

# Practice review programme

## Electronic questionnaire for practice review goes live

By Chris Joy

Practising members all know the Institute has, since 1992, reviewed firms where members conduct audits and related activities. The legal basis for practice review is in the Professional Accountants Ordinance, which sets the parameters for the Institute to regulate its members and gives protection to members in some areas of professional work.

In 2002, the Institute's council decided to upgrade practice review in order to ensure it was operating a relevant and effective quality assurance programme for members engaged in audit and related activities. At that time, regulators and professional bodies were raising the bar for what practice review should do to protect the public and investors.

Indicative of these rising expectations was the issuance in April 2004 by the International Federation of Accountants of a series of Statements of Membership Obligations. It requires member bodies, of which the Institute is one, to establish systems of quality assurance to assess whether members and audit firms have adequate quality control

and adhere to professional standards in performing audit engagements.

The Institute has issued two communication papers – in July 2005 and March 2006 – on the revisions

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to practice review. The papers show that one cornerstone is a detailed questionnaire for completion by all practice units. The questionnaire allows the Institute to obtain and assess

detailed information relating to practice units' organization and management, quality control policies and procedures, and client profile. This information forms a risk profile that will help the Institute prioritize the selection of practice units for review.

Until now the questionnaire has only been available in manual format and has been completed on that basis by the Big Four firms and all other firms that audit listed companies. Early on, the Institute decided that given the client base of these firms, they should be reviewed first in the name of public interest. Initial reviews of the Big Four firms started in 2006 and reviews of other firms auditing listed entities will begin in the second half of 2007. Given the firms' risk profiles, the Institute decided to review the Big Four annually and other auditors of listed entities at least once every three years.

### Electronic milestone

In a milestone, the questionnaire is now ready to go to all other practice units for completion and submission electronically. The Institute and volunteers devoted tremendous effort into the questionnaire,



aiming to make the task of completing it as straightforward as possible.

The questionnaire will no doubt be challenging the first time around, especially for smaller practices with few staff and less sophisticated infrastructures. Yet the practice review committee and the quality assurance department have worked hard to lessen the burden on small practices.

The practice review committee, after extensive deliberation and consultation in particular with the small and medium practitioners committee, decided to roll out the electronic questionnaire in two phases to give some practices more time to complete it. The committee also decided to randomly divide the population of practice units into two equally sized groups. It is keen to make sure all practices have the support they need to fill in the questionnaire and dividing the population into two will make this happen more readily.

By mid-June all CPA practice had been contacted and given preparatory information on how to access a dedicated “CPA Practice” section of

the Institute’s website, which allows them to access information on practice review and the questionnaire as a firm rather than as individual members. The “CPA Practice” part of the website also includes links to the second communication paper.

All practising certificate holders can access a version of the questionnaire that is contained in the practice review procedures manual by logging into the “members login section” of the Institute’s website. This can be downloaded or reviewed on screen but the questionnaire cannot be electronically completed.

Before the end of July, all practices should have received a package explaining the processes and support for the electronic questionnaire. A letter from the quality assurance department explains:

- How practices were grouped.
- How personal identification numbers were distributed and how practices can logon to the website and access the questionnaire.
- Exemptions granted to new practices and practices that are not engaged in audit work.

The webpage also includes a user

manual developed by the quality assurance team to help with the completion of the electronic questionnaire and a set of frequently asked questions. The questions and answers were developed during work on the questionnaire and incorporate feedback from practices that have completed the questionnaire manually. The quality assurance department will update the questions regularly to reflect the experience of practices completing the questionnaire. Details will also be provided through the helpline being set up and manned by the quality assurance department.

### Phasing for PINs

Following the dispatch of the information pack, the Institute will send a letter to every practice in the first group containing the practice’s unique PIN and login instructions. By following the instructions and logging on to the electronic questionnaire site, practices can complete and submit the questionnaire. The practice review committee is satisfied that the electronic questionnaire is as user friendly as possible. When completing the questionnaire, users will

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find a large number of checks, prompts, assists, instructions and automatic safety functions.

Access to the website will be closed to the first group of practices on a date towards the end of the year. Shortly after, all remaining practices will get their PINs and access to the website. For this second group of practices, website access will remain available until a date in 2008 that will be advised to them. Practices in the second group can download the questionnaire from the website as soon as the information pack is received and start preparing their data collection; this can in turn be transferred to the electronic questionnaire.

It is important that practices adhere to the final submission dates for their group. Website access will be completely closed off at a specific time to process the submitted data and systems restraints preclude the access times for the two groups from overlapping.

### The chosen

The initial selection of practices to be reviewed in 2008 will be made from

data analysis and risk scoring based on information in the electronic questionnaire. Practice units will be selected for review from both groups and group allocation does not influence the probability of selection. A small number of practice units will be selected randomly to allow the quality assurance department to assess completion of the questionnaire and compliance with professional standards across a representative range of practices.

### Help and support

In addition to the online support and the telephone helpline, the quality assurance department will run a series of free-of-charge forums on how to complete and submit the electronic questionnaire. Priority goes to practising members and firms. Information and booking forms were sent to all practice units before the end of June.

Speakers at the forum will take attendees through the process of completing and submitting the questionnaire and the speakers will take questions after the presentation. Practice review and small and medium practitioner committees members will

attend the sessions led by the quality assurance team.

The wide variety of support and assistance will be available to practices throughout the period of questionnaire completion. We agreed on a lengthy timeframe for completion and submission of the questionnaire because we recognized the pressures faced by small practices.

The questionnaire is not a test paper that will be marked in extreme detail. In many cases, the questions can be answered by providing sensible estimates. No practice will be held to account for every minor discrepancy or inaccuracy that comes to light if an honest and professional attempt is made at completion in the first place.

The questionnaire is an integral part of practice review. As members of the Institute, we need to demonstrate we are at the forefront of international regulatory and professional initiatives.

**Chris Joy** is the Institute's director of quality assurance.