

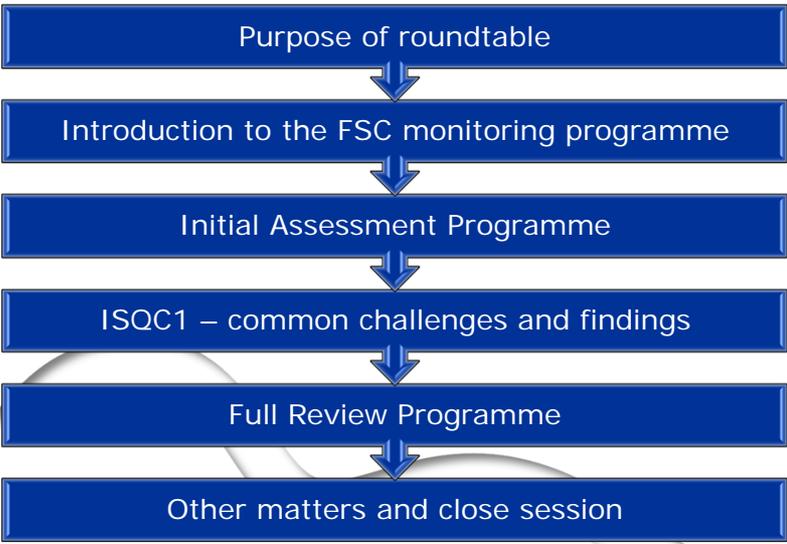


The FSC's public oversight functions for Auditors

1

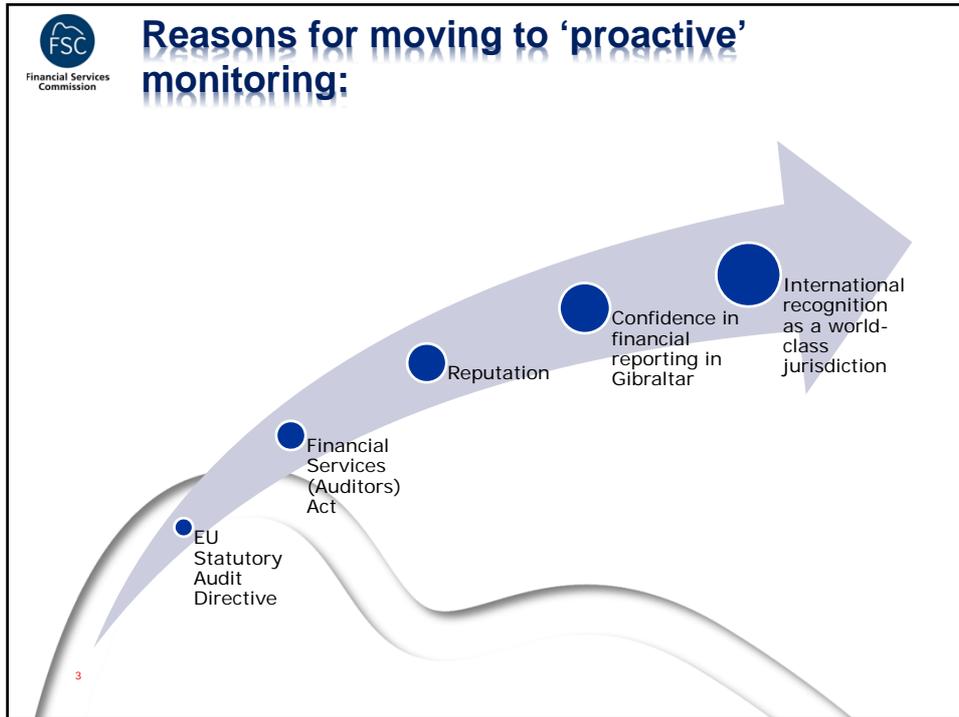


Outline for roundtable



```
graph TD; A[Purpose of roundtable] --> B[Introduction to the FSC monitoring programme]; B --> C[Initial Assessment Programme]; C --> D[ISQC1 – common challenges and findings]; D --> E[Full Review Programme]; E --> F[Other matters and close session];
```

2



-
- FSC**
Financial Services Commission
- ## ICAEW & FSC
- Why seek external support for this function?
 - Knowledge transfer
 - Recruitment at the FSC
- 4



Timeframes

- Plan to see all firms, and establish consistently high standards of systems, procedures and audit quality across the profession, over the next four years
- FSC to engage with all firms over the summer for a high-level “**Initial Assessment Programme (IAP)**” – questionnaire, followed by face to face reviews.
- FSC will address findings and follow-up issues with firms as required.
- FSC will assess risk (reference firms’ infrastructure and client base) and will commence a ‘full-visit’ programme in the latter part of 2012.
- Any significant concerns regarding quality of work, compliance or behaviour will be handled by FSC through ‘normal channels’.
- Normal annual returns will be required in parallel (part of intelligence to inform risk based approach and reviews)

5



Timings

- **Initial Assessment Meeting**
 - 1 to 3 hours
 - 3 weeks over May and June
 - expecting most to be held at FSC offices
- **Full review visits**
 - 1 to 5 days
 - for the largest firms with significant PIE audits
 - all via site-visits to your firms.

6



Regulatory context of monitoring programme

- Need to cooperate with/provide info to FSC,
- Ensure key personnel make themselves available (audit engagement & compliance partners/managers).
- Programme's important to firms to maintain registered auditor status
- FSC keen to support and help skills/knowledge development where needed
- FSC will ensure challenging but sensible timeframes set to allow firms to resolve issues.
- Transparency and openness will pay dividends

7



Monitoring programme - overview

Paul Simkins – Director, ICAEW

8



Summary

- ICAEW – who we are
- Our QA approach and philosophy
- Four year monitoring plan

9



ICAEW – who we are

- Founded in 1880
- 138,000 members in 165 countries
- Regulating UK auditors for over 18 years
- QAD monitors 13,000 firms (3,800 audit firms)
- Monitoring services provided to NAO, NHSFT, ICAI, ICAS, IOA, CIPFA and DFSA
- Training and support provided across Europe, Africa and Asia



10



Our QA approach and philosophy

- Combined cyclical & risk-based approach
- Reviewers: independent from firms, ICAEW staff
- Annual reviews: POB, committees, internal qar
- Serious assessment with emphasis on support
- Support and guidance paramount
- Focus on results:
 - trust, openness, transparency, efficiency
 - Sustainable improvement through cooperation
 - POB/ARC confidence, positive feedback from firms

11



4 year monitoring plan

- Initial Assessment Programme
 - Summer 2012; 3 weeks; all firms;
 - Short questionnaire, short meetings
 - Provides an overview of audit activity in Gibraltar
 - Informs our view of risk and where to focus resources
- Full Review Programme
 - Four year full visit plan from Q1 2013
 - Mix of risk-based and random visits
 - Follow-up on any initial findings/action plans
 - Review of audit work and firms' approach to quality
 - On-going view of firms via Annual Returns, etc.

12



Questions & Discussions

13



Initial Assessment Programme

Lesley Clarke – Senior Manager, ICAEW

14



Session outline

- Purpose of the Initial Assessment Programme
- Overview of the process
- Initial Assessment questionnaire
- Initial Assessment meeting
- Reporting process
- Follow up
- Outcome of the Programme

15



Purpose of the Initial Assessment Programme

- To make an initial assessment of
 - firms' approach to ensuring audit quality, and
 - the risks within each firms' audit practice based on discussion and submission of limited information - no detailed checking at this stage
- To provide an informed basis for planning the next stage of full review visits- to prioritise our work/use our resources in the most appropriate way
- To identify areas needing attention and help firms to focus on them

16



Overview of the process

- Interview-style meeting with all firms
- Supported by:
 - Initial assessment questionnaire - firms to complete in advance
 - Selected documents and records - firms to bring to the meeting
- Summary of findings and recommendations
- Firms' responses
- Planning for full review visits

17



Initial Assessment Questionnaire

- Supplement to information on annual return
- Should aid/support discussions and help to make the process as efficient as possible
- Helps us to better understand
 - the firm and its audit clients (section A)
 - the firms' policies and procedures to ensure audit quality (section B) – based on ISQC1
- Firms to complete and return to FSC by 30 April (preferably by email)

18



Initial Assessment questionnaire – the detail (1)

- Section A: Background information about the firm
 - Structure and staffing of the audit practice
 - Key roles/responsibilities, reporting lines, number of partners/staff
 - Experience/qualifications, niche/specialist areas
 - Fee income
 - Updated information about total fees and audit income
 - Audit clients
 - Number of audits by partner
 - Description of client base for each partner, including any special areas of work /public interest clients

19



Initial Assessment Questionnaire – the detail (2)

- Section B: Firms' policies, procedures and systems
 - Framework of policies and procedures important to ensure audit quality
 - Nature, extent and formality will depend on size and structure of the firm
 - Firms asked to outline approach to six key areas
 - Name of person responsible for each area

20



Initial Assessment Questionnaire – the detail (3)

- Section B: Policies, procedures and systems – the six key areas
 - Following ethical / independence requirements -
 - IESBA Code of Ethics, independence declarations
 - Accepting new appointments/reappointment
 - client integrity, skills/resources, ethical matters
 - People – recruitment, training/Continuing Education, appraisal, allocation
 - Audit engagement procedures
 - audit manual/standard documentation, paper/electronic, tailoring and update
 - supervision and review, EQCR/independent reviews
 - controls over documentation

21



Initial Assessment Questionnaire – the detail (4)

- Section B: six key areas (continued)
 - Monitoring
 - Monitoring appropriateness of policies and procedures
 - Review of a sample of completed engagements
 - Scope, procedures and follow up
 - Professional indemnity insurance/claims, dealing with complaints
 - Internal policies / approach

22



Initial Assessment Meeting

- Appointments to be made shortly after roundtable
- Most meetings to take place at FSC offices
- Meetings likely to last 1 to 3 hours, depending on size and nature of the firm
- Interview-style meeting, based on standard agenda (provided in advance), using completed IAQ as basis for discussion
- Documents and records checklist – items to have with you during the meeting
- Brief recap at end of the meeting – indication of likely findings
- Summary of findings and recommendations to follow

23



Initial Assessment Meeting

- Agenda for meeting – areas for discussion:
 - Introduction
 - The firm
 - Audit clients
 - Risk management
 - People – recruitment, training and appraisal
 - Audit engagement procedures
 - Monitoring
 - Next steps

24



Initial Assessment Meeting

- Documents and records checklist
 - Useful to support discussions
 - List of 10 items covering:
 - Structure/organisation of the firm
 - Audit clients – additional information for public interest clients
 - Certain proforma documents

25



Firm's responses to findings/recommendations

- Firms asked to provide written responses within 21 days
- Responses seen as very important, indicator of commitment etc
 - Refer to specific actions where applicable
 - Set suitable/reasonable timescales
- Responses will be evaluated, additional information or undertakings may be requested
- Progress will be followed up through the full review visit process

26



Moving forwards and addressing recommendations

- An appropriate action plan may refer to:
 - Additional training – internal/external resource?
 - Provision of additional guidance
 - Firm level – eg applying ISQC1
 - Guidance for individuals
 - Additional consultation facilities/technical support
 - Upgrade/update of audit procedures - external solutions?
 - Implementation or enhancement of monitoring activities – internal/external?

27



Outcome of the Programme

- Overall summary of findings – all firms
- High-level risk analysis
 - Nature of client-base
 - Appropriate skills/expertise
 - Up-to-date procedures
 - Appropriate quality control procedures
 - Monitoring
- Used as a basis to plan next stage of full review visits

28



To sum up

Initial Assessment Programme

- Purpose
- Initial Assessment questionnaire
- The meeting
 - agenda/documents and records
 - Findings/recommendations
 - Firm's responses and follow up
 - Appropriate action plans
 - Outcome of the Programme

29



Questions & Discussions

30



ISQC1: findings from our visits

Paul Simkins – Director, ICAEW

31



Summary

- General issues
- Common challenges in the six areas:
 - leadership
 - ethics
 - acceptance and continuance
 - human resources
 - engagement performance
 - monitoring

32



General issues

- Too much or not enough!
 - small firms often struggle to get the balance right
 - a few well considered pages may be sufficient!
- Template manuals need tailoring
 - adapt standard templates (add names!)
- Staff unaware of firm's ISQC1 procedures
 - documents should be easy to access
 - staff should be informed (annual declaration?)
- Documentation should be regularly updated

33



Leadership responsibilities

- Lead by example – from the top:
 - quality and ethical standards reinforced and demonstrated by senior partners/directors
 - training and updates for all (or consequences!)
 - recognition and advancement for good work
 - management override explained and justified
 - robust quality control and quality assurance for all - welcomed not resented
 - culture of continuous improvement (not blame)

34



Ethical requirements

- Lack of understanding
 - standards and guidance easy to access
 - requirements clear for listed clients (if applicable)
- Staff declarations not required
 - annual, signed by all staff
 - independence and conflict issues (loans & shares)
 - fit and proper
- Poor awareness of legal duties
 - money laundering, bribery and corruption

35



Acceptance and continuance

- Procedures should combine ethical and money laundering checks with consideration of:
 - competence of partners and staff
 - sufficient, experienced resources (sector/industry)
 - additional procedures or programmes required
 - recognition of need for specialists (eg, valuers)
 - assessment processes where other auditors
 - uninvolved, second partner check/approval
 - potential conflict (other services provided)

36



Human resources

- Essential skills and aptitudes
 - selection/recruitment policy
 - continuous experience of audit work
 - training – technical and soft skills (eg, interviewing)
- Continuous assessment
 - consider feedback from QC, IOAR and clients
 - performance measures include quality criteria
- Ethical requirements applied firm-wide

37



Engagement performance

- Essential elements of EQCR
 - performed by independent, competent, senior OCR
 - checklists essential
 - planning and timing critical
 - quality systems, procedures, policies, templates
- Access to consultation
 - will often need to be externally sourced for SMPs
- Suitable audit systems essential
 - normally need to buy (especially if specialist area)

38



Monitoring

- Essential elements of monitoring
 - performed by independent, competent, senior staff
 - checklists and criteria essential
 - planning – three-year cycle, comprehensive, realistic
 - detached assessment of complaints
 - findings recorded and shared with leadership team
 - cross-refer to staff performance reviews
 - realistic, relevant solutions - focused on prevention
 - follow-up - ensure sustained improvement!

39



Questions & Discussions

40



Full Review Visit Programme

Lesley Clarke – Senior Manager, ICAEW

41



Session outline

- Overview of the full review visit programme
- The visit process
- Our approach
 - Whole-firm aspects
 - Audit file reviews
- Findings and expected responses
- Reporting and follow-up

42



Overview of the full review visit programme

- Plan to carry out full review visits to all firms over four year period, starting first quarter of 2013
- Exact programme to depend on results of initial assessment process
 - Timing – priority given to areas of higher risk (public interest entities etc)
 - Duration - visit length will depend on size and nature of firm and initial assessment of 'compliance'
- Visits will involve checking implementation of policies and procedures – to include audit file reviews
- Summary of findings – firms to respond in writing
- Report on each firm with recommendations as appropriate

43



Preparing for the visit

- Visit to take place at firms' offices – reasonable notice given
- Most visits likely to be 1 to 2 days, more for larger firms with public interest clients
- 1 or 2 reviewers, depending on work needed
- To help prepare, firms to be sent in advance:
 - information about the visit process
 - documents and records checklist
 - agenda for opening meeting

44



Visit process - the opening meeting

The reviewer will

- Explain the purpose and format of the visit
- Use the opening meeting to update our knowledge about the firm's
 - structure, culture, activities, client base
 - audit quality systems, procedures and controls,
 - approach to training/CE and other HR activities
 - future plans
- Deal with any queries you may have

45



Visit process - fieldwork

- Proportionate approach based on circumstances and risk
- Review of relevant whole-firm records:
 - Training material, CE, independence records
 - PII records, claims and complaints
 - Firm's own monitoring reviews
- Small sample of audit engagements
 - selection based on risk, focus on key areas
 - used to form a conclusion about adequacy/application of procedures
 - Discussion of queries

46



Closing meeting – summary of findings

- Written summary of findings – no surprises:
 - principal findings, other matters and recommendations
- Two-way discussion, to explore underlying causes and arrive at appropriate resolutions
- Findings may include:
 - Weaknesses in documentation of audit work
 - Need for stronger work/more scepticism in key areas of judgement
 - Need for additional measures to safeguard independence
 - Need for more robust monitoring

See ICAEW Audit Monitoring report

Visit icaew.com/aaf for videos on scepticism

47



Firm's response

- Firm to respond in writing within 21 days
- Strength of responses/actions should match seriousness of findings
 - Minor weaknesses – simple undertakings to address may be sufficient
 - Problems with audits of public interest entities, significant gaps in audit evidence or key processes, significant ethical/independence issues
 - strong response important/expected
 - specific action plans including appropriate timescales

48



Final reporting and follow-up

- Report on each firm
 - Key findings
 - Evaluation of firms' responses
 - Overall conclusion and recommendations
- Potential follow-up action
 - Will depend on outcome of visit and firm's response
 - May be required to ensure firms put action plans into practice

49



To sum up

- Full review visits to all firms over 4 year period
- Moving on from Initial Assessment visits to check implementation of policies and procedures
 - Whole-firm aspects
 - Audit file reviews
- Closing meeting and firms' responses
- Reporting and follow-up

50



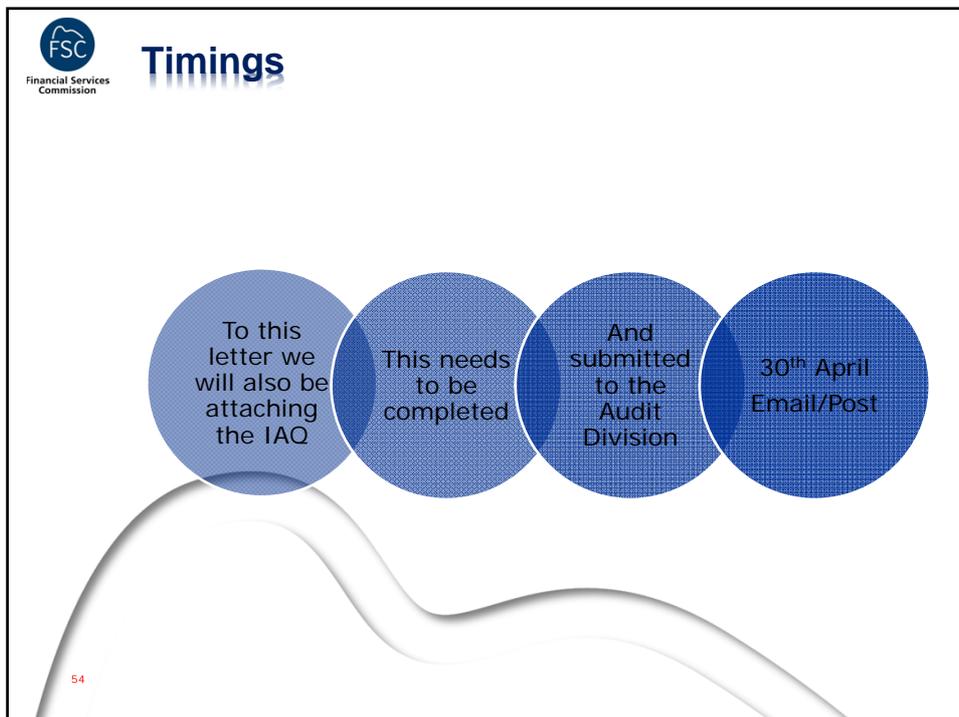
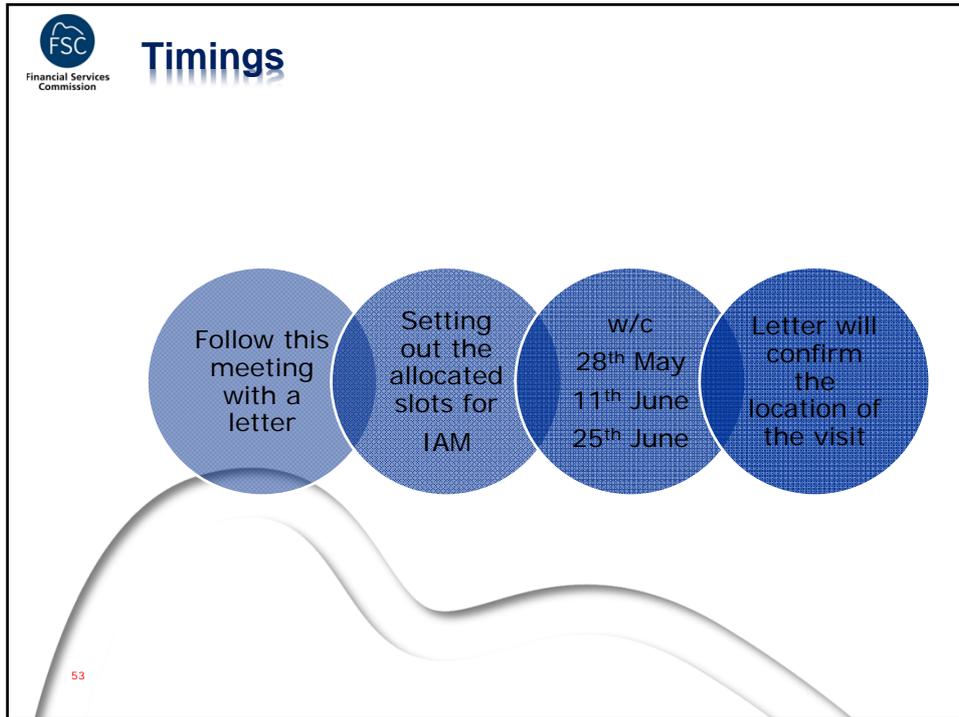
Questions & Discussions

51



Roundup

52





Meeting – To note

- At the meeting it's important to meet with the right people
 - Those responsible for the audit; and
 - Familiar with policies and procedures.

55



Other – Annual Return

- Annual return has been amended.
 - Clarifies areas of ambiguity
 - Seeks additional information
- Amended version shortly available on the website

56



Questions & Discussions

57



Financial Services
Commission

Summary of Initial Assessment Programme

Purpose

The Initial Assessment Programme is the first stage of implementing a comprehensive system of monitoring of audit firms registered in Gibraltar.

The purpose of the Initial Assessment Programme is to find out more about the risks within each firm's audit practice and to make a preliminary assessment of each firm's approach to ensuring audit quality. This will involve finding out how firms organise themselves and obtaining an understanding of their policies, procedures and systems. Clearly the nature and formality of the policies and procedures will depend on the size and structure of the firm.

The results of the Initial Assessment Programme will be used as a basis for planning the second stage of the monitoring process – the second stage will involve full review visits to firms over a four year period. These full review visits will check how firms have implemented their policies and procedures and will assess audit quality through file reviews, prioritising audits of public interest entities and other higher risk clients.

Initial Assessment Questionnaire

The Initial Assessment questionnaire has been designed to supplement the information gained from your annual return to help to ensure that the initial assessment process runs as smoothly and efficiently as possible, and help to avoid unnecessary questions. There are two sections to the questionnaire:

Section A: Background information about the firm and its audit clients.

Section B: Information about the firm's policies, procedures and systems to ensure audit quality.

Section A asks for a description of the structure and staffing of the firm's audit practice, updated information about the firm's fee income, and an overview of the firm's client-base by partner.

Section B asks for an overview of the firm's approach to ethical/independence matters, acceptance of appointment and reappointment, personnel matters (recruitment, training, appraisal and allocation), audit engagement procedures and monitoring activities.

Some items may not fully apply to smaller practices – we understand and do not expect the same formality of processes at all sizes of practice.

You will receive your questionnaire after the roundtable, in paper form and electronically. Electronic completion may be easier for you and submission by email is preferable where possible. We ask you to return the completed questionnaire by 30 April 2012.

Initial Assessment meeting

Nature and timing of the meeting

We will contact you to arrange your Initial Assessment meeting shortly after the roundtable.

Most meetings will take place at the FSC offices. We will ask you to set aside one to three hours, depending on the size of your firm.

We will send you a documents and records checklist at the time of arranging the meeting - it would be helpful if you could bring these items with you.

The meeting will be interview-style using your completed Initial Assessment questionnaire as a basis for discussion, and referring to the items on the documents and records checklist for illustration and supporting detail. We will send you an agenda for the meeting in advance so you can see the areas we wish to cover.

Concluding the process

At the end of the meeting, we will briefly recap on what we have discussed, and provide an initial indication of the likely findings as far as possible. We will follow this up by sending you a summary of our findings and any recommendations.

Firm's responses

We will ask you to respond to any recommendations in writing to the Audit Division (auditors@fsc.gj) at the FSC within 21 days. Your responses will form an important part of the process and should be as specific as possible including a timetable for any actions planned and details of actions already taken.

We may ask you for additional information or undertakings if appropriate. As part of our evaluation of your responses we will assess whether the timescales proposed for implementing any changes are reasonable.

Next steps

We will analyse the results of the Initial Assessment Programme and set out a four year plan for full review visits to all firms based on risk and other relevant factors.



**Financial Services
Commission**

Initial Assessment Questionnaire

The purpose of this questionnaire is to supplement the information gained from your last annual return to help to ensure that the initial assessment meeting runs as smoothly and efficiently as possible. There are two sections to the questionnaire:

Section A: Background information about the firm and its audit clients.

Section B: Information about the firm's policies, procedures and systems to ensure audit quality.

Please return your completed questionnaire to the Audit Division by 30 April 2012 either by email to auditors@fsc.gi or by post to;

The Audit Division
Financial Services Commission
PO Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar

The information you provide will be used as a basis for discussion during the meeting.

Name		Date
Partner responsible for completion of the IAQ		
Compliance manger (if applicable)		

For the purposes of the form, the term 'firm' refers to Audit Firms and Statutory Auditors.

Thank you for your assistance.

SECTION A BACKGROUND INFORMATION ABOUT THE FIRM

1 Structure and staffing of the audit practice

Please explain how the audit practice is structured. Relevant details would be the names and positions of those with lead responsibility for audit quality and quality control, reporting lines, control over different offices (if applicable), any specialist sections, the number of audit partners, audit managers and audit staff and their qualifications/level of experience.

Firm's response

2 Firm's fee income

Please provide details of total fee income and audit fee income for the period since that reported on in your last annual return.

Firm's response

3 Audit clients

Please provide the information in the table below about the number of audit clients per principal and types of audit client.

Firm's response:

<i>Name of principal</i>	<i>No. of audit clients</i>	<i>Description of clientbase including any niche or regulated areas of work, listed and other public interest entities</i>

SECTION B THE FIRM'S POLICIES, PROCEDURES AND SYSTEMS

Firms' policies, procedures and systems are important to ensure audit quality. The nature, extent and formality of these will depend on various factors such as the size and structure of the firm, and perhaps whether it is part of a network.

Please outline your firm's approach to each of the areas below and let us know who is responsible for each area as indicated.

1	Following ethical / independence requirements
	<i>Person responsible</i>
1.1	Please summarise how the firm ensures that all relevant personnel are aware of and follow the IESBA Code of Ethics for Professional Accountants – reference should be made to any guidance provided on identification of threats to independence and the type of safeguards that would be appropriate.
	<i>Firm's response</i>
1.2	For firms with audits of public interest entities, please describe how the additional requirements (eg regarding independence threats due to long association, non-audit services, fee dependence) are met.
	<i>Firm's response</i>
1.3	Please explain how the firm ensures that all individuals are independent of the firm's audit clients. Please confirm whether all individuals are required to complete independence declarations. If so, please provide the date of the latest declaration process and an overview of the outcome.
	<i>Firm's response</i>
2	Accepting new appointments/reappointment
	<i>Person responsible</i>
2.1	Please describe the firm's policies and procedures for considering the relevant factors (client integrity, internal capabilities/resources, ethical matters): (a) Before taking on new audit clients (b) Before deciding to accept reappointment
	<i>Firm's response</i>
3	Audit personnel - recruitment, training and development and allocation to assignments
	<i>Person/people responsible</i>

	Please provide an outline of the firm's policies and procedures in the following areas.
3.1	Recruitment – qualifications required, obtaining references, induction procedures/training
	<i>Firm's response</i>
3.2	Training and CPD – key training topics in the last 2 years, firm's required level of CPD and record keeping
	<i>Firm's response</i>
3.3	Appraisals (performance evaluation) – who carries these out and when, how are different levels of personnel covered, criteria for assessment, how documented
	<i>Firm's response</i>
3.4	Allocation of staff to individual assignments - reference to any specific internal requirements for those involved in listed/specialist/regulated audits would be helpful.
	<i>Firm's response</i>
4	Audit procedures for individual engagements
	<i>Person responsible</i>
	Please describe the firm's policies and procedures in the following areas
4.1	Audit manual / audit system (programmes and checklists) – developed in-house or externally (eg by a network), paper-based or electronic, tailoring for specialist/regulated audits, how updated eg to reflect the requirements of the [clarified] ISAs?
	<i>Firm's response</i>
4.2	Supervision and review (within the engagement team)
	<i>Firm's response</i>
4.3	Engagement Quality Control Review (EQCR)/independent partner review – coverage of public interest entities and other audits as determined by the firm, nature and extent of review, criteria for selection of reviewer, how documented.
	<i>Firm's response</i>
4.4	Control over documentation – policies on file assembly, confidentiality, safe custody and retention

	<i>Firm's response</i>
5	Monitoring
	<i>Person responsible</i>
5.1	<p>Please outline any processes the firm has for monitoring:</p> <p>(a) the appropriateness of its policies and procedures</p> <p>(b) audit quality – through periodic inspection of a sample of completed engagements.</p> <p>Please cover:</p> <ul style="list-style-type: none"> • scope, coverage and who does it • how often (include date of most recent review) • procedures used (eg checklists) • feedback of review results and follow-up procedures
	<i>Firm's response</i>
6	Professional indemnity insurance and dealing with complaints
	<i>Person responsible</i>
6.1	<p>Please explain how the firm determines the appropriate level of professional indemnity insurance cover and the policy for notifying potential claims.</p> <p>Please explain the firm's approach to dealing with complaints.</p>
	<i>Firm's response</i>



Initial assessment meeting

Agenda

1 Introduction

- Introduction to the reviewer(s) and purpose and scope of the visit

2 The firm

- Firm structure
- Management and reporting lines
- Key partner roles/responsibilities
- Other offices and how controlled (if applicable)
- Audit partners and staff – background, qualifications and level of experience
- Related firms – ownership and control
- Accuracy of information on the audit register/annual return

3 Audit clients

- Overview of audit client base
- Key/largest clients
- Listed clients
- Regulated/specialist and other public interest audits
- Group audits/reliance on other auditors
- Significant recent gains and losses

4 Risk management

- Acceptance /continuance decisions
- Compliance with IESBA Code of Ethics¹
- Complaints
- Professional indemnity insurance – cover/claims
- Anti-money laundering procedures²
- Other potential risks

5 People - recruitment, training and appraisal

- Recruitment procedures (including induction)
- Appraisal procedures – partners and staff
- Training – key topics, specialist areas
- Monitoring of CPD

6 Audit engagement procedures

- Audit manual/system/ standard documentation
- Approach to updating eg for [clarified] ISAs
- Tailoring for specialist/regulated clients
- Technical support/consultation arrangements
- EQCR/independent partner review procedures
- Procedures for checking accounts disclosures
- Confidentiality and file retention policies

¹ <http://www.ifac.org/sites/default/files/publications/files/2010-handbook-of-the-code-o.pdf>

² <http://www.fsc.gi/amlqn/auditors.htm>

7 Monitoring

- Scope and coverage
- Findings of latest monitoring reviews
- Feedback, follow up and action plan
- Programmes/checklists used

8 Next steps

- Reporting of findings and recommendations
- Firm's responses – expectations/timetable
- Ongoing monitoring – full review visits



Initial Assessment meeting

Documents and records checklist

It would be helpful if you could make the following documents and records available during the initial assessment meeting.

		Y	N	N/A
1	Organisation chart showing key personnel and reporting lines. Connected practices to be included where relevant. [This may not be relevant for smaller practices].			
2	List of audit clients by audit partner/principal, highlighting listed entities, insurance companies, credit institutions, FSC licensed entities and any others regarded by the firm as public interest entities.			
3	For public interest entities (listed companies, credit institutions, insurance undertakings, and any other deemed to be public interest entities according to firm's criteria), details of: <ul style="list-style-type: none">• Where listed (Other exchanges)• Individual responsible for the EQCR• Number of years the audit partner and EQCR have acted• Total fees (all services) and audit fee			
4	Engagement letter proforma.			
5	Acceptance/continuance checklists or other standard documentation used to record such considerations.			
6	Proforma checklist or other documentation used to record engagement quality control review (EQCR).			
7	Copy of proforma independence declaration.			
8	Proforma continuing education "CE" record.			
9	Proforma documentation for staff, and if applicable, partner appraisals.			
10	Copies of any standard checklists used for monitoring reviews.			



**Financial Services
Commission**

Full Review Visits

About the visit

All registered audit firms will be subject to full review visits over an initial four year period, starting from 2013. Following on from this four year period, a six year visit cycle may be established in line with the Financial Services (Auditors) Act and the European Statutory Audit Directive. The largest firms that conduct audits of listed entities would be visited on a more frequent basis.

Full review visits focus on the procedures, processes and controls established by firms to ensure that: audits comply with professional standards; and the firm meets the requirements of applicable legal and regulatory requirements.

The work carried out during the course of a full review visit will assess and comment on the quality of audit work performed by a firm. It also offers assistance to firms in identifying and designing appropriate remedial actions where necessary. In some cases, regulatory action may be necessary to ensure that appropriate actions are taken.

The overall aim is to promote the reputation of audit and the auditing profession in Gibraltar and enhance business confidence.

How we arrange visits

Following the initial assessment programme, a programme for full review visits will be established based on risk and other relevant factors. Firms will be selected for a visit according to this plan at some point within the four year period.

We may select a firm for a full review visit after we have reviewed its annual return if we identify any additional risk factors.

Scheduling the visit

We will contact you to arrange a date for your visit and confirm the date in writing. Reasonable notice will be provided to allow you to prepare for the visit.

Your review team will include a Chartered Accountant with many years of experience of carrying out audit monitoring visits to firms of all sizes.

Before the visit

We will send you a copy of the agenda for the opening meeting and a documents and records checklist when we confirm the visit date.

Having the relevant documents and records available for the opening meeting will help to ensure the process is as efficient as possible. Note, however, that not every document or record listed will necessarily be relevant to your practice.

The opening meeting

Our approach is open and constructive, starting with an opening meeting to gain a general picture of your firm. The opening meeting will build on the knowledge gained from the initial assessment visits and help the reviewer to understand:

- how you operate your practice
- your approach to achieving audit quality
- the nature of your audit practice
- the particular risks you face and
- the procedures and processes your firm has in place to meet legal and regulatory requirements.

The opening meeting gives you an opportunity to raise specific points about how your firm operates and to ask questions about the visit scope and process.

Visit fieldwork

We will select and review a small sample of audit files. Sample selection will be risk-based and our reviews will focus on key areas of each audit.

If you have carried out any monitoring reviews of individual audits, we may reperform a review to evaluate the effectiveness of the process.

We will also cover relevant whole-firm procedures and will review underlying records such as training and appraisal records, annual declarations and professional indemnity insurance documentation.

The reviewer will discuss his or her findings on the audit files with the individual responsible for the audit to ensure the findings are accurate. The reviewer will also discuss with you any more general findings and the reasons behind them. If appropriate, the reviewer will work with you to develop practical solutions.

The closing meeting

After our review, we produce a written summary of our findings and discuss them with you at a closing meeting. The purpose is to:

- agree the findings from our visit;
- explore any issues that have arisen; and
- discuss your initial thoughts on any action we may suggest to help your firm.

Your response

We ask you to respond to the closing meeting findings in writing within 21 days.

Your responses are an important part of the visit process, so please take particular care when you draft them. Where possible, be specific and refer to any actions you have already taken, as this is likely to be more persuasive than generalised comments.

We will only be able to close the process once we have received and reviewed your responses.

After the visit

Once we receive your response, we will produce a report on your firm. The report will include a summary of findings, highlighting any that are more significant, and an evaluation of the firm's responses. We will include recommendations for further action or request additional information

from you as appropriate. You will have an opportunity to comment on the report to ensure that it is factually correct.

It is important that you take the action you have committed to take, either in your initial responses or any further undertakings. The FSC would have serious concerns should the next visit to your firm find that you have not done so.

Complaints

There is a formal process for handling complaints. If you have any comments about the visit process, please write to us at:

The Audit Division
Financial Services Commission
PO Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar