

ANAN

QUALITY ASSURANCE

REVIEW GUIDELINES

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ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA

ANAN QUALITY ASSURANCE REVIEW GUIDELINES

1. OBJECTIVES

The objective of this guidelines is to provide the ANAN Quality Assurance Review Team (AQART) with clear guide for assessing the quality of engagements carried out by reviewed firms

Consequently, Association of National Accountants of Nigeria (ANAN) shall continue to employ the use of Quality Assurance Review Guidelines (AQARG) as the external measure to determine the level of compliance with the approved ethical codes and standards by its members who are licensed to carry out audit and other professional assignments. The AQART shall also carry out Quality assessment of the jobs of the reviewed firm as well as confirm the observance of ethics.

The goal of the AQARG is primarily to make reviewed firms render services that satisfy the requirements of International Standards.

2. PERIOD

The AQART shall visit the office of the reviewed firm at least, once in five (5) years. However, the AQART may decide a follow-up visit in deserving cases.

3. SCOPE

The AQART's assignment shall cover all the areas of the professional services being carried out by the reviewed firm. The Scope of the AQART's shall include, but not limited to, benchmarking, identifying and reporting on professional practices and any other matters that could make the AQART's work more efficient and effective so as to enable it:

- i) Assess the efficiency and effectiveness of quality control used in engagements
- ii) Use the result of the assessment obtained from above to select the engagements to be reviewed and determine the extent of tests to be applied on the engagements.

- iii) Evaluate the current needs and objectives of the engagements.
- iv) Review the firm's quality control design and compliance with the Association's Quality Control Assurance Guidelines.
- v) Appraise significant risk areas of the engagements selected.
- vi) Form an opinion on the type of report to issue based on the reviewed firm's conformity to the approved ethical codes and standards.

4. **MEMBERSHIP OF THE QUALITY ASSURANCE REVIEW TEAM**

Every member of the AQART must possess the following skills and competence:

- i) He must be a fellow of the Association
- ii) He must have been in continuous practice for not less than ten (10) years
- iii) He must undergo training on quality assurance reviews approved by the Council of the Association for which certificate must be obtained.

5. **DOCUMENTATION**

In relation to documentation, the AQART should ascertain the following:

- a) Appointment Document
 - i) Ascertain whether there was conveyance of appointment document
 - ii) Ascertain the core appointing authority.
 - iii) Ascertain whether the reviewed firm has a clear understanding of all conditions of the appointment.

- b) Acceptance of Appointment
 - i) Ascertain whether due process was followed in Pre-acceptance procedure.
 - ii) Ascertain whether formal acceptance was conveyed.

- c) Auditee Client Background

Ascertain whether sufficient background details were obtained in respect of the client, particularly on the following:

 - i) Legal existence
 - ii) Board/Directors
 - iii) Key Personnel
 - iv) Nature of business and legislations governing the industry or trade.

- d) Audit Permanent File
 - i) Ascertain how early the Audit Engagement files are compiled.
 - ii) Ascertain how long the files are retained.

The AQART must also document the following:

- i) Evidence supporting the quality assurance review report; and
- ii) Evidence that quality review was carried out in accordance with established guidelines.

6. QUALITY CONTROL

The AQART should ensure and as well ascertain the following:

- i) The quality control measures put in place by the firm to provide reasonable assurance that the firm and its personnel comply with ethical codes and professional standards approved by the Association.

- ii) Whether changes in regulatory and legal requirements are brought to the attention of the personnel.
- iii) That a specific officer is charged with the responsibility of reporting on Quality Control Assurance to the partner at regular intervals.
- iv) That the right skills are deployed for each engagement.
- v) That the independence of the audit firm is not compromised.
- vi) That steps are taken to provide reasonable assurance on the integrity of the reviewed firm's reports.
- vii) That Partner(s) consult(s) with peers in other firm(s) on knotty issues such as interpretation of accounting/auditing standards.

7. THE FIRM

At the firm level, the AQART should obtain briefs on.

- i) Managing/Principal Partner
- ii) Other Partners
- iii) Key Personnel
- iv) Leadership responsibilities for Quality Assurance within the firm
- v) Relevant ethical requirements (such as independence integrity and objectivity)
- vi) That steps are taken to provide reasonable assurance on integrity of the reviewed firm's reports.
- vii) That Partner(s) consult(s) with peers in other firm(s) on knotty issues such as interpretation of accounting/auditing standards.

8. INSPECTION OF PERMANENT AUDIT FILE

The AQART shall ensure that the following items are contained in the reviewed firm's permanent audit file and are reviewed after every three years:

- i) Copy of engagement letter
- ii) Information concerning the legal instruments of its establishment
- iii) Profile of promoters, board members and key management team
- iv) Organisation structure of the entity
- v) Copy of Certificate of Incorporation, Memorandum and Articles of Association or the enabling statute.
- vi) Name of parent and Associated Companies
- vii) Risks management system results, including background, independence and conflict checks and other risk management procedure results (where applicable)
- viii) Risk management action plan
- ix) Extracts of copies of important agreements and other legal documents which may be of significance to organization's operation that may impact on the audit.
- x) Details of Bankers, Registrars, Lawyer, etc
- xi) Business Continuity Plans
- xii) Accounting and operational manual
- xiii) Copies of prior year's Audited Financial Statements and Domestic Report
- xiv) Internal Control questionnaire
- xv) Any other document(s) that may, from time to time be required by the guideline.

9.

CURRENT AUDIT FILE

The AQART shall ensure that the following items are contained in the current audit file and are reviewed annually.

- i) Final Audit and Domestic Reports
- ii) Correspondence relating to acceptance of annual reappointment
- iii) Extracts of important matters in the minutes of Annual General Meeting (AGM) Board Meetings and Management meetings that are relevant to the audit.
- vi) Evidence of the planning process of the audit and audit programme
- v) Assessment of risk and controls
- vi) Test of controls
- vii) Analysis of transactions and balances
- viii) A record of the nature, timing and extent of auditing procedures performed and the results of such procedures.
- ix) Evidence that the work performed by assistants was supervised and reviewed
- x) Management accounts, trial balance and audit adjustments;
- xi) Copies of communications with other auditor, experts, banks and other third parties.
- xii) Copies of letters or notes concerning audit matters communicated to or discussed with the client, including the terms of the engagement and material weaknesses in internal controls.
- xiii) Letters of representation or confirmation received from the client.
- xiv) Conclusions reached by the auditor concerning significant aspects of the audit, including the manner in which exceptions and unusual matters, if any, disclosed by the auditor's procedure were resolved or treated.
- xv) Copies of the financial information being reported on and the

- related reports
- xvi) Report of going Concern Review
- xvii) Consideration of fraud risk factors and results of related procedures.

10. **RESPONSIBILITY OF QUALITY ASSURANCE REVIEW TEAM LEADER.**

The review Team Leader shall be responsible for the following:

- i) Supervision of the quality assurance review
- ii) Communication of the assurance review team's conclusions to the reviewed firm
- iii) Ensure that the reviewed firm is furnished with a written report

The report must state whether:

- a. The reviewed firm's system of quality control has been designed to meet the requirements of AAQAG;
- b. The reviewed firm has complied with its system of quality control during the period under review; and
- c. There are reasons for reaching negative conclusions on either or both of the above.

11. **THE QUALITY ASSURANCE REVIEW TEAM REPORT**

The AQART shall furnish the reviewed firm with a written report. The type of report to be issued shall be based on the following peer review ratings:

- (A) Pass
- (B) Pass with minor deficiency

- (B-) Pass with major deficiencies,
- (C) Fail

a) Quality Assurance Review Rating of Pass (A)

A report with a quality assurance review rating of Pass (A) shall be issued when the PRT concludes that the reviewed firm has fully complied with the ethical codes and standards approved by the Association.

b) Quality Assurance Review Rating of Pass with Minor Deficiencies (B)

A report with a quality assurance review rating of Pass (B) with minor deficiencies shall be issued when the PRT concludes that the reviewed firm has substantially complied with the ethical codes and standards approved by the Association except for some few deviations which do not have material effect on the peer review report.

c) Quality Assurance Review Rating of Pass with major Deficiencies (B-)

A report with a quality assurance review rating of Pass with major deficiencies (B-) shall be issued when the PRT concludes that the reviewed firm has deviated substantially but not significantly from the ethical codes and standards approved by the Association which is considered to have material effect on the report but capable of being redressed by the reviewed firm.

d) Quality Assurance Review Rating of Fail (C)

A report with a quality assurance review rating of Fail (C) shall be issued when the PRT concludes that the reviewed firm has deviated substantially and significantly from the ethical codes and standards approved by the Association which is considered to have material effect on the report and not capable of being redressed by the reviewed firm.

The report must specify a reasonable time limit, within which the reviewed firm must respond in writing to the recommendations and conclusions of the quality assurance review report, including planned actions and expected time of completion or implementation failing which the reviewed firm shall face disciplinary action which may include: Reprimand for reviewed firms with rating of B, warning for reviewed firms with rating of B- and suspension from practice or withdrawal of practice license for reviewed firms with rating of C.

12. **CONFIDENTIALITY OF THE REPORT**

Each member of the AQART must in relation to quality assurance review report and other aspects of the team's work, maintain the same kind of confidentiality required of a professional Accountant performing audit of financial statements as provided under sections 100 4(d) and 140 of ANAN members guide on professional ethics which is an adopted version of IFAC code of ethics.