



**GUIDANCE TO AUDIT COMMITTEES
ON ACRA'S AUDIT QUALITY INDICATORS
DISCLOSURE FRAMEWORK
(2020 REVISED)**

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Overview

Quality audits are the hallmark of the audit profession. Delivery of quality audits is vital to establishing trust and raising market confidence in financial statements relied upon by investors and other stakeholders. In this respect, audit committees (ACs) play a key role in overseeing the financial reporting and audit process.

There is however limited information available for ACs to measure and evaluate the quality of an audit. A lack of a framework to measure audit quality also restricts the ACs' ability to compare audit quality amongst audit firms. Given their role in engaging and evaluating auditors, ACs would benefit from a framework that promotes dialogue with auditors and provides insights into how high quality audits are achieved.

ACRA's AQI Journey

In October 2015, the Accounting and Corporate Regulatory Authority of Singapore (ACRA) introduced an Audit Quality Indicators (AQIs) Disclosure Framework (the "Framework"). The aim is to equip ACs with information that allows them to exercise their professional judgements on elements that contribute to or are indicative of audit quality. This can be used to enhance discussions between ACs and audit firms on audit quality matters during the selection or reappointment of auditors.

The Framework is available for voluntary adoption by ACs of all listed entities in Singapore. In August 2016, to enhance the use of AQIs, ACRA also introduced six targets on selected AQIs to provide ACs with a common yardstick for comparison and to facilitate meaningful audit quality conversations with the auditors.

2020 Revisions to the AQI Framework

In January 2020, ACRA introduced the following revisions to the Framework following a post implementation review involving consultations with audit firms and ACs:

- i) Audit hours – To include % of time spent by the auditor during various audit phases to track achievement of milestones and to assess the timeliness of auditor involvement;
- ii) Headcount in quality control functions – To include total headcount of quality control personnel (previously limited to only partners and managers) and to present in relative terms as a % of total audit headcount to better reflect the overall resources dedicated to such functions; and
- iii) Compliance with independence requirements – Removed from the framework as firms are required to declare their independence to their audit clients annually.

In addition, ACRA will also be disclosing information on industry average and range for AQIs on attrition rate, average years of audit experience and staff per partner / manager ratios in place of AQI targets to facilitate better industry comparison.

The revised Framework comprises seven (7) AQIs, which are to be disclosed at engagement and/or firm-level as follows:

No.	AQI	Engagement Level
		Firm Level
1	AUDIT HOURS Time Spent by Audit Team Members during each Audit Phase	
2	EXPERIENCE Years of Audit Experience and Industry Specialisation	
3	TRAINING Average Training Hours and Industry Specific Training	 & 
4	INSPECTION Results of External and Internal Inspections	 & 
5	QUALITY CONTROL Headcount in Quality Control Functions	
6	STAFF OVERSIGHT Staff per Partner / Manager Ratios	
7	ATTRITION RATE Degree of Personnel Losses	

The revised Framework is available for adoption by audit firms for audits of financial statements of listed entities in Singapore for periods ending on or after 31 March 2020. Early adoption is encouraged.

About this Guidance to Audit Committees

To facilitate use by ACs, ACRA has developed this Guidance to explain the AQIs and how they should be interpreted by ACs.

The Guidance is structured as follows:

- i) Definition: To describe the AQI measure.
- ii) Sample Presentation Format: To provide a sample format on how each AQI is disclosed.
- iii) Relevance: To highlight the relevance of each AQI to audit quality.

ACs may request for audit firms to supplement the AQI data with accompanying narratives that provide context or additional explanations to the AQI data presented.

Using the AQIs

The AQIs work collectively to provide insights into factors contributing to audit quality. They have their inherent limitations and should not be read in isolation without considering the context and the interaction with each other as a group. While engagement-level indicators are directly related to the performance of the audit engagement team, firm-level indicators are equally important as they provide insights on the audit firm's commitment towards and delivery of audit quality. **Reasonable explanations can exist for divergent numbers, and a variety of other factors may also affect a particular audit engagement or an audit firm in a particular period.**

Under the Framework, audit firms are encouraged to share the AQI data privately with ACs at the following junctures:

- i) after each financial year's audit is completed (when ACs are considering whether to re-appoint the incumbent auditor); and
- ii) when ACs are considering a change in auditor.

Such private communication allows for an open and frank discussion between both parties.

Note: To guide audit firms to prepare AQI data consistently, ACRA has also developed a Guidance to Audit Firms on ACRA's AQI Disclosure Framework (2020 Revised)¹. The aim is to ensure the comparability of the AQI data provided by audit firms, which will then allow for meaningful analysis and comparison of the AQI data by audit committees. Through its Practice Monitoring Programme, ACRA will perform sample checks to ensure that the AQI data provided by audit firms are prepared in accordance with the basis set out in the guidance.

¹ <https://www.acra.gov.sg/accountancy/public-accountants/audit-quality-indicators-and-industry-average>

AUDIT HOURS

Time Spent by Audit Team Members during each Audit Phase

DEFINITION

This AQI highlights the number of hours spent by the audit team during each audit phase. This comprises hours incurred by the Singapore audit team and those of member firms of the same network. The audit team are to be categorised by the group engagement partner², engagement quality control reviewer (EQCR)³, other partner(s)⁴, audit manager(s)⁵, other manager(s)⁶, audit professional staff⁷ and other staff⁸. Audit phase refers to the different stages within the entire audit process as categorised by the firm and would typically entail audit planning, fieldwork and completion (please refer to Annex A for examples of audit procedures performed at these audit phases).

This AQI is presented in absolute and relative terms to reflect the following:

- i) Total hours incurred by audit team composition; and
- ii) Hours and % of hours incurred by audit team members in each audit phase.

SAMPLE PRESENTATION FORMAT

Audit Hours of Audit Team Members	FY 20X2		FY 20X1	
	Singapore firm	Member firm	Singapore firm	Member firm
Group Engagement Partner ² Hours	[96]		[80]	
EQCR ³ Hours	[22]		[16]	
Other Partner ⁴ Hours				
- Specialist Partners	[0]	[35]	[0]	[30]
- Component Partners	[0]	[120]	[0]	[130]
Audit Manager ⁵ Hours	[250]	[348]	[232]	[332]
Other Manager ⁶ Hours	[0]	[16]	[0]	[16]

² Group Engagement partner refers to a partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor's report on the group financial statements that is issued on behalf of the firm.

³ EQCR refers to a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgements the engagement team made and the conclusions it reached in formulating the report.

⁴ Other partner(s) refer to partners in charge of the audits of other group entities (e.g. subsidiaries, joint ventures or associates) and partners providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied to support the overall audit opinion.

⁵ Audit manager(s) refer to auditors performing managerial duties under the direct supervision of the audit partners.

⁶ Other manager(s) refer to managers providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied to support the overall audit opinion.

⁷ Audit professional staff refer to auditors performing audit under the supervision of the audit partners and/or managers.

⁸ Other staff refer to staff providing specialists support such as technical consultations, information technology, taxation and valuation whom the group engagement partner relied to support the overall audit opinion.

	Singapore firm	Member firm	Singapore firm	Member firm
Audit Professional Staff ⁷ Hours	[1,034]	[2,453]	[873]	[2,219]
Other Staff ⁸ Hours	[0]	[80]	[0]	[77]
Total Audit Hours	[1,402]	[3,052]	[1,201]	[2,804]

Involvement by audit phase	FY20X2				FY20X1			
	Partner	Manager	Staff	Total	Partner	Manager	Staff	Total
Planning	[82] [2%]	[184] [4%]	[1,070] [24%]	[1,336] [30%]	[77] [2%]	[174] [4%]	[951] [24%]	[1,202] [30%]
Fieldwork	[137] [3%]	[307] [7%]	[1,784] [40%]	[2,227] [50%]	[128] [3%]	[290] [7%]	[1,585] [40%]	[2,003] [50%]
Completion	[55] [1%]	[123] [3%]	[713] [16%]	[891] [20%]	[51] [1%]	[116] [3%]	[634] [16%]	[801] [20%]
Overall	[273] [6%]	[614] [14%]	[3,567] [80%]	[4,454] 100%	[256] [6%]	[58] [14%]	[3,169] [80%]	[4,005] 100%

[Firms can include relevant narratives/commentaries (e.g. analysis of significant variances, the period in which the audit procedures in each phase were performed, etc.)) Note:

- i) For audit tenders, budgeted hours at each phase of the proposed audit team for the first year audit will be provided.
- ii) At the end of the first year audit, a comparison of actual hours against budgeted hours at each phase will be provided.
- iii) At the end of the second and subsequent year audit, actual hours at each phase for the recent two years will be provided.

RELEVANCE

This AQI indicates the extent and timeliness of involvement of audit and other team members in an audit during the various audit phases. The disclosure of time spent by audit phases would help facilitate the tracking of audit milestones and improve coordination between the auditor and auditee throughout the audit process (e.g. ensuring working papers are provided to the auditor on time and for audit issues to be identified earlier).

Audit quality is likely to increase with timely and higher levels of involvement by senior audit team members as they have the requisite knowledge and experience to identify and resolve audit issues early during the audit process. A higher level of involvement on a timely manner would also imply more supervision and review of the work performed by junior or less experienced audit team members which may help prevent any late audit surprises.

EXPERIENCE

Years of Audit Experience and Industry Specialisation

DEFINITION

This AQI highlights the years of audit experience of audit team members involved in an audit engagement by the following categories:

- i) Group Engagement Partner;
- ii) EQCR;
- iii) Audit Manager(s); and
- iv) Audit Professional Staff (auditors below managerial level).

This AQI also includes a description of industry specific experience of senior audit team members (i.e. the group engagement audit partner, the EQCR and the audit manager(s)) involved in the audit engagement.

SAMPLE PRESENTATION FORMAT

Years of Audit Experience	As at 12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ⁹		As at 12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1 ⁹	
	[X Firm]	Industry average / range ¹⁰	[X Firm]	Industry average / range ¹⁰
Group Engagement Partner	[20]	[X] / [X]-[X]	[19]	[X] / [X]-[X]
EQCR	[25]		[24]	
Audit Manager(s)	[10]	[X] / [X]-[X]	[8]	[X] / [X]-[X]
Audit Professional Staff	[3.4]	[X] / [X]-[X]	[3.0]	[X] / [X]-[X]

[Firms can include relevant narratives/commentaries (e.g. analysis of significant variances)]
Note:

- i) For audit tenders, estimated years of experience of the proposed audit team for the first year audit will be provided.
- ii) At the end of the first year audit, a comparison of actual years of experience against budgeted figures will be provided.
- iii) At the end of the second and subsequent year audit, actual years of experience for the recent two years will be provided.

Industry Specific Experience of Senior Audit Team Members

[E.g. Mr X has been an audit partner in Firm ABC since 1990. He has approximately 30 years of experience in the audits of financial institutions. He specialises in the audits of retail and commercial banks, and sits on the audit firm's technical consultation panel on financial

⁹ Whichever is most recent and available at the time the AQI is presented to the AC.

¹⁰ Information on industry average and range of years of audit experience is publicly available at <https://www.acra.gov.sg/accountancy/public-accountants/audit-quality-indicators-and-industry-average>.

institution audits. Mr X is also the Chairman of the Institute of Singapore Chartered Accountants' Banking and Finance Committee. He was previously the audit partner for (name of past clients in similar industry).]

RELEVANCE

This AQI indicates the audit firm's ability to deploy experienced resources to each audit engagement based on its risk and complexity. This AQI aims to supplement audit committees' interactions with senior members of the audit engagement team in assessing the overall competency and experience of the team.

Audit quality is likely to increase with higher years of experience of the audit team as they will likely have greater knowledge and competence to perform the audit effectively. A more experienced audit team, particularly with relevant experience in a particular industry, would be able to better understand and deal with industry specific issues by drawing on their experiences with similar issues in the past.

In evaluating industry specific experience, audit committees may want to place emphasis on whether the relevant experience obtained by the senior audit team members was recent.

TRAINING

Average Training Hours and Industry Specific Training

DEFINITION

This AQI highlights the average verifiable training hours received by the auditors during a specified period. At the audit firm-level, this AQI is presented by the following categories:

- i) Audit Partner(s);
- ii) Audit Manager(s); and
- iii) Audit Professional Staff (auditors below managerial level).

At the audit engagement-level, this AQI also includes a description of the specialised (e.g. mining, construction) and regulated (e.g. banking & insurance) industry training for senior audit team members (i.e. the group engagement partner, the EQCR and the audit manager(s)) involved in the audit engagement.

SAMPLE PRESENTATION FORMAT

Firm-Level (Average Training Hours):		
Training Hours	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2¹¹	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1¹¹
Audit Partners	[50]	[40]
Audit Managers	[60]	[56]
Audit Professional Staff	[80]	[84]

[Firms can include relevant narratives/commentaries (e.g. training hours committed by the firm for each staff grade if they are significantly different to actual training hours)]

RELEVANCE

This AQI indicates the hours invested in the firm’s auditors to equip them with the required knowledge and skills to perform quality audits.

Audit quality is likely to increase with higher average training hours as this would imply that auditors are spending more time to upgrade their capability to perform effective audits, as well as to keep abreast of the changes in accounting and auditing standards. To assess the quality of training, audit committees are encouraged to discuss with auditors on the nature, type and effectiveness of the training curriculum.

¹¹ Whichever is most recent and available at the time the AQI is presented to the AC.

SAMPLE PRESENTATION FORMAT

Engagement-Level (Industry Specific Training of Senior Audit Team Members):

Industry Specific Training Hours	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹²	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1 ¹²
Group Engagement Partner	[15]	[14]
EQCR	[25]	[25]
Audit Manager(s)	[8]	[8]

[Firms can include relevant narratives/commentaries (e.g. description of courses or topics covered)]

RELEVANCE

Audit quality is likely to increase with higher level of industry specific training relevant to the audit engagement provided to the senior audit team members. This would increase their familiarity and ability to identify, understand and resolve specific accounting and audit issues confronting the industry.

¹² Whichever is most recent and available at the time the AQI is presented to the AC.

INSPECTIONS

Results of External and Internal Inspections

DEFINITION

This AQI highlights the outcome of audit quality inspections carried out on audit engagements:

- i) by an external audit regulator (external inspections)¹³;
- ii) within the audit firm (internal inspections)¹⁴; and

the action taken to remediate the findings from these inspections.

SAMPLE PRESENTATION FORMAT

Firm Inspection Results:		
Type of Inspection: External Inspections by ACRA		
Inspection Year	[20X2]	[20X1]
No. of Audit Partners Inspected	[10]	[10]
Inspection Results	[9 Pass, 1 Fail]	[10 Pass]
[Firms can include relevant narratives/commentaries (e.g. nature of findings, whether systemic or one-off issue and remedial actions)]		
Type of Inspection: Internal Inspections		
Inspection Year	[20X2]	[20X1]
No. of Audit Partners Inspected	[13]	[14]
Inspection Results by Audit Partner*	[11 Satisfactory]	[11 Satisfactory]
* Inspection results should be presented by audit engagement in instances where more than one audit engagement is inspected per partner.	[2 Improvement Required]	[2 Improvement Required]
		[1 Not Satisfactory]
[Firms can include relevant narratives/commentaries (e.g. scope and rating of inspection programme, as well as the remedial actions)]		

RELEVANCE

This AQI indicates the audit firm's ability to consistently executing quality audits.

Inspection results are a direct measure of audit quality. The aim of inspections is to independently check if the auditor had performed audit procedures in compliance with the auditing standards and/or applicable quality control policies. Hence, audit quality is likely to increase with a higher rate of compliance with these standards and policies.

¹³ External inspections refer to inspections carried out by audit regulators such as the Public Company Accounting Oversight Board (PCAOB) and ACRA. Please refer to link (<https://www.acra.gov.sg/public-accountants/practice-monitoring-programme-pmp/pmp-process>) for further information about ACRA's PMP.

¹⁴ Internal inspections are conducted by the audit firm either by a local or international quality review team as part of its quality monitoring programme.

It is important to note that a poor inspection result does not:

- i) necessarily indicate that there had been an audit failure, i.e. the audit report is wrong or cannot be relied upon. Instead, the results serve to highlight areas that must be remediated in order to meet standards and policies; or
- ii) imply that the financial statements prepared by management are not true and fair. Instead, the results provide an indication that more work ought to have been performed by the auditor to support the opinion.

It is common for partners with poor inspection results to be regularly re-inspected. Inspection results that are repeatedly poor should be a point of concern.

Audit committees should not dismiss an audit firm simply based on poor inspection results. Instead, audit committees should strive to understand the root causes of the findings, and evaluate the effectiveness of the audit firm’s actions to remedy, which will better reflect the audit firm’s commitment and ability to delivering quality audits in a longer run. Audit committees should also examine whether the findings on the inspected engagements are applicable to the audits of their companies and discuss with the audit teams on the potential implications and audit approach.

SAMPLE PRESENTATION FORMAT

Engagement-Level (Inspection Results of Group Engagement Partner and EQCR):				
	External Inspections		Internal Inspections	
	Year last inspected	Results	Year last inspected	Results
Group Engagement Partner	[202X]	[Fail]	[20XX]	[Satisfactory]
EQCR	[Not Inspected]	[Not Inspected]	[20XX]	[Satisfactory]

Inspection findings for: [Group Engagement Partner] / [EQCR]	
Type of Inspection: [External / Internal] Inspections	
[Details of findings]	[Details of remediation actions taken by the audit team/firm]
[E.g. Inadequate work was performed to ascertain whether the client’s revenue recognition policy was appropriate]	[E.g. Remediation actions taken include: <ul style="list-style-type: none"> - Mandatory refresher training on revenue by the audit team; - Subsequent consultation and collaboration with the firm’s technical department to address the finding; - Assignment of a more experienced EQCR on the audit; and - Communication of the finding as a case study during firm’s training]

[Firms can include relevant narratives/commentaries (e.g. root causes of finding and applicability to the audit engagement)]

RELEVANCE

This AQI indicates the group engagement partner and EQCR's ability to consistently execute quality audits.

The inspection results and findings provide insights on the quality of other audits led by the group engagement audit partner and EQCR. This is relevant in assessing their technical competency, workloads and ability to maintain audit quality consistently.

QUALITY CONTROL

Headcount in Quality Control Functions

DEFINITION

This AQI highlights partner, manager and professional staff resources in the Quality Control Functions (QCF) of the audit firm necessary to equip audit teams with tools, knowledge and resources to consistently deliver quality audits.

This AQI is presented by the following functions, where applicable:

Quality Control Functions	Roles and responsibilities
Risk Management, Independence and Ethics	To monitor compliance with the relevant independence requirements.
Training, Learning and Development	To organise and conduct training to upkeep auditors' skills and knowledge.
Quality Assurance	To conduct internal inspections and monitor quality in the audits performed.
Technical	To provide audit and accounting technical consultations to audit teams.

This AQI is presented in absolute and relative terms as follows:

- i) Full-time equivalent (FTE) partners, managers and professional staff headcount in QCF;
- ii) Ratio of QCF partners, managers and professional staff to total audit headcount in the firm; and
- iii) Ratio of QCF partners and managers to total audit partners and audit managers in the firm.

This AQI is presented in absolute and relative (as a % of total audit resources) terms.

SAMPLE PRESENTATION FORMAT

Quality Control Functions (QCF)	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁵			12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1 ¹⁵		
	Partners	Managers	Professional Staff	Partners	Managers	Professional Staff
Risk Management	[0.6]	[3.3]	[2]	[0.5]	[3.0]	[2]
Training	[0.5]	[6.0]	[1]	[0.2]	[7.1]	[1]
Quality Assurance	[0.7]	[5.6]	[1]	[0.7]	[6.1]	[1]
Technical	[0.5]	[7.5]	[1]	[0.4]	[7.4]	[1]
Total Headcount	[2.3]	[22.4]	[5]	[1.9]	[23.6]	[5]

¹⁵ Whichever is most recent and available at the time the AQI is presented to the AC.

Ratios of:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2¹⁶	12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1¹⁶
QCF Partners, Managers, Professional Staff to Total Audit Headcount	[1 : 33]	[1 : 33]
QCF Partners and Managers to Total Audit Partners and Audit Managers	[1 : 27]	[1 : 26]

[Firms can include relevant narratives/commentaries (e.g. overview of quality control set-up)]

RELEVANCE

This AQI indicates the audit firm's commitment to provide central resources to support the execution of quality audits.

Audit quality is likely to increase with more QCF resources dedicated to support the audit teams. QCF can enhance the capabilities of audit teams through their specialist knowledge, particularly in resolving complex, unusual and/or judgmental aspects of an audit. Via its monitoring functions, QCF also helps to ensure compliance with the audit firm's audit process and guidelines, and maintain audit quality across different audit engagements.

¹⁶ Whichever is most recent and available at the time the AQI is presented to the AC.

STAFF OVERSIGHT

Staff per Partner / Manager Ratios

DEFINITION

This AQI highlights the average number of auditors managed by each audit partner and audit manager in the audit firm.

SAMPLE PRESENTATION FORMAT

Ratios of:	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁷		12 months ended 30 Sep 20X1 or 6 months ended 31 Mar 20X1 ¹⁷	
	[X Firm]	Industry average / range ¹⁸	[X Firm]	Industry average / range ¹⁸
Partners to manager and audit professional staff	[1 : 23]	[X] / [X] – [X]	[1 : 31]	[X] / [X] – [X]
Managers to audit professional staff	[1 : 5.0]	[X] / [X] – [X]	[1 : 4.8]	[X] / [X] – [X]

[Firms can include relevant narratives/commentaries (e.g. comparison vis-à-vis the audit team assigned to the audit engagement)]

RELEVANCE

This AQI indicates the capacity of senior audit members (i.e. partners and managers) to supervise junior audit team members in the audit firm.

Audit quality is likely to increase with lower staff per partner/manager ratios. Higher staff per partner/manager heightens the risk that partners and managers have wider scope of supervision and review responsibilities, which may distract them from giving adequate and focused attention to a particular audit engagement.

¹⁷ Whichever is most recent and available at the time the AQI is presented to the AC.

¹⁸ Information on industry average and range of staff per partner / manager ratios is publicly available at <https://www.acra.gov.sg/accountancy/public-accountants/audit-quality-indicators-and-industry-average> .

ATTRITION RATE

Degree of Personnel Losses

DEFINITION

This AQI highlights the percentage of auditors that left the audit firm during a specified period.

SAMPLE PRESENTATION FORMAT

	12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁹		12 months ended 30 Sep 20X2 or 6 months ended 31 Mar 20X2 ¹⁹	
	[X Firm]	Industry average / range ²⁰	[X Firm]	Industry average / range ²⁰
Attrition rate	[30%]	[X] / [X] – [X]	[32%]	[X] / [X] – [X]

[Firms can include relevant narratives/commentaries (e.g. the retention rate of key audit engagement team members or attrition rates of high potential professional staff in the audit firm)]

RELEVANCE

This AQI indicates the audit firm's ability to retain knowledge and experience.

Whilst some attrition is expected, audit quality is likely to be significantly affected by excessively high attrition rates in an audit firm. Besides the loss of knowledge and experience, the audit firm may face difficulties in re-hiring auditors with similar levels of experience and competency. In the longer run, this inhibits the audit firm's readiness and capability to identify and resolve audit and accounting issues effectively.

¹⁹ Whichever is most recent and available at the time the AQI is presented to the AC.

²⁰ Information on industry average and range of attrition rate is publicly available at <https://www.acra.gov.sg/accountancy/public-accountants/audit-quality-indicators-and-industry-average>.

Annex A – Examples of audit procedures

Examples of audit procedures typically completed at each audit phase are as follows:

Phase	Examples of audit procedures
Planning	Engagement set up
	<p data-bbox="427 488 687 521">1. <i>Pre-engagement:</i></p> <ul data-bbox="453 539 1390 741" style="list-style-type: none"> <li data-bbox="453 539 1390 651">• Document evaluations and conclusions on client acceptance and continuance, compliance with ethical requirements, including independence. <li data-bbox="453 667 1390 741">• Establish an understanding of the terms of the engagement, i.e. obtain a valid engagement letter. <p data-bbox="427 757 751 790">2. <i>Timing and resources:</i></p> <ul data-bbox="453 808 1390 1010" style="list-style-type: none"> <li data-bbox="453 808 1390 920">• Evaluate staffing resource; budgeting; timing of engagement quality control and other reviews (EQCRs), work of component auditors, internal audit and audit experts; etc. <li data-bbox="453 936 1390 1010">• Document preliminary group audit scoping decisions, provide timetable to component auditors and inform them for resource needs.
	Risk assessment
<ul data-bbox="427 1122 1390 1899" style="list-style-type: none"> <li data-bbox="427 1122 1390 1267">• Document significant decisions reached from the engagement team planning and risk assessment discussion(s) that impact the audit plan, including planned use of work of others (e.g. work of component auditors, internal audits, audit experts) and Audit Delivery Centre²¹. <li data-bbox="427 1283 1390 1357">• Document the determination of materiality and performance materiality (including component materiality). <li data-bbox="427 1373 1390 1447">• Identify and determine significant accounts and accounts with accounting estimates, disclosures, and relevant assertions. <li data-bbox="427 1462 1390 1899">• Complete risk assessment procedures to identify risk of material misstatements (RoMMs). For example, but not limited to the following: <ul data-bbox="475 1559 1390 1899" style="list-style-type: none"> <li data-bbox="475 1559 1390 1592">– Perform high level analytical procedures; <li data-bbox="475 1608 1390 1720">– Inquires of management and those charged with governance (TCWG) to obtain an understanding of and assessment of the entity and its control environment; <li data-bbox="475 1736 1390 1848">– Perform walkthrough of processes to the extent necessary to enable the identification of RoMMs and relevant controls (i.e. manual, automated or manual with automated control!); <li data-bbox="475 1863 1390 1899">– Evaluate the design and implementation of the relevant controls. 	

²¹ Audit delivery centre refers to firm shared service centers, centers of excellence, on-shoring, offshoring or outsourcing.

Phase	Examples of audit procedures
	<ul style="list-style-type: none"> • Document planned audit procedures to test the operating effectiveness of relevant controls and substantive audit procedures to address the identified RoMM at the assertion level. • Discussion among the engagement team members about the susceptibility of the entity's financial statement to material misstatements. • Communicate with component auditors the scope of work to be performed and issue Group Audit Instructions. • Agreement with audit experts on the nature, scope and objective of work; the respective roles and responsibilities of the auditors and audit experts; the nature, timing and extent of communication between the audit team and audit expert; and the need for the audit experts to observe confidentiality requirement. • Group Engagement Partner and EQCRs to review documentation supporting the planned audit approach for significant risk, key judgements, specialists and group audit scope.
Fieldwork	<p data-bbox="424 947 884 987">Testing at interim and/or hardclose</p> <ul style="list-style-type: none"> • Complete and review planned procedures to evaluate design and implementation of relevant controls, test of operating effectiveness of relevant controls and substantive audit procedures, except those, which occur at year end. • Review audit documentation prepared by audit experts and work of component auditors. This includes any identified audit deficiencies and conclusion whether the risks identified are sufficiently addressed. For any identified audit deficiencies, determine an appropriate response.
Completion	<ul style="list-style-type: none"> • Reassess materiality; • Perform risk assessment update; • Complete and review remaining audit procedures planned to be completed at final audit; • Perform final analytical procedures; • Perform overall evaluation including going concern assumption, management bias, conclusion for accounting estimates, competence and capabilities of engagement team; • Review financial statements prepared by the management; • Complete assembly of the final audit engagement files.