

POLICIES & PROCEDURES ON QUALITY CONTROLS (PPQC-1)

International Standard on Quality Controls -1 (ISQC-1) COMPLIANCE CHECKLIST

For audits and reviews of the various government ministries and departments assigned.

Recognizing that we are an entity of the Government of the Bahamas and as Auditors it is our duty to ensure that monies issued to the various government agencies, ministries and departments are spent in accordance and compliance with the regulations of the regulatory bodies and approved auditing standards, that is the Financial Administration and Audit Act, 1975, 2010 and the Financial Regulations along with International Accounting Standards, the Office of the Auditor General, Bahamas have adopted the following policies and procedures on quality controls under the ISQC-1 as a new standard of operating procedures as we strive to fulfill the Mandate of our office:

No.	COMPLIANCE STATEMENTS UNDER ISQC-1	Y	N	N/A	Document/ Reference/ Remarks
1.	Objective				
	[11] The objective of the office is to establish and maintain a system of quality controls so as to provide it with reasonable assurance that:				
	a) The office and its personnel comply with professional standards and regulatory and legal requirements in the engagements; and				
	b) Reports issued by the office are proper and appropriate in the circumstances.				
2.	Applying, and Complying with, Relevant Requirements				
	[13] The personnel within the office responsible for establishing and maintaining the office's system of quality controls shall have an understanding of the entire text of this ISQC, including its application and other explanatory materials, to understand its objective and to apply its requirements properly.				
	[14] The office shall comply with each requirement of this ISQC unless, in the circumstances of the office, the requirements are not relevant to the services provided in respect of audits and reviews of financial statements, and other assurance and related services engagements. (Ref: Para. A1)				
	[15] The requirements are designed to enable the office to achieve the objectives stated in this ISQC. The proper application of the requirements is therefore expected to provide a sufficient basis for the achievement of the objective. However, because circumstances may vary widely and all such circumstances cannot be anticipated, the office considers whether there are particular matters or circumstances that require the office to establish policies and procedures in addition to those required by this ISQC to meet the stated objective.				

3	Elements of a System of Quality Controls				
	[16] The office has established and maintains a system of quality controls that includes policies and procedures that address each of the following elements:				
	a) Leadership responsibilities for quality within the office.				
	b) Relevant ethical requirements.				
	c) Acceptance and continuance of client relationships and specific engagements.				
	d) Human resources.				
	e) Engagement performance.				
	f) Monitoring. (Ref: Para. A2-A3)				
	[17] The office has documented its policies and procedures and communicates them to the office's personnel. (Ref: Para. A2-A3)				
A.	Leadership Responsibilities for Quality within the Office				
	[18] The office has established policies and procedures designed to promote an internal culture recognizing that quality is essential in performing engagements. Such policies and procedures require the office's management to assume ultimate responsibility for the office's system of quality controls. (Ref: Para. A4-A5)				
	[19] The office has established policies and procedures such that any person or persons assigned operational responsibility for the office's system of quality controls by management has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility. (Ref: Para. A6)				
B.	Relevant Ethical Requirements				
	[20] The office has established policies and procedures designed to provide it with reasonable assurance that the office and its personnel comply with relevant ethical requirements. (Ref: Para. A7-A10)				
	Independence				
	[21] The office has established policies and procedures designed to provide it with reasonable assurance that the office, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethical requirements.				
	Such policies and procedures enable the office to:				

	a) Communicate its independence requirements to its personnel and, where applicable, others subject to them; and				
	b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is permitted by law or regulation. (Ref: Para. A10)				
	[22] Such policies and procedures require:				
	a) Personnel to promptly notify the office of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and				
	b) The accumulation and communication of relevant information to appropriate personnel so that:				
	i) The office and its personnel can readily determine whether they satisfy independence requirements;				
	ii) The office can maintain and update its records relating to independence; and				
	iii) The office can take appropriate action regarding identified threats to independence that are not at an acceptable level. (Ref: Para. A10)				
	[23] The office has established policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures shall include requirements for:				
	a) Staff to promptly notify the office of independence breaches of which they become aware;				
	[24] At least annually, the office obtains written confirmation of compliance with its policies and procedures on independence from all office personnel required to be independent by relevant ethical requirements. (Ref: Para. A10-A11)				
	[25] The office has established policies and procedures:				
	a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the				

	same senior personnel on an Audit engagement over a long period of time.				
C.	Acceptance and Specific Engagements				
	[26] The office is competent to perform the engagement and has the capabilities including time and resources, to do so; and (Ref: Para. A18, A23)				
	a) can comply with relevant ethical requirements.				
D.	Human Resources				
	[27] The office has established policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:				
	a) Perform engagements in accordance with professional standards and regulatory and legal requirements; and				
	b) Enable the office to issue reports that are appropriate in the circumstances. (Ref: Para. A24-A29)				
	Assignment of Engagement Teams				
	[28] The office has assigned responsibility for each Audit to a Supervisor and has establish policies and procedures requiring that:				
	a) The identity and role of the Supervisor are communicated to Permanent Secretary and those charged with governance;				
	b) The engagement partner has the appropriate competence, capabilities, and authority to perform the role; and				
	c) The responsibilities of the supervisor are clearly defined and communicated to that supervisor. (Ref: Para. A30)				
	[29] The office has also established policies and procedures to assign appropriate personnel with the necessary competence, and capabilities to:				
	a) Perform engagements in accordance with professional standards and regulatory and legal requirements; and				
	b) Enable the office or Supervisor to issue reports that are appropriate in the circumstances. (Ref: Para. A31)				

E.	<p>Engagement Performance</p> <p>[30] The office has establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the office or the supervisor issue reports that are appropriate in the circumstances. Such policies and procedures include:</p>				
	a) Matters relevant to promoting consistency in the quality of engagement performance; (Ref: Para. A32-A33)				
	b) Supervision responsibilities; and (Ref: Para. A34)				
	c) Review responsibilities. (Ref: Para. A35)				
	<p>[31] The office's review responsibility policies and procedures are determined on the basis that work of less experienced team members is reviewed by more experienced engagement team members.</p>				
	Consultation				
	<p>[32] The office has established policies and procedures designed to provide it with reasonable assurance that:</p>				
	a) Appropriate consultation takes place on difficult or contentious matters;				
	b) Sufficient resources are available to enable appropriate consultation to take place;				
	c) The nature and scope of, and conclusions resulting from, such consultations are documented and are agreed by both the individual seeking consultation and the individual consulted; and				
	d) Conclusions resulting from consultations are implemented. (Ref: Para. A36-A40)				
	Engagement Quality Controls Review				
	<p>[33] The office has established policies and procedures requiring, for appropriate engagements, an engagement quality controls review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures:</p>				
	a) Require an engagement quality controls review for all audits.				

	b) Set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements be evaluated to determine whether an engagement quality controls review is performed; and (Ref: Para. A41)				
	c) Require an engagement quality controls review for all engagements, if any, meeting the criteria established in compliance with subparagraph (b).				
[34]	The office has established policies and procedures setting out the nature, timing and extent of an engagement quality controls review. Such policies and procedures require that the engagement report not be dated until the completion of the engagement quality controls review. (Ref: Para. A42-A43)				
[35]	The office has established policies and procedures to require the engagement quality controls review to include:				
	a) Discussion of significant matters with the auditor / supervisor;				
	b) Review of the financial statements or other subject matter information and the proposed report;				
	c) Review of selected engagement documentation relating to significant findings the engagement team made and the conclusions it reached; and				
	d) Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate. (Ref: Para. A44)				
[36]	For audits of financial statements of listed entities, the office has establish policies and procedures to require the engagement quality controls review to also include consideration of the following:				
	a) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and				
	b) Whether documentation selected for review reflects the work performed in relation to the significant judgments made and supports the conclusions reached. (Ref: Para. A45-A46)				
	<i>Criteria for the Eligibility of Engagement Quality Controls Reviewers</i>				
[37]	The office has established policies and procedures to address the appointment of engagement quality controls reviewers and established their eligibility through:				
	a) The technical qualifications required to perform the role, including the necessary experience and authority; and (Ref: Para. A47)				

	b) The degree to which an engagement quality controls reviewer can be consulted on the engagement without compromising the reviewer's objectivity. (Ref: Para. A48)				
[38]	The office has established policies and procedures designed to maintain the objectivity of the engagement quality controls reviewer. (Ref: Para. A49-A51)				
[39]	The office's policies and procedures provide for the replacement of the engagement quality controls reviewer where the reviewer's ability to perform an objective review may be impaired.				
	Documentation of the Engagement Quality Controls Review				
[40]	The office has established policies and procedures on documentation of the engagement quality controls review which require documentation that:				
	a) The procedures required by the office's policies on engagement quality controls review have been performed;				
	b) The engagement quality controls review has been completed on or before the date of the report; and				
	c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.				
	Differences of Opinion				
[41]	The office has established policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality controls reviewer. (Ref: Para. A52-A53)				
[42]	Such policies and procedures require that:				
	a) Conclusions reached be documented and implemented; and				
	b) The report not to be dated until the matter is resolved.				
	Engagement Documentation/ Completion of the Assembly of Final Engagement Files				
[43]	The office has established policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized. (Ref: Para. A54-A55)				
	Confidentiality, Safe Custody, Integrity, Accessibility and Retrievalability				

	<i>of Engagement Documentation</i>				
[44]	The office has established policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. (Ref: Para. A56-A59)				
	<i>Retention of Engagement Documentation</i>				
[45]	The office has established policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the office or as required by law or regulation. (Ref: Para. A60-A63)				

I hereby declare that I have read and have full knowledge of the above PPQC under ISQC-1 and hereby covenant, agree and undertake to abide to them

	Signature:	
	Name:	
	NRIC No.:	
	Date:	

NOTE:

Serial numbers given at the start of above listed compliance statements refer to the respective paragraph numbers of the 'International Standard on Quality Controls-1'.

Prepared By:

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