting should focus on helping the firm to make improvements. In more serious cases, the QA reviewer should explain what is likely to happen as a result of the visit. The QA reviewer must allow enough time for this discussion with the firm.
- 4.28 The closing meeting discussion should present a balanced view of the firm (including any positive comments) and its audit work and should clearly identify any areas of non-compliance, together with the underlying causes and any other significant matters that may require action or clarification.
- 4.29 If a firm has no audit clients but wishes to retain its right to carry out audit work the findings on firm's procedures should be summarised as usual. The firm should commit to updating CPE and its audit procedures if any audits are accepted. The QA reviewer should encourage the firm to provide commitments that it will:
- Notify ICAN before it accepts any future audit clients; and
 - supply evidence of current audit competence (CPE) and audit procedures in place to carry out compliant audit work.
- 4.30 On any follow-up visit a failure to comply with an order issued by ICAN, or with undertakings given in a report to QAB, is likely to be regarded as a serious matter. The QA reviewer should seek explanations from the firm for such matters and should make the firm aware of the importance of providing a full response in its closing meeting responses.

5 Visit completion and reporting

Introduction

- 5.1 This section applies to all types of visit and covers from the issue of the report to the firm for comment to completion of the visit.
- 5.2 The reviewer will draft a copy of the '**Annex-8 Draft Quality Assurance Review Report**' as soon as possible after the visit. The QA Unit Head will review and approve this prior to its issue to the firm.



- 5.3 The firm should reply to the '**Draft Quality Assurance Review Report**' within **15 business days** unless otherwise agreed between the QA reviewer and the firm. The QA reviewer follows up any delay in receiving a reply. If a firm fails to provide a reply, QAB should write a formal letter giving the firm a final chance to provide a reply.

Visit ratings

- 5.4 The visit rating is decided by assessing the information gathered from:
- a review of the planning and any permanent information held by ICAN;
 - discussions with the firm during the visit;
 - the result of the '**Evaluation Sheet for Grading of the Firm's System and Compliance**'
 - evidence seen during the visit; and
 - an assessment of the evidence taking into account the firm's reply to the '**Draft Quality Assurance Review Report**' and an assessment of the significance of any failures in the firm's audit procedures and audit work.
- 5.5 Visits are rated by the QA reviewer who will assess the firm's commitment and ability to correct any matters raised at the visit. The QA reviewer should consider a number of factors including:

Commitment

- attitude (has the firm been positive in its response to the visit findings)
- standard of compliance (how significant are the issues)
- following up on firm's own monitoring review findings (has the firm identified issues and does it have a plan to correct them)
- positive response to the closing meeting (if the findings are more serious then the firm's response should give a lot of detail on what it intends to do)
- offering to have an external review or to get external assistance
- resources (does it have enough staff with the right level of experience)
- willingness to spend money, where necessary, on external resources
- failure to act on any assurances given to ICAN

Ability

- the nature of the visit findings (are they isolated or firm-wide, is it a failure to record the work or has the work not been done, how significant is the finding in the context of the client)
- recognition of specialist or higher risk clients (does the firm have the expert knowledge)
- does the firm understand the findings and underlying causes (as shown by the QA reviewer's discussions on the visit)
- in firm's with more than one audit partner is there one audit partner who is more able and capable of helping the others improve their standards
- results of previous visits (has the firm improved or has it not corrected the issues found at the previous visit)



- effectiveness of the firm's own monitoring review (can the firm identify its own problems or does it need external help)
- coping with significant change (for example putting in a new audit system, implementing new standards)
- appropriate responses from the firm (if the QA reviewer thinks the firm has less ability then the firm's reply to the '**Draft Quality Assurance Review Report**' should provide more detail)

5.6 In addition to the firm's score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**', the QA reviewer needs to consider the seriousness of each finding in deciding the overall rating for the visit. In considering the seriousness of each principal finding, the reviewer needs to consider the guidance in **Annex -10 Guidance to Assign the Review Rating**. The overall ratings are decided as follows:

Satisfactory

The firm score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' is ≥ 80 and there are no issues which need to be followed-up.

No further action is recommended.

Generally Acceptable

The firm score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' is ≥ 60 and the firm has provided commitment to taking action which the QA reviewer believes to be adequate.

No further action is recommended.

Need improvement

The firm score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' is ≥ 40 and there are more significant findings of non-compliance.

These need to be reported to QAB in detail to let them consider what action they need to take to make sure the firm either takes action to correct the issues and/or where necessary imposes conditions on the firm. In these cases, evidence to confirm the firm's actions agreed to in its reply to the '**Draft Quality Assurance Review Report**' is needed to show its commitment and ability to correct the issues raised.

Need Significant improvement

The firm score on the '**Evaluation Sheet for Grading of the Firm's System and Compliance**' is < 40 and there are serious instances of non-compliance and other significant matters.

These need to be reported to QAB in detail to let them consider what action they need to take to make sure the firm either takes action to correct the issues and/or where necessary imposes conditions and/or restrictions on the firm and/or refers the firm for disciplinary action.

The QA reviewer may consider that the firm's right to carry out audit work should be removed. This would be where the QA reviewer does not believe the firm is capable of or committed to making the improvements needed. This would include:

- where a firm has deliberately ignored the requirements of the NSA, NFRS and Ethical Standards and/or
- where the firm had extensive and serious issues of non-compliance, and was not willing to or lacked the ability to make the necessary improvements and/or



- where a firm has not complied with an instruction or conditions imposed by ICAN as a result of a previous visit.
- 5.7 QA reviewers should use the framework in section 5.6 above to decide ratings for visits. Where the visit is a RISK or FOLLOW-UP, reviewers should include in the report information on why it was a FOLLOW-UP or RISK visit so QAB can consider the circumstances which led to the visit together with the QA reviewer's findings.

Final reporting

- 5.8 Once the QA reviewer has received the firm's reply to the '**Draft Quality Assurance Review Report**', he should complete the '**Summary Quality Assurance Report to QAB**'. This will contain sections covering:
- Brief information on the firm
 - An overall summary of the firm's audit quality setting out the positives and significant negatives and providing QAB with a balanced picture of the firm's audit procedures and quality.
 - A summary overview of the firm's system of quality control under each of the NSQC1 headings
 - A summary overview of engagement performance at file level
 - Particulars of principal issues and firm's response
 - A list of findings reported as for further improvements required
 - Reviewer's recommended designation to the firm's system and compliance
 - The QA Unit's recommendation for action.
- 5.9 The QA reviewer should submit the '**Summary Quality Assurance Report to QAB**' to the QA Unit Head for review. Once he is satisfied with the report he will send a copy to the QAB Task Force. The QA Task Force will review and assess the '**Summary Quality Assurance Report to QAB**' before submitting it to the full QAB for approval. However, the QAB is empowered to make revision to the process and directly receive reports from QA unit Head by dissolving the task force.
- 5.10 If a firm is Compliant or Generally Acceptable, QAB should send a visit closure letter to confirm that there are no conditions or restrictions placed on its audit work and that the visit has been concluded based on its agreement to take the action set out in its closing meeting responses.
- 5.11 If a firm is Need Improvement or Need Significant Improvement, QAB should send a visit closure letter to state what conditions or restrictions are proposed on its audit work and that evidence of corrective action will be required. In any case where QAB is referring a firm for disciplinary action, QAB should send a letter confirming this and setting out the reasons for referral.
- 5.12 The format to be used as closure letters mentioned in 5.10 and 5.11 above for various grading shall be decided by the Quality Assurance Board.
- 5.13 After completion of all of the processes as above, the reviewer should send a feedback form to the firm in a format as decided by QAB and document the feedback received after submission to the QA Unit Head.

6 Repeal and Savings

- 6.1 The existing 'Quality Assurance Manual' is repealed and this manual shall come into force from the date of authorization from QAB Meeting i.e., 01 January 2020.



Annex-1: Information Questionnaire (Institutional Level QA Review)

This general questionnaire is designed to capture the understanding of the firm's policies and procedures to comply with the Nepal Standards on Quality Control 1 (NSQC-1) and professional standards at the firm level, i.e., to its systems and practice of performing the assurance engagements.

Please complete and send this firm level information and questionnaire to your quality assurance reviewer prior to three days before the review. Please DO NOT include record or document supporting your answers (have them ready for the reviewer to see on the day of the review).

A. Firm Level Information:

Name of the Firm	
Address of the Firm	
Telephone No.	
Regd. No of the Firm	
No. of Partners in the Firm	
Names of partners	
No. of Audit Managers	
No. of Audit Staffs	
No. of Article ship trainees	
No. of audit clients	
No. of non-audit clients	
No. of Listed Company audit clients	
No of audit clients with overseas reporting	
Affiliation Type with foreign audit firms	
Other significant Information	



B. Questionnaires relating to elements of firm's system of quality control:

These questionnaires relating to the elements of firm's system of quality control are to be replied by the firm and reviewers need to place on their comments based upon interactions with the firm personnel on the related firm matters.

The reply of the firm needs to be placed in the column named as firm's response against each question in the previous column in the questionnaire.

1. Leadership Responsibilities for Quality within the Firm:

Questions for firm's response	Firm's Response	Reviewer's Comments
1.1 Have the partners been able to promote internal culture putting emphasis on quality of services? Explain.		
1.2 Have the partners committed enough resources for the development and implementation of quality control policies and procedures? Explain.		
1.3 Have your firm devised quality control policies and procedures in a written form?		
1.4 Are your firm's policies and procedures current (updated with latest changes in standards, ethics and regulations)?		
1.5 Has the firm devised the system of promotion, reward, compensation of employees to promote the quality performances? Explain.		
1.6 Do the partners circulate the messages to the staffs requiring quality performances standards very often?		
1.7 If they are circulated, how are they circulated: eg. Formal meetings, informal meetings, training sessions, memos?		
1.8 Has the responsibility been assigned to the appropriate firm personal regarding quality control administration? Is he/she the partner of the firm with sufficient and appropriate experience and ability?		
1.9 Do the partners ensure that the commercial considerations don't override your quality standards? Explain.		
1.10 Are there any changes in strategy objective, governance and changes in partner or senior staff of the firm recently that impacts the audit practice of the firm?		

2. Ethical Requirements:

Questions for firm's response	Firm's Response	Reviewer's Comments
2.1 Are the firm personnel made aware of applicable code of ethics requirements?		
2.2 Does the firm require declarations regarding confirmation of compliance to		



independence requirements from all personnel at least annually?		
2.3 Does the partner communicate to the firm the independence requirements specific to the engagement?		
2.4 Does the firm or engagement partner communicate to the personnel of ethical requirements specific to engagements?		
2.5 Do the personnel communicate to the firm of any threat that comes to their notice or any independence breaches?		
2.6 Does the firm communicate the matters relating to independence to the engagement partners and others, who need to address the breach?		
2.7 Does the firm have a system to identify threats to fundamental principles?		
2.8 Does the firm evaluate the identified threats to fundamental ethical principles?		
2.9 Does the firm apply safeguards if circumstances or relationships exist to create threat, to eliminate them or reduce them to an acceptable level?		
2.10 Do the partners consider exits or resigning from client and engagement relationship if the threats cannot be reduced to an acceptable level? Or, how do you address the situation?		
2.11 Has the firm assigned responsibility to any firm personnel to carry out administration and monitoring on ethical matters?		
2.12 Does firm ensure the independence of third party work when they carry out the engagement as part of engagement team?		
2.13 Does the firm undertake or follow any business or occupation that might be inconsistent with public practice accounting?		
2.14 Does the firm, colleagues, staff and relatives receive any type of goods, services from the clients?		
2.15 Does the firm disclose to the client the basis of determination of the fees?		
2.16 What safeguards does the firm apply for reducing the threats caused by involvement of same senior personnel for long period in case rotation not mandated by regulation for those entities?		
2.17 Are there any examples of, and if so, how does the firm maintain independence, where the firm, a member of the practice, or near relative: <ul style="list-style-type: none"> Has a direct financial interest or material indirect financial interest in an 		



<p>assurance client?</p> <ul style="list-style-type: none"> • Has a loan or guarantee to or from an assurance client or any of its directors or officers? • Is a member of the assurance team being, or having recently been, a director or officer, or an employee in a significant position, of the assurance client? • Has a close business relationship with an assurance client? • Has an immediate family member or close family member who is a director or officer of the assurance client? • Is facing the threat of replacement over a disagreement with the application of an accounting principle? • Is facing pressure to inappropriately reduce the amount of work performed in order to reduce fees? • Is performing services for an assurance client that directly affect the subject matter of the assurance engagement? • Also provides financial planning services? • Has acted as an advocate for the client in litigation or resolving disputes with third parties (e.g. tax representation)? • Has provided services to clients who are competitors in the local market? 		
<p>2.18 Is professional independence put at risk because the practice or an individual partner depends excessively on revenues from any one client? If so, detail any safeguards applied to eliminate this threat or reduce it to an acceptable level.</p>		
<p>2.19 Does the firm carry out audit of financial statements of clients for whom you also:</p> <ul style="list-style-type: none"> • prepares original data used to generate financial statements; • prepares other records that are the subject matter of the assurance engagement; or • makes judgments or decisions in respect of the financial statements? <p>How does your firm ensure independence is maintained</p>		

in such situations?		
2.20 Are the firm's personal and practice payment and lodgment obligations in respect of taxation and other regulatory matters up to date?		
2.21 Has the firm been the subject of a formal complaint to a professional accounting body, regulator, or court of law in the last 5 years?		
2.22 What procedures exists to follow when your firm is required to disclose confidential information of the firm's client when there is a legal or professional duty to disclose? Does the firm advise the client?		
2.23 Is all advertising and other promotion undertaken by the firm consistent with professional requirements?		
2.24 Has the firm ensured that descriptions / titles on letterheads, business cards and any other business stationery or publicity material is consistent with legal requirements and ICAN code of ethics?		
2.25 Does the firm ensure that clients do not publish a report the firm has prepared in a way that might mislead the public as to the report's nature or meaning?		
2.26 Has the firm taken the professional indemnity insurance cover for the risks of claims?		

3. Acceptance and Continuance of Client relationships and Specific Engagements:

Questions for firm's response	Firm's Response	Reviewer's Comments
3.1 Does the firm use any forms/checklists to screen/evaluate the clients approaching?		
3.2 Does the firm evaluate the firm's own resources and time to perform the engagement?		
3.3 Does the firm ensure that the firm's personnel can comply with the legal and ethical requirements?		
3.4 Does the firm check on the integrity of the client's management and TCWG before accepting the relationship or the engagement?		
3.5 Does the firm check on the nature of entity and its business along with risks considering the external information available?		
3.6 Does the firm re-assess the clients from time to time to determine whether the relationship should continue? How is this re-assessment documented?		



3.7 What procedures does the firm follow when information are available that would cause the firm to decline the engagement had the information been received earlier?		
3.8 Does the firm ensure that the assessment is current and is not based upon your past experience of client's honesty?		
3.9 Before accepting an appointment, does the firm notify the previous accountant, and write to enquire whether there is any professional reason why the firm should not accept the appointment?		
3.10 Does the firm issue an engagement letter for all the engagements and receive the approval/congruence of the client?		
3.11 Is the engagement letter sufficiently detailed and complying with the terms of NSA 210 Terms of Audit Engagements?		

4. Human Resources:

Questions for firm's response	Firm's Response	Reviewer's Comments
4.1 Does the firm assess the quality and quantity of personnel requirement at various levels for rendering the services of the firm?		
4.2 Has the firm been able to discharge its professional services with the currently available personnel capacity?		
4.3 Does the firm have a system to recruit the competent manpower?		
4.4 Does the firm have a system to promote the staffs towards higher level positions of authority and responsibility?		
4.5 Are staffs made aware about the promotion, reward, compensation of their job?		
4.6 Are staffs subjected to trainings on recent developments in professional standards, laws, rules, regulations and practice?		
4.7 Does the firm assess whether specific training is required to carry out engagements of specialist clients? Does the firm ensure such expertise is used to carry out specialized engagements?		
4.8 Are the staff appraisals made and appraisal outcomes informed to the staffs?		
4.9 Is there a system that identification of the engagement partner is circulated to key management personnel of the client?		
4.10 Are the staffs assigned to engagement teams commensurate with their experience and qualifications required for the team?		



4.11 Does the firm maintain personnel files that include records of training, appraisal and advancement?		
4.12 Does the firm have a workers' compensation insurance policy for all the firm's personnel?		

5. Engagement Performance:

Questions for firm's response	Firm's Response	Reviewer's Comments
5.1 Are all the engagements performed consistently adhering to the established firm practices on planning, execution and completion of engagements? Like use of manuals, checklists, and audit programs.		
5.2 Does the system in 5.1 provide for sufficiency of compliance to documentation requirements as per NSA 230?		
5.3 Is the supervision of the engagement performance conducted in a timely manner during the period of the engagement?		
5.4 Is the work of less experienced staffs supervised by the more experienced staffs?		
5.5 Are the preparer and reviewer of the audit documentation identifiable?		
5.6 Are consultations taken on difficult and contentious matters?		
5.7 Is the procedure and consultants for taking consultation clear and known? Is the record of consultation maintained?		
5.8 Is there established procedure to deal with difference of opinion?		
5.9 Are the criteria for engagement quality control review well specified?		
5.10 Does the firm require engagement quality control review for audit of listed entities?		
5.11 If the answer to above point is yes, who usually acts as the engagement quality control reviewer?		
5.12 Does the firm make sure that he is not involved in engagement performance or doesn't in any way make any decisions for the engagement team?		
5.13 Has the firm ensured the independence, authority and expertise of the engagement quality control reviewer?		
5.14 Is the record of the engagement quality control review maintained?		
5.15 Has the firm maintained any pool of any technical resources so that they are accessible for use by the firm personnel? Like library containing technical resources.		



6. Monitoring:

Questions for firm's response	Firm's Response	Reviewer's Comments
6.1 Does the firm monitor the effectiveness of its quality control policies and procedures?		
6.2 Does the monitoring cover the cold review of engagement files to cover each partner on cyclical basis?		
6.3 Does the firm communicate the deficiencies identified through monitoring process and also address such deficiencies?		
6.4 Is the monitoring carried out by appropriate personnel with expertise, experience and independence?		
6.5 Is the monitoring carried out by following a proper procedure and record of work performed?		
6.6 Does the monitoring cover the overseeing of operation of all the elements of firm's system of quality control?		
6.7 Does the firm have a system of handling complaints and allegations that the work has not been performed in accordance with the professional requirements, legal and regulatory requirements and its own system of quality control?		
6.8 Does the firm retain the engagement documentation for statutory minimum period or at least for 5 years?		
6.9 Has the firm devised and maintained control over unauthorized access to the engagement documentation retained as per point 6.8?		
6.10 Does the firm complete the assembly of engagement files within a period of 60 days from issue of the audit report?		

Annex 1.A : QA Information Request Form**Introduction**

This form is related to section 2.8 of QA Unit Procedures Manual and is Annex 1.A.

This is a format for collecting information from audit firms for the purpose of carrying out Quality Assurance Review.

The request information should be provided to the email of the communicating reviewer/Quality Assurance and Regulatory Division within one week prior to the scheduled review date.

Particulars	Details
Name of the Firm	
Nature of the firm (Proprietorship/partnership)	
Address of the Firm	
Regd. No of the firm	
If partnership firm, no. of partners	

Other Relevant Information**A. Contact details**

Particulars	Details
Name of Contact Person*	
Designation	
Mobile Number	
Mailing Address	

* This should be the name of the proprietor or the partner from among the partners who need to act as the primary point of contact with regard to all communication to and from the Institute. He / She is the same person to fill and submit these details on behalf of the firm.

B. General Information of Audit Firm**1. Information of Proprietor/Partners**

S. No.	Membership No.	COP No.	Name of Partner	CPE hrs. taken (for the past FY)	Specific role assigned to partner, if any	No of Audit Reports signed for past FY.



2. Information on quality and quantity of staffs

Particulars	Number
No of Qualified Chartered Accountant staffs, if any	
No of other professional staffs (Including semi-qualified staffs)*	
No of Articleship trainees	
No of other Audit staffs	
No of other staffs	
Total no. of staffs**	

* The professional staff is designated to include qualified personnel from other accounting bodies and semi qualified personnel from ICAN.

** Total number of staffs should equal the sum of no. of staffs at various positions.

3. Branch information, if any

S. No.	Location of Branch Office	Name of Partner/Staff assigned as head of the Branch Office	Membership No. of the Branch Office Head	No of Audit Reports Issued by the Branch Office in previous FY

C. Client Information

1. Summary of Client Information

S. No.	Particulars	No of Clients in Immediate Previous FY
1	Total no. of Audit Clients	
2	Total no. of Non- Audit Clients	
4	Total no. of Public Sector Audit Clients	
5	Total no. of Public Limited Co. Audit (other than listed)	



6	Total no. of Audit Reports signed by your firm in Previous FY	
7	Total no. of UDIN generated in previous FY	

2. Information on Statutory Audit (For Previous FY)

(Note: DATA will be accessed from UDIN platform and you need not provide this information here.)

D. Firm's Quality Control System and other provisions for delivering good quality audit

Note: Please put a tick either in (Yes/No/NA) and provide remarks wherever necessary.

1. Does your firm have Quality control manual/policy?

Yes		No	
Remarks (optional)			

2. If your answer to Q.1 is Yes, does it contain the policy and procedures to address all the elements as prescribed by NSQC-1?

Yes		No	
Remarks (optional)			

3. Does your firm have any other policies and procedures besides Quality Control Policy?

Yes		No	
Remarks (optional)			

4. Does your firm have any standard audit system/audit manual?

Yes		No	
Remarks (optional)			

5. If your answer to Q4 is No, have you ensured that your documentation system complies with the requirements of professional standards and relevant statute in all material respects?

Yes		No	
Remarks (optional)			

6. If you have a special client like INGO, Bank or Insurance, have you tailored your audit system to meet their audit requirements?

Yes		No	
Remarks			



(optional)	
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7. For all audit reports signed last year, have you maintained permanent and current audit files?

Yes		No	
Remarks (optional)			

8. Are you satisfied that all audit reports issued by the firm are appropriate in the circumstances also considering the audit system and quality standards of your firm?

Yes		No	
Remarks (optional)			

9. Are you associated with any network / affiliation with other firm (within Nepal or globally or both)?

Yes		No	
Remarks (optional)			

10. Have you carried out any human resource requirement assessment for your firm?

Yes		No	
Remarks (optional)			

11. Are you satisfied that your firm has right quantity and quality of human resources in view of the nature and size of your clients?

Yes		No	
Remarks (optional)			

12. Have you established any kind of training arrangements to update your firm personnel on recent developments and changes to laws, regulation and standards?

Yes		No	
Remarks (optional)			

13. Have your firm ensured the compliance with relevant ethical requirements?

Yes		No	
Remarks (optional)			

14. Have you ensured that commercial considerations don't override audit quality across audit engagements?

Yes		No	
Remarks (optional)			

15. Have you carried out monitoring of your firm's system of quality control as required by NSQC-1?



Yes		No	
Remarks (optional)			

16. Have your firm made a provision of availability of necessary resources to the firm personnel as may be required for delivery services to the category of clients your firm have been dealing with? For example, office, logistics, technical materials, audit system, training, remuneration, incentives etc.

Yes		No	
Remarks (optional)			

17. If your audit firm is entitled to admit articleship trainees and if you have admitted them, have you ensured that you are in compliance with related regulation of ICAN?

Yes		No		NA	
Remarks (optional)					

18. Have your firm resorted to any kind of marketing strategy for the services of the firm?

Yes		No	
Remarks (optional)			

19. Does your firm have website and or social media page?

Yes		No	
Remarks (optional)			

Please mention the name if Yes:

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20. Does your firm safe keep the audit documentation for minimum regulatory specified period which is generally at least five years?

Yes		No	
Remarks (optional)			

21. Does your audit firm have a system how complains and allegations within and outside the firm are handled and clear procedures as to how they are resolved?

Yes		No	
Remarks (optional)			

E. Other

1. Does your firm have any legal case pending before court or judicial authorities?

Yes		No	
Remarks			



(optional)	
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2. Is your firm charged with any disciplinary or other legal action by any court or regulatory body in immediate past 5 years?

Yes		No	
Remarks (optional)			

3. Has your firm taken professional indemnity insurance policy?

Yes		No	
Remarks (optional)			

4. Has your firm filed regulatory tax returns for the firm for the previous fiscal year?

Yes		No	
Remarks (optional)			

5. Is your firm in compliance of Nepal Chartered Accountant's Act 2053 and Nepal Chartered Accountants Rules 2061 while carrying out the operations of your firm in the previous FY?

Yes		No	
Remarks (optional)			

F. Declaration

I/We hereby declare that all the information provided herein are true and correct to the best of my/our knowledge. If any information provided herewith are found to be faulty, I/we am/are ready to face the action as mandated by applicable rules and regulation of the Institute.



Annex 1. B : Information Request Form for Registered Auditors (Nepali language)**गुणस्तर आश्वस्तता सम्बन्धी सूचना अनुरोध फारम****परिचय**

यो फारम QA Unit Procedures Manual को दफा २.८ सँग सम्बन्धित अनुसूचि १.ख हो ।

यो फारम संस्थाको गुणस्तर आश्वस्तता बोर्डले लेखापरीक्षण गुणस्तर आश्वस्तता पुनरावलोकन कार्य सम्पन्न गर्न दर्तावाला लेखापरीक्षक सदस्यका लेखापरीक्षण फर्महरूबाट सम्बन्धित सूचना संकलनको प्रयोजनार्थ तयार गरिएको हो ।

यस फारम माफत अनुरोध गरिएका सूचनाहरू संचार कायम गरिरहेको पुनरावलोकनकर्ता को ईमेल वा संस्थाको “क्वालिटी एस्युरेन्स तथा रेगुलेटरी डिभिजन” लाई पुनरावलोकनको लागि तय गरिएको मिति भन्दा एक हप्ता अगावै उपलब्ध गराउनुपर्नेछ ।

आवश्यक सूचनाहरू**क. सम्पर्कका लागी सूचना**

विवरणहरू	विस्तारित सूचनाहरू
फर्मको नाम	
फर्मको प्रकार (एकल वा साभेदारी)	
फर्मको ठेगाना	
फर्म दर्ता नं.	
साभेदारी फर्म भएमा साभेदारहरूको संख्या	
प्रोप्राइटर वा साभेदारको नाम	
प्रोप्राइटर वा साभेदारको मोबाइल नं	

ख. फर्मका कर्मचारीहरूको संख्यात्मक तथा गुणात्मक विवरण

विवरणहरू	संख्या
स्नातक वा सो भन्दा बढीको उपाधि प्राप्त कर्मचारीहरूको संख्या,	
अन्य प्रोफेसनल कर्मचारीहरूको संख्या, यदि भएमा (सेमिक्वालीफाइड सि.ए. समेत)*	
लेखापरीक्षण सम्बन्धी अन्य कर्मचारीहरूको संख्या	
अन्य माथी उल्लेख गरिए बाहेकका कर्मचारीहरूको संख्या	
जम्मा कर्मचारी संख्या **	

* प्राफेसनल कर्मचारीअन्तर्गत यस संस्था वा अन्य संस्थाहरूबाट चार्टर्ड एकाउन्टेन्सी वा सो सरहको शिक्षा आंशिक रूपमा अध्ययन गरेका तथा पंजिकृत प्रशिक्षण सम्पन्न गरेका विद्यार्थीहरू रहन सक्नेछन् ।

** जम्मा कर्मचारी संख्या बराबर विभिन्न पदहरूमा रहेका कर्मचारीहरूको जोड हुनुपर्नेछ ।

ग. लेखापरीक्षण गरिएका संस्थाहरू सम्बन्धी विवरण**१. सेवा प्रदान गरिएका संस्थाहरूको सारांश विवरण**

क्र.स.	विवरण	गत वर्ष सेवा प्रदान गरिएका संस्थाहरूको संख्या
१.	वाह्य लेखापरीक्षण सेवा प्रदान गरिएका संस्थाहरूको जम्मा संख्या	
२.	वाह्य लेखापरीक्षण बाहेकका सेवा प्रदान गरिएका संस्थाहरूको जम्मा संख्या	
३.	पब्लिक कम्पनिहरूको लेखापरीक्षण गरिएको भए सो को संख्या (सुचिकृत बाहेकका)	
४.	गत आ. व.मा जारी गरेका लेखापरीक्षण प्रतिवेदनहरूको जम्मा संख्या	
५.	गत आ. व.मा उत्पन्न (Generate) गरिएका UDIN को जम्मा संख्या	

२. वाह्य लेखापरीक्षण सम्बन्धी विवरण (गत वर्षको लागि)

(पुनश्च: यस सम्बन्धी विवरण UDIN प्रणाली बाट प्राप्त गरिने भएकोले फर्मबाट भर्नुपर्ने आवश्यकता छैन ।)

घ. गुणस्तरीय लेखापरीक्षण सेवा प्रदान गर्न विकाश गरिएको फर्मको गुणस्तर नियन्त्रण प्रणाली तथा अन्य व्यवस्थाहरू
(पुनश्च: कृपया “हा/होईन/लागु हुदैन” मध्ये एउटामा टिक लगाउनुहोला र यदि आवश्यक भएमा कैफियतमा अन्य विवरणहरू उल्लेख गर्नुहोला ।)

१. तपाईंको फर्ममा गुणस्तर नियन्त्रण नीति वा म्यानुअल छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

२. यदि प्रश्न नं. १ “हो” भए, उक्त नीति वा म्यानुअलले NSQC १ ले भनेका सम्पूर्ण गुणस्तर नियन्त्रणका तत्वहरूलाई समेटेको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

३. फर्मको आफ्नै गुणस्तर नियन्त्रण नीति वा म्यानुअल बाहेक अन्य कुनै नीतिहरू छन् ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

४. तपाईंको फर्ममा आफ्नै कुनै लेखापरीक्षण प्रणाली/ लेखापरीक्षण म्यानुअल छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

५. यदि माथि प्रश्न नं. ४ “होईन” भए, तपाईं फर्मको डकुमेन्टेसन प्रणाली सारभूत रूपमा लेखापरीक्षण मापदण्ड तथा अन्य सान्दर्भिक नियम कानूनहरूको व्यवस्था अनुरूप छ भन्ने कुरामा विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत



६. गत आ.व. मा सम्पन्न गरेका सम्पूर्ण लेखापरीक्षणहरुको लागि छुट्टा छुट्टै फाइल तयार गरी Permanent र Current फाइलहरु तयार गरिएको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

७. तपाईले जारी गरेका सम्पूर्ण लेखापरीक्षण प्रतिवेदनहरु लेखापरीक्षण प्रकृया तथा फर्मको गुणस्तर मापदण्डहरुलाई विचार गरी परिस्थिती अनुसार उपयुक्त भएको प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

८. तपाईले आवधिक रुपमा आफ्ना फर्मका कर्मचारीहरुको पर्याप्तता बारे मुल्यांकन गर्ने गर्नुभएको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

९. तपाई आफ्नो फर्मको प्रकृति तथा सेवा प्रदान गर्नुपर्ने संस्थाहरुको आकार अनुसार आफ्ना कर्मचारीहरु गुणस्तरिय तथा पर्याप्त भएको प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१०. तपाईले आफ्ना कर्मचारीहरुको सम्बन्धित ज्ञान तथा क्षमता लाई ताजा, अद्यावधिक तथा विकास गर्न नियमित तालिमको व्यवस्था गर्ने गर्नुभएको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

११. के तपाईको फर्मले सम्पूर्ण सम्बन्धित कानुनी कर्तव्यहरु पुरा गरेको प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१२. तपाई वित्तीय कारोबार (commercial consideration) ले लेखापरीक्षणको गुणस्तरलाई फरक (Override) नपर्ने प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१३. NSQC १ ले भनेअनुसार तपाईले आफ्नो फर्मको गुणस्तर नियन्त्रण प्रणालीको अनुगमन (Monitoring) गर्ने गर्नुभएको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत



१४. तपाईंको फर्मले प्रदान गर्दै गरेका सेवाहरु गुणस्तरीय तरीकाले सम्पन्न गर्न कर्मचारीहरुलाई आवश्यक पर्ने स्रोत र साधनको पर्याप्त व्यवस्था गरिएको छ ? जस्तै उपयुक्त कार्यालय, लजिस्टिक, प्राविधिक सामग्री (Technical material), लेखापरीक्षण प्रकृया, तालिम, तलब, प्रोत्साहन इत्यादी ।

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१५. यदि तपाईंको वर्गको लेखापरीक्षकलाई लेखापरीक्षणको कुनै सिमा तोकिएको भए, तपाईंले लेखापरीक्षण गरेका वित्तीय विवरणहरु उक्त सिमा भित्र रहेको प्रति सचेत तथा विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१६. तपाईंको फर्मले कुनै प्रकारका मार्केटिङ रणनीतिहरु अवलम्बन गर्नु भएको छ ? यदि छ भने उक्त कार्य सम्बन्धित नियमभित्र रहेर गरेको प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१७. तपाईंको फर्मको कुनै वेबसाइट वा सामाजिक मिडिया पेज छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

कृपया नाम उल्लेख गर्नहोला

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१८. तपाईंको फर्ममा लेखापरीक्षण फाइलहरु न्युनतम नियामक समयावधि सम्म, सामान्यतया ५ वर्षसम्म, सुरक्षित राख्ने व्यवस्था छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

१९. तपाईंको फर्ममा फर्म भित्रैका तथा फर्म बाहिरका गुनासा तथा सुझावहरु व्यवस्थित गर्न कुनै प्रकृया तथा विधी छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

ड. अन्य

१. तपाईंको फर्मसँग सम्बन्धित कुनै मुद्दाहरु अदालत वा अन्य न्यायिक निकायमा विचाराधिन छन् ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत



२. गत ५ वर्षमा तपाईंको फर्मलाई कुनै अदालत वा नियामक निकायबाट कुनै अनुशासनात्मक वा अन्य कानुनी कार्यवाहि गरिएको थियो ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

३. तपाईंको फर्मले गत आ.व. को लागु हुने कर तथा कर विवरण दाखिला गरेको छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

४. तपाईंको फर्मले गत आ.व.मा आफ्नो फर्म संचालन गर्दा नेपाल चार्टर्ड एकाउन्टेन्ट्स ऐन, २०५३ तथा नेपाल चार्टर्ड एकाउन्टेन्ट्स नियमावली, २०६१ का सम्बन्धित व्यवस्थाहरूको पूर्ण पालना गरेको प्रति विश्वस्त हुनुहुन्छ ?

छ/हो	छैन/होईन	लागु हुदैन	कैफियत

च. घोषणा

म/हामी यो घोषणा गर्दछु/गर्दछौं कि, यस फर्ममा उल्लेख गरि उपलब्ध गराएका सम्पूर्ण सुचना तथा विवरणहरू मेरो/हाम्रो ज्ञान र बुद्धि ले भ्याएसम्म सत्य तथा सहि छन् । यदि यस फर्ममा उल्लेख गरि उपलब्ध गराएका कुनै पनि सुचना तथा विवरणहरू गलत सावित भएमा म/हामी सम्बन्धित नियम तथा कानून बमोजिम कार्यवाहि भोग्न तयार छु/छौं ।

.....

हस्ताक्षर

नाम :

मिति :



Annex- 2 : Your Firm's Audit Quality Assurance Review visit

ABOUT THE VISIT

We conduct Quality Assurance Review visits to all 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 cover the following:

- o Review of firm's system of quality control as required by NSQC-1 (ISQC-1) – whole firm
- o Review of compliance to Nepal Standards on Auditing and Code of Ethics – selected audits
- o 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
- 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 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 booklet.



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
- 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 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 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
- Confirm the facts and figure appeared in the draft report to avoid any factual error
- 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. The purpose is to:

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 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 Partners 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.



Annex - 3: Quality Assurance Review Planning Record**Quality Assurance Review Planning Record****Name of Audit Firm:****Planned Visit Date: From:****TO:****1. Pre-requisites of Audit Firm Visits**

S. No.	Questionnaires	Reviewers Comments
1	Has the Pre-Notice been sent?	
2	Has the planned visit date been confirmed?	
3	Has the Institutional Level Questionnaire been along with the notice?	
4	Have you received the response on Institutional Level Questionnaire?	
5	Have you gone through the response provided?	
6	Have you selected the audit file to be reviewed?	
7	What is/are the name/s of the client whose audit file is going to be reviewed?	
8	What was the basis for selection of the file?	
9	Have you gone through the annual report of the client?	
10	Does the review team have any independence issues associated with firm or the firm personnel?	
11	Which type of QA review visit is this? Routine/Risk/Follow up	

2. Any Risk Information Available

S. No.	Risk Information	Remarks
1		
2		
3		
4		



(Note: The risk information might be publicly available information within the firm, partners being subject to regulatory prosecutions, large number of clients, very low number of staffs, clients lacking integrity, and any other ethical issues)

3. Major Risk Areas in the Firm's Quality Control System

S. No	Risk Areas	Assessed Risk	Planned Response
1	Leadership Responsibilities for Quality within the firm		
2	Compliance to Ethical Requirements		
3	Acceptance and Continuance of Client's relationship and specific engagements		
4	Engagement Performance		
5	Human Resource Management		
6	Monitoring & Supervision		
7	Documentation		

(Note: Based upon response to the questionnaire, identify risks at the firm level, to establish any weakness in the system and corresponding response and how would you resolve/confirm the assessed weaknesses)

4. Major Risk Areas in the Audit of Client Entity

S. No	Risk Areas	Assessed Risk	Planned Response
1	Planning of an Engagement		
2	Execution of an Engagement		
3	Completion and Review of Engagements		

(Note: The risk assessments may be the principal weakness assessed in each of the audit section, with corresponding review procedures to resolve or confirm the assessed weakness including what documents/contents/enquiries need to be obtained or verified).



5. Any other Planning Matters

S. No.	Particulars	Remarks
1		
2		
3		
4		

(Note: Any other planning matters may be specific to the firm, based upon the communication with the firm)



Annex – 4 : Opening Meeting Agenda

Opening Meeting Topics
Introduction
Reasons for and scope of visit/firm's expectations of visit and matters firm wishes to discuss with reviewer.
Structure and organisation
Ownership and structure of the firm, including details of partners.
Compliance with COP requirements and notification of all relevant changes to ICAN
Associations with other practices / external business interests
Income/profitability - with specific focus on audit income and profitability
Disciplinary history (including any audit related matters)
Complaints, policy, recording.
Does firm have more than one office - if so consider control and consistency
Details of staff, subcontractors, consultants (including those working on audits)
Audit clients
Audit client details: -public interest -specialist or complex clients -audit clients based or reporting overseas -audit clients with a wide circulation of financial statements -going concern issues
Engagement acceptance considerations -higher risk clients -competence and resources -independence/ethical issues (see below)
Issues arising with any external regulators (for example, financial services regulators)
Firm's procedures
Audit procedures (including approach to updating and procedures for regulated/specialist audits)
Engagement quality control review procedures -when required, how monitored -who performs and how documented
Consultation policy and arrangements



Internal monitoring reviews (required by NSQC1) -whole firm and cold file reviews -dates, who did it -results, communication of findings -action plans
Annual independence and confidentiality declarations
Documentation of NSQC1 procedures
Code of ethics
Responsibility for ethics Communicating requirements of the Code of Ethics Identifying and resolving issues arising
Explore potential ethical issues and discuss safeguards applied: -financial, business, employment and personal relationships -trustee shareholdings -long association -fee dependency -non-audit services
Training, appraisal and CPE
Internal and external audit training (including specialist areas), planning of training, link to needs of partners /staff, monitoring of training achieved (training records)
How does the firm provide feedback to staff (including subcontractors and consultants) on their performance
What technical material does the firm have
Other
Any other questions arising from firm's responses to the pre-visit questionnaire Matters from previous visits (if already visited)



Annex – 5: Quality Assurance Review Notes**Review Notes**

..... and Co, Chartered Accountants

Reviewer:**Date of Review:****1. Firm Level:****Notes on filling up the review note:**

- The information should contain relevant facts to facilitate understanding of relevant area of review, or describe how the compliance has been achieved, and if it relates to a review of a document or an analysis, the points there of.
- The finding is a weakness or areas of improvement in the particular area of review, and it is drafted just in first hand review, which is carried forward for discussion with the firm management.
- The remarks should contain the information if the finding has been resolved, taken to the report, or dropped after putting to the attention of the management and receiving the convincing response.
- The reviewer needs to be guided by the QA checklists, all professional and technical standards and the relevant laws and regulations on filling this review note.
- This review note is however not a substitute for filling up the firm level and file level QA checklists.

a. Leadership responsibility for quality within the firm

Information	Finding	Remarks

b. Ethical requirement

Information	Finding	Remarks

c. Acceptance and continuance of client relation and specific engagement

Information	Finding	Remarks



d. Human resource

Information	Finding	Remarks

e. Engagement Performance

Information	Finding	Remarks

f. Monitoring

Information	Finding	Remarks

2. File Level:**a. Planning of the Engagement**

Areas of Planning of an Engagement	Information	Finding	Remarks
Appointment letter and validation			
Engagement acceptance memo or decision based upon Criteria/Clearance with previous auditor			
Engagement letter and acceptance by client management			
Formation of engagement team			
Entry meeting with the client management			
Planning meeting of an engagement team			
Understanding of the entity (Separate or in Audit Planning Memorandum)			
Assessment of risk of material misstatement in			



financial statement level			
Assessment of risk of material misstatement in assertion level			
Assessment of fraud risk, risk of revenue fraud and management override of controls			
Time plan of an engagement			
Preliminary analytical reviews			
Determination of a materiality level			
Response to assessed risks			
Review of Internal Audit Report and other regulatory inspection reports			
Audit Planning Document or major planning documents approved by Partner			

b. Execution of the Engagement

Areas of Execution of an Audit	Information	Finding	Remarks
Tailored and Customized Audit Program			
Documentation of findings and conclusions on test of each area of financial statements (Based upon detail observations below)			
Obtaining of audit evidence for all material areas of financial statements (Based upon detailed observation below)			
Verification of opening balance			
Examination of material			



journal entries			
Procedures and evidence for litigation and claims			
Procedures and evidence for related parties			
Procedure and evidence for accounting estimates			
Evaluation of work of an expert			
Update and revision to plan based upon new information available			
Determination of the need and receipt of external confirmation procedures			
Procedures when information of fraud were available			
Communication to Management/TCWG of important matters/exit meeting			
Examining of material fluctuations out of PAR			
Maintaining an attitude of professional skepticism			
Use of checklists for verification of applicable laws and regulation			
Record of misstatements identified during audit			
Detailed review of Line items (Procedures, evidence, misstatement and Conclusions)			
Cash and Bank			
Investments			
Inventories			
Receivables			
Fixed Assets			
Intangible Assets			
Other Assets			



Current Liabilities			
Provisions			
Deposits			
Borrowings			
Reserves and Surplus			
Share Capital			
Contingent Liabilities			
Sales/Interest Income/Direct Income			
COGS/Interest Expenses/ Direct Expenses			
Office Operation Expenses			
Employee Expenses			
Non-Operating Income or Expenses			
Any other Special Line Items			
Disclosure of significant accounting policies and Notes to Accounts			
Possibilities of Material Non- Compliance with the Laws and Regulations identified by reviewer			

c. Completion and Reporting of an Engagement

Areas of Completion and Reporting of an Audit	Information	Finding	Remarks
Final Preliminary Analytical Reviews			
Review of subsequent events			
Review of going concern			
Agreeing of financial statement with books of accounts/verification of adjustments and appropriations including overall presentation			
Critical review of financial statements			



Resolution of misstatements identified during the audit			
Audit Completion Summary Checklist or memorandum			
Identification of preparer and reviewer in all audit documentation			
Cross referencing and systematic filing of work papers			
Obtaining of management representations			
Coverage and quality of findings in the Preliminary Audit Report			
Basis of opinion / Record of conclusion reached as to opinion			
Audit report in designated format			
Compliance to regulatory reporting requirements			

d. Any other Information, Findings and Conclusions



Annex – 6: Individual Audit Level Quality Assurance Review

Nepal Standards on Auditing (NSA) require that an auditor conduct an audit in keeping with the relevant auditing standards. This implies that a certain standard of work should be evident in all audit files.

In achieving the objectives of ensuring competent professional service, QAR programme that focuses on ensuring a high quality audit product at both the level of the audit entity and the individual audits is required. This review document focuses on the evaluation of quality at the level of the individual audit. The audit files information and the questionnaire are to be filled by the reviewer during individual audit file review.

A. File Information ;

Name of Client	
Address of Client	
Main Activity/Business of Client	
Date of Listing on Stock Exchange	
Name of Partner	
Name of Audit Manager	
Number of Audit Staffs Assigned	
Name of EQCR	
Financial Year Ended	
Regulator	
Financial Reporting Framework	
Date of Appointment Letter	
Date of Issue of Preliminary Audit report	
Date of Response Received on Preliminary Report	
Date of Financial Statement signed	
Date of Auditor's report signed	
Date of Issue of LFAR/Regulatory Reports	
Materiality Level	
Audit fee, and Non Audit Fees	
File Specific Information;	
Total Revenue, Principal type of Revenue	
Total Expenses, Principal type of Expenses	
Total Assets, Principal type of Assets	
Net Profit	
Total Share Capital	



Total Reserves and Surplus	
Total Deposit Liabilities	
Total Current :Liabilities	
Total Provisions	
Total Contingent Liabilities	
Total Loans and Advances	
Total Fixed Assets	
Total Current Assets	

B. Individual Audit Level Quality Assurance Review Questionnaire :

ACCEPTANCE AND PLANNING				
SN	QUESTION	NSA Reference	Yes/No/NA COMMENTS	WP Ref.
1.	Have client and engagement procedures satisfied with respect to ? <ul style="list-style-type: none"> Integrity of the client Firm's human resources capacity Competence and capabilities 	COE, 200;220; 300		
2.	Is there documentation where engagement partner have considered threats to fundamental ethical principles including independence of all the team members?	220		
3.	Have any threats and issues been identified by the engagement partner?			
4.	If ethical issues are identified, is there documentation that these have been resolved and appropriately communicated including applying safeguards?			



5.	Were engagement terms current and agreed? If any differences have arisen than how it was agreed?	210		
6.	Was there an overall audit strategy?	300		
7.	Was there an audit plan and audit programme? Does the plan and programme address the risk assessed?	300		
8.	Does the documentation show that the responsibility for the overall quality of the audit been assumed by engagement partner?	220		
9.	Did the firm obtain an understanding of the entity and its environment, including its internal control, sufficient to assess the risk of material misstatement and to design further audit procedures?	315		
10.	Were appropriate enquiries made of those charged with governance, management and others?	240;315; 540;550; 570		
11.	Were appropriate risk assessment procedures performed?	315		
12.	Did the auditor determine appropriate materiality, performance materiality and triviality?	320		
13.	Was preliminary analytical review performed and was it used to guide the planned work?	315		
14.	Was there an engagement team discussion led by the audit engagement partner? Was responsibilities, risk related issues, problems to be faced, approach for performance of audit, etc. communicated to the team?	240;315; 550		
15.	Did the risk assessment procedures adequately cover:			
	- laws and regulations	250		



	- related parties	550		
	- accounting estimates	540		
	- going concern	570		
	- service organizations	402		
	- auditor or client experts	500;620		
	- internal audit	610		
16.	Were risks assessed at both the financial statement and assertion level?	315		
17.	Was the risk of fraud in revenue recognition accepted, or clearly rebutted?	240		
18.	Did the risk assessment include the significant risk of management override, with appropriate responses in the plan?	240		
19.	Was there an overall plan for the audit, responsive to the risks, with a clear link to the audit procedures?	200;300; 330		
20.	If the risk assessment at the assertion level assumed effective controls, was appropriate control testing planned?	330		
21.	Were some substantive procedures planned for all material classes of transactions, account balances and disclosures? (Could be analytical procedures)	330		
22.	If the response to significant risks relied only on substantive procedures, did they include tests of detail?	330		
23.	Did the auditor consider if external confirmations were needed?	330		
24.	Was the plan updated or revised if needed, and was this recorded?	300		
25.	Were the outline plan and other matters communicated to the client?	260		



26.	Was the audit engagement partner involved in the planning?	300		
ENGAGEMENT PERFORMANCE				
	QUESTION	NSA Reference	COMMENTS	WP Ref.
27.	Is a copy of the engagement letter on file? (for new and existing appointments)	210		
28.	Where the risk assessment was based on controls operated at a service organization, was evidence of their operation obtained?	402		
29.	Was the quality of evidence gathered responsive to the level of risk?	330		
30.	Have accounts been investigated where there are significant changes from: Previous year's results Variations from budget	520		
31.	Was sampling applied properly? Is the sampling size and sampling approach appropriate?	530		
32.	Was appropriate work done in respect of accounting estimates:	540;240		
33.	Where indications of fraud were discovered during the audit, was it adequately followed up?	240		
34.	Was enough evidence obtained regarding related parties and their transactions (responsive to the assessed risks)? Were the audit procedures effective enough to obtain audit evidence about related parties?	550		
35.	Where evidence came from a management's expert, was this properly assessed?	500		
36.	Where evidence came from an auditor's expert, was this properly organized and assessed?	620		



37.	For material inventories, was evidence of existence and condition obtained?	501		
38.	Did the auditor search for evidence of litigation and claims?	501		
39.	Was evidence obtained to support segmental disclosures?	501		
40.	Was enough evidence obtained relating to compliance with laws and regulations?	250		
41.	Were external confirmations properly obtained as planned?	505		
42.	Was internal audit work properly evaluated when relying on it?	610		
43.	Were there appropriate conclusions on the adequacy of the systems (design of the accounting and internal control system)?	610		
44.	Was appropriate work done in respect of material journal entries in the general ledger and in the preparation of the financial statements? (like preparation of lead schedule)	240;330		
45.	Were disclosures made in notes to accounts properly evaluated? Was notes to account adequately reported?			
46.	Were the financial statements agreed or reconciled to the accounting records?	330		
47.	Were the opening balances agreed?	710		
48.	Do comparatives meet the requirements of the applicable financial reporting framework?	710		
49.	Was materiality level revised during audit process? What affect does it make on audit plan and risk assessment procedures?	320		
50.	Did the working papers record:			
	· discussions with management and those charged with governance	230		



	· the nature, timing and extent of audit procedures performed and the results and evidence obtained;	230		
	· Significant matters arising, the conclusions thereon and significant professional judgments made.	230		
	· How inconsistencies in evidence were resolved, and how alternative procedures covered departures from ISA requirements.	230		
	· changes to the audit plan	230		
CONCLUSIONS AND REPORTING				
	QUESTION	NSA Reference	COMMENTS	WP Ref.
51.	Were analytical procedures applied to form an overall conclusion as to whether the financial statements as a whole were consistent with the firm's knowledge of the business?	520		
52.	Did the firm consider the client's ability to continue as a going concern and the directors' assessment?	570		
53.	Have subsequent events been considered up to the date of the audit report?	560		
54.	Was there consultation, at the appropriate level, on ethical and technical issues?	220		
55.	Have differences of opinion arisen within the team with those consulted, or if applicable, with the audit quality control review? If so, have these been resolved following the PU's policies and procedures?	220		
56.	Were all significant queries raised during the audit adequately addressed?	220		
57.	Is there adequate evidence of the audit engagement	220		



	partner's review?			
58.	Was the materiality of the aggregated uncorrected misstatements evaluated?	450		
59.	Have significant findings from the audit been communicated to those charged with governance?	260;265; 450;550; 705		
60.	Was a representation letter obtained before the report was signed?	580		
61.	Did the firm appear to maintain an attitude of professional skepticism throughout the audit?	240		
62.	Has the firm checked that the financial statements comply with statute, applicable accounting standards and other requirements?	330		
63.	Was other information in documents containing audited financial statements considered for misstatements or inconsistencies?	720A&B		
64.	Does the audit report meet the requirements?	700; 705; 706		
65.	Is the audit report signed by the audit partner?	700		
66.	Was the audit report submitted in good time in keeping with the set target dates?			
67.	Generally, do the audit working papers, the audit procedures undertaken, and the results of the audit procedures support and confirm the audit opinion?			



68.	If the firm becomes aware of a limitation of scope during the course of the audit likely to result in a qualification or disclaimer of opinion, did the firm take the appropriate action (request removal of the limitation, qualify report or resign)?	705		
69.	Did the audit partner reconsider acceptance/continuance at the completion stage (i.e. re-appointment)?	200;220		
70.	Was an appropriate EQCR appointed ? Was EQCR completed before the auditor's report was issued?	220 ISQC1		
71.	Has the EQCR objectively evaluated the significant judgments by the audit team and the conclusions reached in forming the opinion?	220		
72.	Has the EQCR recorded that: - the EQC procedures have been performed; - the review has been completed on or before the report date; - no unresolved matters remain?	220		
73.	Has the engagement partner considered the results of the PU's monitoring process?	220		
74.	Was the file assembled on a timely basis, and protected in the retention period?	230; NSQC1		
75.	Has the group consolidation of financial statements been done complying with the relevant law and standards?			
76.	Has the regulatory reporting requirements followed for the auditor's report that has been issued?			
77.	Has the regulatory authorities issued any directions to the			



	auditor before or after the date of report issuance?		
78.	Has the regulatory authority instituted any actions upon auditor? Has any such actions been reported to the Institute?		
79.	Has the auditor identified any financial irregularities and considered the need to report to SEBON as per section 83(7) of the Act?		
80.	Has the auditor considered the evaluation of composition of audit committee, frequency of meeting and their effectiveness?		
81.	Has the management letter been issued, where required as per law, and response received on them?		



Annex – 7: Evaluation Sheet for Grading of the Firm's System and Compliance'**QA Marking and Grading Tool****(Evaluation sheet for grading of the Audit firm's quality control system and engagement compliance)**

S. No	Particulars	Full Marks	Marks Scored	Remarks, if any
A.	Firm Level			
A.1	Leadership responsibilities for quality within the firm			
A.2	Ethical requirements			
A.3	Acceptance and Continuance of Client relationship			
A.4	Engagement Performance			
A.5	Human Resources			
A.6	Monitoring			
B.	File Level			
B.1	Planning of an Audit			
B.1.1	Appointment letter and validation			
B.1.2	Engagement acceptance memo or decision based upon Criteria/Clearance with previous auditor			
B.1.3	Engagement letter and acceptance by client management			
B.1.4	Formation of engagement team			
B.1.5	Entry meeting with the client management			
B.1.6	Planning meeting of an engagement team			
B.1.7	Understanding of the entity (Separate or in Audit Planning Memorandum)			
B.1.8	Assessment of risk of material misstatement in financial statement level			
B.1.9	Assessment of risk of material misstatement in assertion level			
B.1.10	Assessment of fraud risk, risk of revenue fraud and management override of controls			
B.1.11	Time plan of an engagement			
B.1.12	Preliminary analytical reviews			
B.1.13	Determination of a materiality level			
B.1.14	Response to assessed risks			
B.1.15	Review of Internal Audit Report and other regulatory inspection reports			
B.1.16	Audit Planning Document or major planning documents approved by Partner			
B.2	Execution of an Audit			
B.2.1	Tailored and Customized Audit Program			
B.2.2	Documentation of findings and			



	conclusions on test of each area of financial statements			
B.2.3	Obtaining of audit evidence for all material areas of financial statements			
B.2.4	Verification of opening balance			
B.2.5	Examination of material journal entries			
B.2.6	Procedures and evidence for litigation and claims			
B.2.7	Procedures and evidence for related parties			
B.2.8	Procedure and evidence for accounting estimates			
B.2.9	Evaluation of work of an expert			
B.2.10	Update and revision to plan based upon new information available			
B.2.11	Determination of the need and receipt of external confirmation procedures			
B.2.12	Procedures when information of fraud were available			
B.2.13	Communication to Management/TCWG of important matters/exit meeting			
B.2.14	Examining of material fluctuations out of PAR			
B.2.15	Maintaining an attitude of professional scepticism			
B.2.16	Use of checklists for verification of applicable laws and regulation			
B.2.17	Record of misstatements identified during audit			
B.3	Completion and Reporting of an Audit			
B.3.1	Final Preliminary Analytical Reviews			
B.3.2	Review of subsequent events			
B.3.3	Review of going concern			
B.3.4	Agreeing of financial statement with books of accounts/verification of adjustments and appropriations including overall presentation			
B.3.5	Critical review of financial statements			
B.3.6	Resolution of misstatements identified during the audit			
B.3.7	Audit Completion Summary Checklist or memorandum			
B.3.8	Identification of preparer and reviewer in all audit documentation			
B.3.9	Cross referencing and systematic filing of work papers			
B.3.10	Obtaining of management representations			
B.3.11	Coverage and quality of findings in the Preliminary Audit Report			
B.3.12	Basis of opinion / Record of conclusion reached as to opinion			

B.3.13	Audit report in designated format			
B.3.14	Compliance to regulatory reporting requirements			
	Grand Total (A+B)	100		

Note: The marks composition for above criteria has not been disclosed above for publications. Marks shall be assigned based upon the evidence available during the QA review visit and summary overview of the firm's quality control system and engagement performance, issues reported in the QA report and the response of the firm. Where required, the checklists responded by the firm and commented by the reviewer shall also be referenced.

Based upon the above evaluation sheet, firms will generally be graded as follows without considering the effects of key issues apart from general consideration through marking in the above sheet.

Firms obtaining Marks above 80 = Satisfactory

Firms obtaining Marks ≥ 60 and < 80 = Generally Acceptable

Firms obtaining Marks ≥ 40 and < 60 = Need Improvement

Firms obtaining Marks < 40 = Need Significant Improvement

Considering the effects of key issues are subjective, the reviewer must justify the final rating of the visit in the report to be submitted to the QAB.

Note:

- 1. The above categories of grading are the same as being used by ICAEW for grading of its firms. The above evaluation sheet is designed to make an objective way of arriving at the grades to be assigned to the firms and reduce the judgmental biasness and subjectivity.*
- 2. The above marking and grading tool has been recommended by task force formed for evaluation of QA reports and approved by Quality Assurance Board*



Annex - 8: Draft Quality Assurance Review Report

About the Report

This quality assurance review report is prepared for the purpose of and in accordance with the requirement of, section 6 and 10 of the Audit Quality Assurance Review Procedure 2073. The report includes the outcomes of the review visit conducted by the Reviewers of the Quality Assurance Board, which includes major issues and recommendation relating to firm's practice. This report will be finalized and forwarded to the Board following the firm's reply. The firm is kindly requested to response on the following findings and comments within 15 days of the receipt of this report.

1. INTRODUCTION.....

Name of the Firm	
Address of the Firm	
Telephone No.	
Date Informed for QA	
Date the Questionnaire was sent for responses	
Date of review visits	
Team of Reviewers	
Partners of Firm	
Personnel interacted with	
Nature of Visit	
Other Firm Information	
Total no of staffs	
Total no of clients of the Firm	
Total no of audit clients	
Total no of listed entity audit clients	
No of File Review Conducted	
Name of file reviewed clients, and Audit Partner	
Fiscal Year to which the audit relates	

2. Scope of Review

The review team assessed the firm's quality control system in place, as mandated by the Nepal Standards on Quality Control -1 (NSQC-1) to ensure that its audit and assurance services are being performed in compliance of such a system and the firm is able to achieve its objective of being assured that :

- The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- Reports issued by the firm or engagement partners are appropriate in the circumstances.



As part of the above, the review team carried the review of the completed engagements of one listed entity. The requirements of NSA 220 Quality Control for Audit of Financial Statements and the compliance to the other professional/technical standards including the legal and regulatory requirements were assessed during this engagement review.

The review and assessment was performed in accordance with the quality assurance manual and guidelines issued by the Quality Assurance Board (QAB) of The Institute of Chartered Accountants of Nepal (ICAN).

3. APPROACH AND METHODOLOGY

- A questionnaire checklist on firm level quality control review has been sent to the firm and replies received from the firm prior to our review visit.
- An entry meeting was held with the partner/partners of the firm and understanding of the replies to the questionnaire enhanced.
- One/Two/Three of completed audit files has been reviewed. Selection of the file has been made based upon the decision and guidance of the QAB.
- File review has covered the review of auditor's procedures required as per professional and technical standards and relevant legal and regulatory requirements. A standard checklist form has been used to assist the reviewers in the review process.
- An exit meeting was held with the partner/partners where preliminary issues noted on firm level and engagement level were briefed and preliminary response received.
- This report has been prepared based upon issues or shortcomings in the firm's quality control system and engagement procedures specific to audit file for the information of the Board and may be significant to be brought into the knowledge of Audit Firm for necessary action.

4. Limitations

The review has been performed as part of audit monitoring, in accordance with and for the purpose of ICAN's regulatory requirements. This review report provides only limited assurance and cannot be expected to present all the aspects of the audit practice. The review should not be treated as a substitute for the firm's own audit monitoring activities.

5. Review Visit Findings

5.1 Summary Overview of Firm's System of Quality Control

- Leadership responsibilities for Quality within the Firm:
- Ethical Requirements:
- Acceptance and Continuance of Client relationships and Specific Engagements:
- Human Resources:
- Engagement Performance:
- Monitoring:



The above statements are to be read generically and along with the principal and further improvement findings in Part 5.3 and 5.4 of this report for proper evaluation of the firm's quality control system.

5.2 Summary Overview of Engagement Performance at File Level

Based upon the files reviewed, it seems that the firm has some system of audit performance.

- Planning of An Audit:
- Execution of an Audit:
- Completion and reporting of Audit:

On our exit meeting and along with the response to the questionnaire, the firm leadership has been seen keen to further improve the audit quality and continuously improve weaknesses identified.

Hence, the above generic statement must be read along with the principal and further improvement findings in the Part 5.3 and 5.4 of the report to gain a focused understanding of the firm's audit quality.

5.3 Principal Findings:

The findings relate to the principal weaknesses/non-compliance in the firm's system of quality control and the engagement performance which have or may have a bearing in attaining the objectives of the firm.

S. No.	Findings	Recommendation	Firm's Response
At Firm Level (NSQC-1 Compliance)			
1			
2			
At Engagement Level (File A) – Compliance to Professional Standards and legal and Regulatory requirements			
3			
4			
At Engagement Level (File B) – Compliance to Professional Standards and legal and Regulatory requirements			
5			
6			



5.4 Further Improvements Required:

The findings may not have impaired the firm's quality control system and the engagement performance but which when improved, could result into enhanced level of compliance and mitigation of resulting risks which could be significant when combined with such other risks.

S. No.	Findings	Recommendation	Firm's Response
At Firm Level (NSQC-1 Compliance)			
1			
2			
At Engagement Level (File A) – Compliance to Professional Standards and Legal and Regulatory requirements			
3			
4			
At Engagement Level (File A) – Compliance to Professional Standards and Legal and Regulatory requirements			
5			
6			



Annex – 9: Summary Quality Assurance Review Report to QAB

This report is presented to the QAB after obtaining written response from the firms on QAR Report sent to them after completion of review. This report includes the principal findings, firms' response on them, and reviewers concluding remarks about the state/intensity of the principal findings. Further, the report also includes recommendation to the Board on grading of the firms including actions if any, that seems appropriate based on conclusion of the reviewers for necessary consideration of the QAB.

Date of Submission to QA Board:

1. Brief Information

Name of Firm:

Address of Firm:

Partners of Firm:

Date of Review:

Files Reviewed of:

Date of Report Sent to the Firm:

Date of Response Received:

Review Team:

2. Overall Summary on Firm's System and Audit Quality

Overall Grading (from Evaluation Sheet) and state of firm's system and audit quality:

Key Issues:

Firm's Commitment and Ability:

Final Rating as appropriate:

Recommended Actions:

(The key issues may be those that are principal issues but may not be all of the principal issues and they are such issues which are crucial or critical and when present would prevent the firm from being acknowledged as generally acceptable or above. While deciding the final rating as above, the guidelines on 5.6 of the Manual and **Annex-10 Guidance to consider effects of key issues to assign QA review rating of an audit firm** need to be considered.)

3. Summary Overview of Firm's System of Quality Control

- Leadership responsibilities for Quality within the Firm:
- Ethical Requirements:



- Acceptance and Continuance of Client relationships and Specific Engagements:
- Human Resources:
- Engagement Performance:
- Monitoring:

The above statements are to be read generically and along with the principal and further improvement findings in Part 4 and 5 of this report for proper evaluation of the firm's quality control system.

4. Summary Overview of Engagement Performance at File Level

- Planning of An Audit:
- Execution of an Audit:
- Completion and reporting of Audit:

Hence, the above generic statement must be read along with the principal and further improvement findings in the Part 4 and 5 of the report to gain a focused understanding of the firm's audit quality.

5. Particulars of Principal Issues and Firm's Response

S. N.	Principal Findings	Firm's Response	Concluding remarks of the reviewer
Firm Level : Firms's System of Quality Control			
1			
2			
File Level (A) : Compliance to Professional Standards and legal and Regulatory requirements			
1			
2			
File Level (B) : Compliance to Professional Standards and legal and Regulatory requirements			



1			
2			

6. A List of findings reported as for further improvements Required :

Firm Level:

-

File A:

-

File B:

-

7. QA Task Force's rating to Firm's System and Compliance :

(A: Satisfactory, B: Generally Acceptable, C: Need Improvement, D: Need Significant Improvement)

8. QA Task Force's Recommendation for Action:

9. QAB's decision:



Annex -10 Guidance to consider effects of key issues to assign QA review rating of an audit firm

Overview

As discussed in Point 5.6 of the Manual that evaluation sheet alone is not sufficient to arrive at the proper grading of the firm that would coincide with any actions appropriate in the circumstances, and the reviewer needs to consider the effect of each key findings. While deciding over the effects of the key findings, he may need to consider the guidance below which is very helpful.

Examples

Audit acceptance and planning

1. The firm has not documented its consideration of ethical matters. Your review identifies an issue that means the firm should not have accepted the audit. Examples of this could be fees regularly exceeding 10% for a listed client, wife of audit partner are a director of the audit client, firm has a significant mutual business interest with the client. This could tip the grading of the firm from being generally acceptable to significant improvements required and an issue that needed to be reported to Council.
2. The firm has not documented any planning but the audit work it has conducted has covered all the clients' significant risks and material audit areas. The scoring for this firm could be significantly reduced due to getting little or no points in the planning section yet the impact of the deficiencies on the quality of the audit work performed is minimal.

Audit evidence

1. The scoring sheet allocates 10 marks to audit evidence. You may have identified widespread gaps in audit evidence across the file/s in major risk areas but this would not have significantly affected the score. Looking at this subjectively could tip the firm grading into a poorer grading.
2. Materiality not calculated and insufficient audit work conducted as a result. Again this could tip the firm into a poorer grading.

Documentation

1. If you have widespread documentation issues and you cannot tell from the file how the firm audited significant areas and how it made significant conclusions and judgements. This could tip the firm into a poorer grading.
2. On the other hand you may have identified documentation issues across the audit file but none of them are significant. This may mean you grade the file less harshly than the scoring suggests.

Completion

1. The following issues in audit completion work, if identified, could push the firm into a poorer grading than the scoring suggests:
 - No review of subsequent events and it is clear that a significant subsequent event has occurred
 - No or inadequate consideration of going concern when it is clear that there is an issue with going concern, for example bank covenants being breached, creditors not being paid



- No assessment of unadjusted misstatements and the misstatements exceed materiality
 - Final analytical review identifies a significant issue that needs investigating but the firm has not done further work.
 - Significant audit work done after the firm signs the audit report.
2. You identify material errors on the financial statements that put the audit opinion in doubt. This would be a serious issue that may need reporting to Council and would affect the firm's grading.
 3. Incorrect audit report – depending on how incorrect the report is, this could be a significant issue.

Firm's response

1. You may conclude from the firm's response and your knowledge of the firm that it does not have the commitment and/or ability to address the issues you have raised. This could include the firm:
 - being dismissive of your findings;
 - not committing to conduct additional CPE (which you consider is necessary);
 - not appearing to understand the issues you have raised;
 - giving short responses which do not contain a sufficiently detailed action plan to address the issues you have raised;
 - setting out an action plan that does not address the issues or does not address the issues in a timely manner

All of these issues individually would indicate that you need to take some strong follow up action and therefore the grading of the firm should reflect this.

