

Addressing problems arising from audit monitoring visits to SMPs in the Caribbean

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Sources of presentation information

- PCP and Kudos clients
- Discussions with practitioners
- Information and statistics provided by ICATT and ICAB



Audit Monitoring in the Caribbean



Problems specific to Caribbean

- Size and nature of clients
- Number of clients
- Lack of training
- Why should I be compliant syndrome?



Can I pass?

- Timescale
- Benefits of good compliance
- Willingness to improve
- Addressing deficiencies
- Action plans – what should they contain?



The next few years in the Caribbean

- “ACCA will recommend appropriate regulatory action in respect of member firms with unsatisfactory visit outcomes, in accordance with a regulatory policy framework adopted by the member body”
- Each Institute needs a policy and guidance for Regulatory Orders
- What might this involve?
- 3 year cycle for firms auditing PIEs
- What is a PIE?



ISQC 1

- Big firm vs small firm
- Overall quality control system
 - ethics
 - acceptance procedures
 - resources
 - performance
 - monitoring
- Formal policies and procedures
- What do I need?



Assessing the outcome of an audit file examination

- Number of deficiencies does not necessarily determine whether audit is unsatisfactory
- The “test” is whether there is a significant risk that the accounts could contain an undetected material misstatement as a result of the deficiencies found in the audit work



Addressing issues in the Caribbean

–Accounts

Preparation File \neq

Audit file



Addressing issues in the Caribbean

– Oral explanations by practitioners \neq Adequate audit evidence for work performed



Improving Compliance Procedures

- Identify main issues
- Review procedures
- Assess audit programme
- Invest in good quality practical training
- Use of audit workshops



Improving Compliance Procedures ctd

- Prioritise action taken
- Regular reviews
- Competence of reviewer
- Standardise your working papers
- Join a network



Recording Evidence ISA 500

- Evidence must be sufficient and appropriate
- How much is enough?
- Financial statement assertions/objectives



Audit Documentation

- ISA 230 - Documentation
- Most important aspect of audit
- “I’ve done the work but I haven’t written it down”
- Audit assertions
- Scope, timing and extent of procedures



What should a working paper contain?

Who?

When?

What?

Why?



Objective

Work Performed

Results

Evaluation

Conclusion



What should a working paper contain?

- Date and evidence of who prepared and reviewed
- Assertion satisfied
- Sample size?
- How items chosen?
- Direction
- What done?
- Results
- Summary and evaluation
- Conclusion



Engagement Procedures

- Engagement letters
- Ability to act and accepting appointments which are not capable of doing
- Professional clearance
- Client verification / Money Laundering

Regulations



Independence and IESBA Code

- Checklist
- Partner involvement
- Yes answers
- Safeguards clearly shown
- Perception of independence



Planning Issues

- Permanent file not fit for purpose
- Lack of consideration of laws and regulations
- Inadequate risk assessments
- Poor consideration of Accounting System and Internal Controls
- Absence of appropriate analytical review



Planning Issues

- Inadequate consideration of materiality
- Insufficient consideration of fraud and error
- Must identify key areas – audit plan
- Communicating with client



Considering Fraud – ISA 240

- Revenue recognition
- Related parties
- Threat of management override
- “Rigour” and “scepticism”
- Planning meeting



Statement of Financial Position

- Property, plant and equipment
- Inventory
- Cash and bank
- Receivables
- Payables
- Related party transactions
- Cut off



Income and Expenditure

- Income
- Expenditure
- Payroll



Completion

- Disclosure in financial statements
- Partner review
- Representation letter
- Audit reports
- Subsequent events
- Lack of consideration of going concern



Anatomy of a 12 hour audit of a microentity

- Read and understand the ISAs
- Use senior staff
- Automate the practice
- At client's premises
- Regular communication with clients
- Bill all your time
- Proper use of checklists



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