

INSTITUTE OF CERTIFIED AUDITORS OF REPUBLIC OF MACEDONIA (ICARM)

QUALITY ASSURANCE INSPECTION PROGRAM

Vienna, 2017

QUALITY ASSURANCE INSPECTION PROGRAM

ICARM conducts quality assurance inspections and set up quality review methodology

Quality Control Committee within ICARM

5 ICARM members selected with 3 years mandate, including two members as non-practitioners

To maintain quality assurance inspection process in compliance with the Audit law and the quality review methodology

Quality control reviewers - two full time employees

QUALITY ASSURANCE INSPECTION PROGRAM

Rulebook on the manner and procedure of quality control of the audit firms provides the framework for the monitoring methodology

The Rulebook is subject to consent by the oversight body - Council for Advancement and Oversight of the Audit of the Republic of Macedonia (CAOARM)

QUALITY ASSURANCE INSPECTION PROGRAM

CAOARM closely monitors the implementation of the quality assurance program

Representative from CAOARM is dedicated as permanent participant on Quality Control Committee's meetings

The annual work program and Three years work program of the Quality Control Committee are subject to consent by the CAOARM

Annual report on quality review results are subject to consent by CAOARM and published on ICARM web page

Periodically status reports are submitted to the CAOARM

QUALITY ASSURANCE INSPECTION PROGRAM

Annual quality assurance inspection plan

Cyclical approach - at least once in every three years

If poor performance is detected, the cycle is shortened

Risk based approach for selection

Activity reports by audit firms collected on annual base

Understanding the firms activities and risks

Previous inspection results

Follow up reviews required by Disciplinary Committee

INSPECTION PROCESS

Notification letter - 30 days before beginning of the inspection

Risk based approach to audit file selection

The frame criteria for the selection (the number of engagements and type of engagements) are set in the Rulebook

Notification on selected audit files for review -10 days before beginning of the inspection

INSPECTION PROCESS

Documentation

Detailed firm and file review checklists (published on ICARM web page)

Pull together all findings into reports

Discuss findings and recommendations, agree action plan and implementation deadline

Summary evaluation

Grading on engagement level and overall firm's grading (satisfactory, satisfactory but requires further consideration, or unsatisfactory)

COMMON ISSUES

Insufficient documentation on auditor's judgements for the risk assessment and response to assessed risks through documented planning activity.

Preliminary analytical procedures comprised only from mathematical calculations, not completed with analysis and conclusions.

Lack of assessment of design/implementation of controls.

Revenue recognition and management override of controls not identified as significant fraud risks, or not rebutted and no procedures designed to address the risk.

Lack of assessment of risk related to assertion level⁸

COMMON ISSUES

Sufficiency and appropriateness of the audit evidence to support the audit opinion

The level of professional skepticism.

Identification of key assertions and link between the risk of material misstatement assessed at the assertion level and the reasons for the assessment.

Extent of testing and use of sampling techniques.

Adequacy of the conclusions based on the obtained audit evidence.

COMMON ISSUES

Going Concern: not considering key factors in the going concern assessment.

Related parties transactions: not considered as risk factor, lack of sufficient audit evidence on related party identification and substance of the transactions, lack of adequate disclosure in financial statements.

Initial audit engagements: opening balances not considered as risk factor, lack of discussion with predecessor auditor and plan on adequate further audit procedures.

COMMON ISSUES

For the firm's internal quality control system:

Continuous professional education for all staff levels

Budgeting and time measurement

Engagement quality control review

Monitoring process

RESULTS

Over the years we have seen continuous improvement in overall audit quality as indicated by the results of our inspection of the audit files.

The improvement is, however, not uniformly spread across all audit firms and types of audited entities subject to our inspections.

While these inspection results are encouraging, further improvement is still required in a number of key areas. Many of these areas are recurring in nature, including the exercise of sufficient professional scepticism.

MAIN CHALLENGES

Establish extended grading system

Amendments in the Audit law from 2014, effective from October 2017



ИНСТИТУТ
НА ОВЛАСТЕНИ РЕВИЗОРИ НА
РЕПУБЛИКА МАКЕДОНИЈА

