

## Tips for a smooth practice review



Has your practice been subjected to a practice review? If not, are you concerned about receiving a letter from the Institute's Quality Assurance Department notifying your practice that it has been scheduled for a practice review in three months' time? A practice review is unlikely to be as bad as one might expect, particularly if the practice is well prepared.

In 2015, the QAD carried out 210 full scope reviews and 40 desktop reviews. If your practice has listed or regulated clients, it will be visited more frequently than other practices due to the public interest nature of those clients. Details of the practice review programme can be found in the QAD annual reports available in the Institute's website.

Practice review is a process that cannot be avoided if one wishes to enter or stay in the audit profession. It is natural that some practitioners might feel uneasy about receiving a practice review. Practitioners who continuously take audit quality seriously and make it a priority in their work need not be worried. Disciplinary action has been taken against very few practices

as a result of practice reviews, all of which have been the result of serious failings in audit quality. The following sets out some tips for a practice to smoothen the practice review process.

### Before the visit

If your practice is selected for a practice review, a notification letter will be sent to your registered address. The notification letter will set out the information, including a complete list of audit clients, to be submitted to the QAD no later than three weeks before the visit. Checks will be made to ensure completeness of the client list during the practice review.

The notification letter will also include a link to the e-learning on "Improve audit quality – practice review process and common findings," which provides information about the practice review process and common findings that have been identified in practice reviews. Arranging for an appropriate person(s) to take that e-learning in advance would help your practice better prepare for the practice review. Understanding those common findings earlier would assist your practice to start consid-

ering whether those deficiencies exist and taking timely remedial actions so that the deficiencies will be corrected before the practice review takes place.

Your practice will be notified of the engagements selected for review a few days before the visit. Given that it might be a while since the selected engagements have been completed, a quick review of the files to prepare for questions on the background as well as critical audit areas would help refresh your knowledge of the engagements. It is important that your practice is ready to demonstrate that the relevant professional standards have been complied with in addressing critical audit areas. To help the progress of the practice review, an appropriate engagement team member, preferably the engagement partner or manager, being available at the time of the review would help clarify issues raised on the selected engagement. Information requested should be provided according to the timeframe as notified, otherwise the review may need to be extended or rescheduled, which will introduce inconvenience to your practice and the review team.

## Tips for a smooth practice review

- Make audit quality a priority.
- Ensure the information requested by the practice review team is ready for review according to the timeframe notified.
- Be prepared for questions on the background and critical audit areas of the engagements selected for review.
- Be ready to be able to demonstrate that professional standards have been complied with in addressing critical audit issues.
- Ensure individuals responsible for quality control systems and the engagements selected for review are available to clarify issues raised by the practice review team.
- Be receptive to comments and seek clarification if unclear.
- Show commitment to quality even if deficiencies are found.
- Identify root causes of practice review findings and discuss and provide a preliminary action plan at the exit meeting to address deficiencies.
- Be responsive to and cooperative with the practice review team.

### During the visit

The reviewers will hold discussions with the persons responsible for quality control systems and audit engagements and review documented policies and procedures and audit work papers of your practice. Since the review will last for only a few days for most practices, a meeting timetable set at the outset of the review would be helpful as the reviewers can then arrange their work according to the timetable. Practice reviewers will try to take a constructive approach in meetings as being receptive to reviewers' comments and findings would make the process more effective and less confrontational. Often, issues can be resolved by directing the reviewers to the relevant materials as questions might be raised solely because the reviewers are not so familiar with the environment and processes of your practice. If you don't understand the matters raised, don't be afraid to ask for clarification from the reviewers to ensure that you can provide responses that effectively address the reviewers' concerns. When deficiencies are identified, it is important to understand the causes and implica-

tions and show commitment to address the deficiencies in order to uphold quality.

### At the exit meeting

At the exit meeting, the reviewers will summarize their findings and discuss root causes and preliminary actions to address the findings. If there are findings that are factually incorrect, this is the opportunity for your practice to provide evidence to correct or clarify the findings before they are put in the reviewer's report. The reviewers will also advise you of the process subsequent to the visit, in particular the issue of a dated draft report and the 21-calendar day period for your practice to provide a written response. The final report and your response will be submitted to the Practice Review Committee for a decision on the review outcome. Since the committee's attention is usually focused on the findings on the quality control system and the engagements reviewed that are classified as significant, priority should be given to addressing those findings. If the written response contains evidence to show that appropriate action has already been taken to address the

findings, particularly the significant findings, it would show commitment and effort to improve audit quality that will be taken into account in determining the review outcome. The most ideal outcome would be that the review reveals no serious failings and all findings in the review have been appropriately dealt with such that the practice review can be concluded without the need for any follow up actions.

In essence, many practices that have been subjected to practice review have commented that the key to having a smooth practice review is being responsive and cooperative with the reviewers throughout the review process so that the reviews can be completed as effectively and quickly as possible.



This article is contributed by the Institute's Quality Assurance Department