

**ANAN**

**AUDIT AND QUALITY  
ASSURANCE GUIDELINES**

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**ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA**  
**ANAN AUDIT AND QUALITY ASSURANCE GUIDELINES**

**1.0 Introduction**

It is mandatory for every ANAN practising firm to institute policies and procedures at both the firm and engagement levels in order to provide reasonable assurance that its audit work and other assurance services are of consistently high quality.

The purpose of this guide is to provide explanation on the responsibilities of audit firms to ensure that quality is assured in audit and other assurance engagements provided by ANAN practitioners at both the firm and engagement levels. While the decisions and actions of the practitioners are, to a large extent, expected to be based on this quality control guide, the guide does not preclude the use of professional judgement in any particular circumstance or engagement

**2.0 Definitions**

- a) **“Firm”** means a sole practitioner, partnership, or other entity of professional accountant(s)
- b) **“Engagement team”** means all personnel engaged in audit work or other assurance services
- c) **“Monitoring”** means a process of continuous evaluation of a firm's system of quality control in order to provide reasonable assurance that the system is operating effectively.
- d) **“Partners”** mean any individual with authority to bind the firm with respect to the performance of a professional auditing or other assurance engagements.
- e) **“Personnel”** means partners and staff
- f) **“Reasonable Assurance”** means a high but not absolute level of assurance

- g) “**Staff**” means employees, other than partners including any expert employed by the firm.

### 3.0 **Quality Control Policies and Procedures at Firm Level**

Every firm shall establish specific policies and procedures on the following:

a) ***Ethical requirements***

Every firm and its personnel must act ethically in accordance with relevant standards especially as they relate to independence, integrity, objectivity, confidentiality and professional behaviour. All audit staff shall be required to submit an annual written statement on independence using a standard form. However, Principals should be expected to report any new situation that could impair independence on a timely basis.

b) ***Skills and Competence***

Every audit firm should be staffed with sufficiently quality personnel who have attained the professional competence and can maintain the technical standard require to enable them discharge their duties with utmost care and proficiency.

The firm should have suitable recruitment policies and should periodically evaluate the capability and performance of its personnel in an appropriate ways. The appraisal system should deal with personnel and career development issues as they relate to the employees.

c) ***Delegation***

Whenever audit work and other assurance services are delegated to assistants there should be sufficient direction, supervision and review of subordinate's work at all levels. The essence is to provide reasonable assurance that the work performed meets appropriate standards or quality. In addition, the competence of a particular assistant as per the audit requirement should be judged.

d) **Consultation**

A firm handling audit work or other professional assignments may consult those who have appropriate expertise within or outside the firm in special circumstances requiring such consultation like in legal cases. However, professional judgement should be exercised after consulting the expert. A firm should establish policies and procedures to provide it reasonable assurance that:

- i) Consultation takes place on difficult or contentious issue
- ii) Sufficient resources are available to enable the consultation to occur
- iii) The details of the consultation are documented and agreed with the consultee; and
- iv) Conclusions are implemented.

The firm need to put in place arrangements so that conclusion is dealt with in a timely manner.

e) **Acceptance and Continuance**

An audit firm should take appropriate decision on whether to accept a particular audit assignment or not, or after accepting the assignment, whether to continue or discontinue. Generally, firms are required to consider the following factors when accepting or continuing audit relationships and engagements:

- (i) The integrity of the client;
- (ii) The firm's competence to perform the engagement; and
- (iii) Whether the ethical requirement can be complied with.

A firm's knowledge of the above is expected to grow in the course of continuing relationship with the client. However, a firm should obtain appropriate information to support its decision to accept or continue with a client.

f) **Monitoring**

The audit firm must have policies and procedures it requires for continuous monitoring and evaluation of its quality control system including a review of selection of completed engagements. The result of such monitoring should be communicated, at least, annually, to engagement partners and other appropriate individuals within the firms including the Chief Executive or Managing Board. It is important for firms to select appropriate ways of achieving compliance and to ensure that the monitoring is carried out properly. The firm should also establish policies and procedure designed to provide it reasonable assurance that it deals appropriately with;

- i) Complaints and allegations that the work performed by the firm failed to comply with professional standard, regulatory and legal requirements; and
- ii) Allegations of non-compliance with firm's system of quality control.

A complaint file should be maintained and should form part of the area which internal or external units may discuss in greater details.

g) **Documentation**

The audit firm should document the operation of each element of its quality control system. One practical approach is to create a file documenting the various policies (where the firm want to be) and procedures (how the firm intend to achieve its goals) used to meet the Association's Quality Assurance Guidelines. The different quality control elements are those covered by these guidelines. All documentations after a file has been assembled can only be deleted or discarded after a period of six years commencing with the date of the end of accounting period to which the documentation relates. Some of the issues that would require documentation include firm's background, structure, goal, vision and mission.

#### 4.0 **Quality Control Policies and Procedures at Engagement Level**

Audit firms should establish policies and procedures to provide them with reasonable assurance that engagements are performed in accordance with professional standards, relevant ethical requirements and applicable legal and regulatory requirements, and that the firm or the engagement partner issues reports that are appropriate in the circumstances. Such policies and procedures should cover the following:

##### a) **Professional Competence and Delegation**

The firm or engagement partner should assess the professional competence of the audit staff in relation to the audit engagement. Professional competence in relation to engagement differs from general professional competence. Thus, an audit staff may be professionally competent, but, in the absence of banking and insurance or oil and gas expertise, that staff may not be professionally competent to audit a bank, insurance firm or oil and gas company as the case may be. Such staff can, in this circumstance only be appointed as an audit assistant.

##### b) **Leadership Responsibilities**

The engagement partner shall take the responsibilities for the overall quality of each audit engagement to which the partner is assigned. This involves informing assistants of their responsibilities and the objective of the procedure they are to perform. It also involves informing assistants of matters such as the nature of the client business and possible accounting or auditing problem that may affect the nature, timing and extent of audit procedure with which they are involved. The audit programme should be used as a tool for the communication of audit directions.

The engagement partner should also ensure that the personnel handling audit or assurance engagement are properly supervised by monitoring the progress of the audit to consider whether the assistants have the competence and skills required to carry out the assigned task:

whether they understand the audit direction and whether the work is carried out in accordance with the overall audit plan and programme.

*Supervision should, usually, include the following:*

- i) Tracking the progress of the audit engagement
- ii) Addressing significant issues arising during the audit engagement, considering the significance and modifying the planned approach when necessary.
- iii) Identifying matters for consultation or consideration by more experienced engagement team members during the audit engagement.

The engagement partner should also review work performed by less experienced team members to ensure that:

- The work has been performed in accordance with auditing standards and regulatory and legal requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- The nature, timing and extent of work performed does not require a revision;
- The work performed support the conclusions reached and is appropriately documented;
- The evidence obtained is sufficient and appropriate to support the auditor's report; and
- The objectives of the engagement procedures have been achieved.

#### d) **Consultation**

The engagement partner shall:

- i) be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters;
- ii) be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and others at the appropriate level within or outside the firm;
- iii) be satisfied that the nature and scope of, and conclusion resulting from, such consultations are documented and agree with the party consulted;



iv) and determine that conclusions resulting from consultations have been implemented.

Effective consultation with other professionals requires that those consulted be given all the relevant fact that will enable them to provide informed advice on technical, ethical or other matters. Where appropriate, the engagement team consults individuals with appropriate knowledge, seniority and experience within the firm, where applicable, outside the firm. All conclusions resulting from consultations should be appropriately documented and implemented.

It may be appropriate for the engagement team to consult outside the firm, for example where the firm lacks appropriate internal resources. They may take advantage of advisory services provided by other firms, professional, and regulatory bodies, or commercial organisations that provide relevant control services.

Where differences of opinion arise within the engagement team, with those consulted, and where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion.

As necessary, the engagement partner informs members of the engagement team that they may bring matters involving differences of opinion to the attention of the engagement partner or others within the firms as appropriate without fear of reprisals.

(d) **Monitoring**

The quality control requirements issued by ANAN for firms require them to establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with.

The engagement partner ordinarily considers the results of the monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms. The engagement partner ordinarily considers whether;

- (i) Deficiencies noted in that information may affect the audit engagement; and
- (ii) The measures the firm took to rectify the situation are sufficient in the context of the audit.

A deficiency in the firm's system of quality control does not indicate that a particular audit engagement was not performed in accordance with auditing standards and regulatory and legal requirements, or that the auditor's report was not appropriate.

(e) **Engagement Documentation**

The firm shall establish policies and procedures for engagement teams to complete and assemble final engagement files on a timely basis after engagement report have been finalised.

The firm should establish policies and procedures for engagement team to maintain confidentiality, safe custody, integrity, accessibility and retrievability of engagement documents. The firm shall also establish policies and procedures for the engagement team to retain engagement documents for a period sufficient to meet the need of the firm or as required by law or regulation.

Member firms are advised to follow the recommended stipulated period contained in SECTION 7 of ANAN Handbook of Public Practice