Institute of Chartered Accountants of Nepal (ICAN),
Quality Assurance Board

Report of Online Training on Audit Practice Manual
(10 - 14 May 2020)

1. **Introduction**
   The outbreak of Covid-19 pandemic has caused significant decrease in social interaction and movement of people, affected their livelihood and lifestyle, created significant disruption in economic and business activities and accounting profession is not the exception. As the scheduled training programs of the Institute were affected adhering to the lockdown protocols of the Government, the Institute resorted to go with online training platform to update members with recent developments so that accounting services of the members remain relevant at all times. Convergence to online platform for CPD and allied training to members is also suggested approach by IFAC, a recognized umbrella organization of all PAOs in the world.

   Considering the interest of the practicing members and requirement to address the capacity gap of the audit firms, the Quality Assurance Board of the Institute organized a five days online training on **'Audit Practice Manual (APM)'** from 10 - 14 May 2020 from 7:00am to 10:00am on a webinar platform which ended up successfully.

2. **Purpose of the training Report**
   The purpose of this training report is to navigate and summarize the key takeaways from training program and to record the outcomes and recommendations in official memory of the Institute. This training report has been prepared as part of the annual program of Quality Assurance Board for the fiscal year 2019/20 and intends to evaluate the usefulness of the training program after the event has been completed.

3. **Objective of training**
   The online training on APM was arranged to equip members in practice with knowledge required to execute and document the complete audit system in compliance of professional standards while letting members make best use of their time in situation of the lockdown. This objective was thought to be achieved by recommending use of the Audit Practice Manual (APM) by audit firms and orienting them on the use of the Audit Practice Manual.

4. **Subject of Training/Audit Practice Manual**
   The training was mainly focused on Audit Practice Manual (APM) including the NSQC-1 requirements. The APM on which the training was designed is an NSA and Code of Ethics compliant audit system as supported by the Institute of Chartered Accountants in

England and Wales (ICAEW) under a project 'Strengthening Quality Assurance Review System of the Institute'. Quality Assurance Board of the Institute has recommended the use of the Audit Practice Manual by practicing audit firms when performing statutory audits in Nepal. APM contains necessary forms and formats to be used for audit documentation and guides the execution of the audit while producing an audit file at the same time. However, an APM is not a substitute for Nepal Standards on Auditing.

APM is primarily designed to meet the requirements for an audit of Small and Medium Sized Entities (SMEs) but can be expanded to meet the requirements of larger entities or scaled down to meet the requirements of micro entities. Professional judgment of the practitioner is always expected while customizing the Audit Practice Manual to meet audit requirements for any individual audit client.

The Institute has granted 15 CPE credit hours to the members which would be credited after verification of hours attended and submission of hourly fees. But, the training was availed free of cost to the participants.

5. **Training Materials**
   The participants were provided with following training materials:
   - Audit Practice Manual in word/excel format (Link: https://ican.org.np/new/site/show/model-audit-practice-manual
   - Example audit working paper file which was prepared using the Manual (shared online)
   - Audit Documentation Manual prepared which is a simplified and Nepali version of the Manual (Link: https://ican.org.np/new/_browsable/file/resouces/Audit_Documentation_Training_Book.pdf)
   - PowerPoint slides used by the resource person which were later shared to the participants' thorough email.

6. **Brief Profile of the Resource Person:**

   Nanda Kishor Sharma, FCA
   Nanda is a fellow member of the Institute of Chartered Accountants of Nepal (ICAN) and a professional member of the Chartered Institute of Public Finance & Accountancy, UK. He was trained with Price Waterhouse, New Delhi while doing his Chartered Accountancy course in India. He has over 24 years of experience in consulting, public finance, auditing, training and tax advisory services for various government owned and private sector organizations.

He has served as the Chairman of Auditing Standards Board, Nepal for a three years term from 2009 to 2012.

Apart from his wide range of experience in assurance and consulting businesses, he is serving accounting profession as technical instructor/trainer over wide ranging subject matters related to accounting and auditing.

7. **Participation in online training program**

This APM online training program obtained significant response from the members and the sessions were attended by over 700 participants every day with over 1290 members having registered for the 5 days training course. The online training program had the benefit of mass outreach at a time and cost savings both to the participants and the Institute.

8. **Training Methodology**

This training was a five day program classified into each day sessions of 3 hours to deliver on various processes of the entire audit system by the resource person. A break of 10 minutes was allowed at mid time of each session. The coordinator of the program, also a Joint Director of Institute assisted the resource person in summarizing the questions of the participants and getting answers to the same after the break and towards the end of each session. The resource person used the PowerPoint slides for each session together with displaying the specified pages of the Audit Practice Manual wherever relevant. The resource person complemented the delivery with sharing of his own professional experiences and case scenario where he seemed was effective to make the participants understand the matters of the audit system. The coordinator of the program also briefly linked the training delivery to the program and outcomes of quality assurance reviews and also responded to the queries of the participants that related to the training program and quality assurance system of the Institute.

9. **Proceedings of the Training**

Day wise distribution and delivery of the presentation were as under:

Day	Date	Sessions	Particulars of Delivery
1	May 10, 2020	Fundamentals of NSA and Code of Ethics Compliant Audit-Participants-800+	Session started with warm welcome to the participants, introduction of the resource person and address of the training program by the President of the Institute. The first day session covered the introduction of the audit system and orienting on its conceptual framework. The joint director of the Institute briefly informed the linkage of the training to the Quality Assurance Review System of the Institute.
2	May 11, 2020	Meeting quality control standards	The session was fruitful in delivering the practical aspects of establishing the firms

		(NSQC1) a session on How an audit system will help you. Participants - 700 +	system of quality control across all 7 elements as per the requirements of NSQC-1. Further, the audit practice manual was introduced among the participants regarding its structure and all other aspects.
3	May 12, 2020	Planning and control of an audit Participants -700+	The session was conducted delivering detailed aspects of planning of an audit. It covered the practical aspects of implementation of NSA 300, NSA 315, NSA 320, NSA 240, NSA 330 and documentation involved in that regard.
4	May 13, 2020	Planning and control of an audit (contd) - Participants 800+	The remaining aspects of planning and control aspect of an audit were covered during this session.
5	May 14, 2020	Detailed procedures for audit work and Review and completion of an audit -700+	The last session was a concluding session of the total 5 day training program. The session covered the practical aspects of collecting audit evidences in support of assertions of financial statements and the necessary guidance on arriving on conclusion to form the basis for audit opinion. Application part of all the pertinent completion related standards like NSA 560, NSA 570, NSA 580 were also covered.

10. Queries and Feedback from participants

The provision of receiving queries and feedback from participants in chat mode and reply from the resource person orally was able to connect resource person with the participants. Most of the participants expressed that they liked the presentation style of the resource person and the contents of the slide with graphics which was able to communicate the crux of the matter was appreciated.

Pertinent queries and feedback of the participants are briefly summarized below with response of the resource person/version of the Institute where relevant. They are expected to be used as inputs for further consideration while formulating policies in days to come.

- **Audit Plan**

  Query: Can audit plan prepared for a particular entity be used to the audit of similar entity and for the same entity for another year?

  Response: The knowledge gained from previous audit planning or planning of similar entity would be helpful but as transactions, events and risk including the circumstances would differ, reconsiderations should be made as to what modifications may be necessary to the previously used plans.

- **Audit Fee**

  Query/Feedback: The manpower and time required to undertake the audit assignment as suggested by APM is a challenge in smaller clients where the audit fee is very nominal in size.

  Response: Firms are required to agree on reasonable amount of audit fees with the client and they are not exempted from compromising on audit quality for the reason that they had to agree on minimal fees. Institute is performing a study on current fee regime and it will be considered if any guidance can be issued in this regard.

- **Practical Workshop**

  Query/Feedback: The implementation of audit manual for audit of entities should start with simplified approach thus making the base for rigorous application of the APM in near future.

  Response: The recommendation was noted. However, the Quality Assurance Board would expect earliest application of the Manual and it understands that full-fledged application of the manual can be achieved gradually.

- **Auditors Risk Assessment Process**

  Query/Feedback: Management often does not listen to auditors for the results of auditor's risk assessment process. Auditor knows the risk but cannot interfere demanding or executing the mitigation measures for its solution. As a result, risk assessments for audit is not attaining priority or producing results that could be of worth to the auditor and the entity.

  Response: It is for this reason that it is highly urgent for the audit firms to comply with standards in a diligent manner and increase dialogue/communications with the management and those charged with governance as required by the standards. This would create environment where audit is valued and audit work is worthy.

- **Update APM**

  Query/Feedback: Updating of current APM by incorporating legal and regularity requirements with disclosure checklists to meet the national requirement would be helpful to the practitioners.

  Response: Noted. Firms could develop checklists for specific laws and regulations that would apply to particular client. Institute could assist firms to develop a model checklists where professional judgment of auditor would still be necessary based upon the specific circumstances of the client.

- **Simplified version of Manual**

  Query/Feedback: Some participants suggested simplified version for APM is needed for NSA compliance for different categories of clients like SME/NPO/Micro entities as use of this manual may be practically too voluminous for those entities. This may also help to estimate professional fees for those clients and achieve uniformity in fees determination among practitioners.

  Response: Considering the applicability of NSAs, this manual may match the requirement for SMEs and bigger clients. For micro entities also, the manual can be applied with practitioner's judgment to reduce the extent of tests or cancelling the forms and formats which won't be applicable in the specific circumstances. However, audit exemption and or replacing audit requirements with review requirements for audit clients up to particular threshold would be the matter of further considerations by the Institute which may also require change in existing laws.

- **Enforce implementation of NFRS/NFRS for SMEs/NAS for MEs and NPOs**

  Query/Feedback: Although NFRS framework has been implemented by the entities with some delays, SMEs, NPOs and MEs are still not capable and pressurized to produce financial statements complying with the accounting framework. Most of them do not have regulators who monitor the compliance of financial statements to accounting framework. As a result, audit is found to be affected as the only option available to the auditor is to modify the audit opinion. This may be temporary solution for the auditor but is an indication of ineffective corporate governance across entities when auditor is at a position to issue modified opinion each year.

  Response: It is learnt that Institute is working internally and collaborating with government at different levels to fix regulatory bodies that will regularly review the financial statements of different entities and enforce actions where necessary. Further, Institute is also working to enhance the capacities of account preparers like state owned enterprises through dialogue and training arrangements.

- **Develop audit guide for financial impact of COVID 19**

  Query/Feedback: There are various potential challenges both for the entities and auditors that have emerged due to this pandemic. The participants expected special practice guidance for members especially for small and medium sized practitioners (SMPs) on significant accounting, tax and audit considerations in assessing and responding to the impact of COVID-19.

  Response: It is learnt that the Institute's taskforce is working in this direction to produce the advisory to its members which will be issued soon.

11. Lessons Learned

The participation was encouraging in terms of number of participants and queries raised by them were pertinent. Some of the lessons learned from this virtual training session are summarized below for future considerations.

- **Use of Online training platform**

    The online training platform needs to be used as primary training platform as it has capacities of mass outreach and reduction in time and cost both to the participants and the Institute.

- **Increase in number of online training sessions:** As the online training platform is effective as discussed above, the number of online training programs can be increased across various arenas of professional growth and development of accounting professionals.

- **Clustering of Members for Training Purpose-**The APM online classes was conducted without specifying any class or category of members and hence was attended by both CA and RA members. In the view of questions, comments and feedback received from participants, it was felt that single training format for all class of members might be ineffective due level of qualification, experience, skill and the size and complexity of clients they deal with. Hence, it would be better if such training program could be planned considering the class of members or threshold of audit eligibility.

- **Provision of recorded training session to the members in future:** It was learnt that the recorded version of this training program could be made available in electronic medium. Hence, the members could view the videos any time in future. Considerations are going on the suitable structure of how they could be made available for reference to the participants or to new members or as part of CPE programs.

12. Conclusion

The online training platform was very effective and efficient as it saved cost of training and time involved both at participants' and Institute's end and had maximum outreach with regard to participants. Further, the provision of this training in lockdown benefited the members by letting members make best of their idle time. The participation in online training on Audit Practice Manual and feedback received was found encouraging which is expected to result in greater use of Audit Practice Manual and improvement of audit documentation across future audit engagements. Further, the ideas generated through this mentoring program is expected to serve as inputs which needs to be considered for future policy drive of the Institute, capacity enhancement of firms and regulatory development of the accounting profession.

On behalf of the Institute and the QAB, the coordinator extended thanks to the training participants for their sincere efforts, attention and fruitful suggestions that contributed greatly towards the success of the online training program.