



# Public Accountancy Board, Jamaica

## The commencement of audit monitoring

# Introduction

- The PAB's audit monitoring programme will commence in January 2012
- The programme has been established under auspices of ICAJ and follows on from the ACCA/ICAC Monitoring Programme
- All PAB registrants (including sole practitioners) which conduct audit work will be subject to monitoring
- Purpose of this meeting is to provide background to the programme and explain how monitoring will work

# Agenda for this session

1. Background to the Monitoring Programme
2. Benefits of monitoring
3. PAB's approach to audit regulation
4. The role of ACCA
5. ACCA's monitoring credentials
6. ACCA personnel
7. Scope of monitoring visits
8. Selection of registrants for visits
9. Notification of visits
10. Planning in the lead up to the visit

# Agenda for this session (Continued)

11. Structure of visits

12. File examinations

13. Assessment of audit work

14. Closing meetings, reporting back on findings

15. Written reports and the registrant's response

16. Implementing recommendations

17. Preparing for monitoring

18. Further information

19. Concluding comments

# 1. Background to the Monitoring Programme

- ACCA has agreed with ICAC to offer audit monitoring services to member bodies under its compliance project
- PAB is the statutory regulator of auditors in Jamaica
- Therefore contract is between ACCA, PAB, ICAJ and ICAC
- Substantial subsidy from ACCA towards overall costs
- ACCA has an objective to ensure that its members in practice are appropriately monitored and regulated
- ACCA has provided the subsidy because ACCA members will be included and ACCA will conduct the monitoring

## 2. Benefits of monitoring

- Improves the standard of audit work
- Enhances reputation of auditors, the PAB and ICAJ
- Enables ICAJ to discharge its membership obligations to IFAC (SMO 1 – Quality Assurance)
- Protects the public interest
- Encourages inward investment by increasing confidence in audited financial statements

## 3. The PAB's approach to audit regulation

- the PAB, ICAJ and ICAC have contracted with ACCA for it to conduct monitoring visits to PAB registrants
- the PAB will retain full responsibility for the regulation of auditors
- the PAB's regulatory approach will be firm but fair
- the PAB will encourage registrants with weak standards to improve and only take action if they fail to do so, unless there is a public protection or ethical issue
- the PAB's approach to regulatory action is intended to improve standards, not to penalise registrants



# 4.The role of ACCA

- ACCA appointed to undertake monitoring visits under instructions from the PAB
- ACCA's monitoring will meet the requirements of IFAC
- ACCA is not responsible for the regulation of auditors in Jamaica

# 5.ACCA's monitoring credentials

- ACCA is a statutory regulator of auditors in the United Kingdom and Ireland
- ACCA has 20 years of experience in monitoring auditors
- ACCA undertakes monitoring for twelve other professional and regulatory bodies, including several in the Caribbean
- Using ACCA will ensure confidentiality and no conflicts of interests

## 6.ACCA Personnel

Peter Large, Executive Director – Governance,  
Ultimately responsible at Executive Director level

Sha Ali Khan, Director - Practice Monitoring  
Responsible for overseeing delivery of all services  
under the ACCA/ICAC/the PAB agreement

Prajesh Damani, Global Assurance Manager  
Responsible for all operational matters, quality control  
and managing all monitoring visits to the PAB  
registrants

Nadine Forrest-Allen, Senior Practice Reviewer  
Based in Jamaica and will undertake most of the  
visits to the PAB registrants

Other ACCA Senior Practice Reviewers  
Will provide support to Nadine Forrest-Allen,  
particularly when monitoring large registrants



# 7.Scope of monitoring visits

- Undertaken in accordance with IFAC SMO 1
- Covers compliance with International Standard on Quality Control No.1 (ISQC1) and International Auditing Standards (ISAs)
- Considers auditor independence against the IFAC code
- Engagement reviews will be undertaken at the same time as firm level reviews

## 8. Selection of registrants for visits

- registrants will be selected by ACCA based on a visit plan based on a 6 year cycle, but all registrants will receive their first visits within 4 years
- registrants will be selected at random or if the PAB has a reason to believe a visit is necessary
- The random selection will be stratified to ensure a representative mix of sole practices and partnerships are monitored each year
- Early follow up visits if a monitoring visit has an unsatisfactory outcome

## 9. Notification of visits

- The PAB will notify registrants in writing that they will be visited and enclose a pre-visit questionnaire
- registrants to complete the short pre-visit questionnaire for ACCA
- Pre-visit questionnaire asks for:
  - registrant's addresses and contact details
  - Names and qualifications of principals
  - Confirmation whether registrant has documented quality control procedures
  - Details of audit clients
- ACCA will then contact the registrant by telephone to plan the visit
- Please ensure you complete and return the pre-visit questionnaire promptly

# 10.Planning in the lead up to the visit

- Based on pre-visit questionnaire and telephone discussion with contact partner
- Date agreed for visit will be confirmed in writing
- Confirmation letter will include list of documents to be made available at the visit

# 11. Structure of visits

- Opening meeting
  - To obtain information about the registrant, its clients and its quality control policies and procedures (ISQC1)
- File examination
  - To assess whether audit work has been undertaken in accordance with auditing standards
- Closing meeting
  - To discuss and agree matters arising and suggest improvements



# 12. File examinations

- Cover all partners' work
- Larger and more complex clients
- Public interest entities
- Latest completed audits – not earlier years

# 13. Assessment of audit work

- Based on examination of a sample of audit work completed recently
- No account will be taken of work performed but not recorded
- File to be assessed as unsatisfactory if failure to comply with auditing standards results in a significant risk that a material misstatement remains undetected
- All files inspected must be assessed as satisfactory otherwise the overall outcome of the visit will be assessed as unsatisfactory
- Serious breaches of independence requirements can also render the outcome as unsatisfactory

# 14. Closing meeting, reporting back on findings

- All significant matters arising from the monitoring visit will be discussed
- Subsequent report will be based on matters discussed at this meeting
- Offers the registrant an opportunity to correct any misunderstanding and refute any criticism
- Intended to assist registrants to take corrective action in the future
- Will contain clear message as to whether the outcome is satisfactory or unsatisfactory

# 15. Written reports and the registrant's response

- Report will summarise overall outcome of the visit and list all deficiencies noted in audit work. It will deal with only weaknesses and provide recommendations for improvement
- All deficiencies will be cross-referenced to IAASB standards
- Report will be issued to the PAB in final form with a copy to the registrant
- registrant will have an opportunity to provide its response within 21 days of the report – response will form part of the report
- the PAB will subsequently inform the registrant of:
  - overall outcome of the visit
  - action, if any, required by the registrant
  - whether an early follow up visit is likely

# 16. Implementing recommendations

- Essential to improve standards
- Ask in response to the report if further clarification needed on any aspect
- Ensure recommendations properly and promptly implemented
- Consider seeking advice and confirmation from another registrant that all recommendations have been implemented effectively

# 17.Preparing for monitoring

- Key is to ensure you comply with auditing standards
- Use an effective audit programme
- Record all your audit work and reasoning in detail
- Ensure all documents requested are ready before the visit
- Get the most out of your visit by listening carefully to what is said
- Don't panic! The first visit will generally be “advisory”

# 18. Further information

From the PAB secretariat

or

From ACCA Practice Monitoring Department

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# 19. Concluding comments

- Purpose of monitoring is to improve standards; approach adopted will involve assisting registrants
- Monitoring visit reports will include all deficiencies found even though the outcome of the visit may be satisfactory
- the PAB will encourage registrants with weak standards to improve and only take action if they fail to do so, unless there is a public protection or ethical issue



Thank you

Any questions?

