

# **SELF ASSESSMENT CHECKLIST FOR THE PURPOSE OF RENEWAL OF THE AUDIT LICENCE**

## **Introduction**

The purpose of this checklist, among other things, is for each member to perform a self assessment exercise on the quality control policies and procedures in place at the firm level. Part I of the checklist is organised around the elements detailed in the ISQC1. Part II will deal with issues that the Institute would expect the member to be in compliance with during the execution of any assurance engagement in accordance with ISA 700.

This form can also be downloaded from the Institute's website at [www.mia.org.my](http://www.mia.org.my)

## **Part I: ISQC 1 Compliance**

### **Element 1: Leadership Responsibilities For Quality Within the Firm**

1. Is there a person designated to assume responsibility for the firm's system of quality control?
2. Does your firm have an up-to-date Quality Control Manual appropriate to the size and operating characteristics of your practice?
3. Does your practice allocate sufficient resources for the development, documentation and support of its quality control policies?
4. Does your firm have a mechanism in place to ensure that operational responsibility for the firm's quality control system has been properly assigned by the firm's chief executive officer or managing board of partners?

### **Element 2: Ethical Requirements**

1. Does your practice document policies and procedures that are designed to provide the firm with reasonable assurance that the practice and its personnel comply with the fundamental principles of professional ethics which include integrity, objectivity, professional competence and due care etc?
2. Do you take into consideration (including documentation) whether members of the engagement team have complied with major ethical requirements?
3. Are there procedures in place to identify threats to professional independence under the Institute's code of ethics?
4. Does your practice monitor compliance with policies and procedures relating to independence?
5. For all audits of financial statements of listed entities, is there a rotation of the engagement partner and the engagement quality control reviewer after a specified period?

### **Element 3: Acceptance & Continuance Of Client Relationship & Specific Engagements**

1. Does your practice put in place a mechanism to consider the integrity of the client accepted?
2. Does your practice put in place a mechanism that can determine that it is competent to perform the engagement and has the capabilities, time and resources to do so?
3. Does your practice obtain adequate and relevant information as it considers necessary in the circumstances :
  - (a) before accepting a new engagement?
  - (b) when deciding whether to continue an existing engagement?
  - (c) when considering acceptance of a new engagement with an existing client?

4. Where issues have been identified and the practice decides to accept or continue the client relationship or a specific engagement, are there any mechanism in place to ensure that adequate documentation have been made to record how the issues were subsequently resolved?

#### **Element 4: Human Resources**

1. Does the firm establish policies and procedures designed to provide it with reasonable assurance that:
  - (a) it has sufficient personnel with the capabilities, competence and commitment to ethical principles necessary to perform its engagement in accordance with professional standards and regulatory and legal requirements; and
  - (b) to enable the firm or engagement partners to issue reports that are appropriate in the circumstances
2. Does your practice monitor the professional development of its professional staff at regular intervals?
3. Is there a standard procedure where the identity and role of the engagement partner is communicated to key members of the client management and those charged with governance upon the commencement of the engagement?
4. Are you of the opinion that you have the appropriate capabilities, competence, authority and time to perform your role as an engagement partner for ALL engagements?
5. Are appropriate staff with the necessary capabilities, competence and time being assigned to perform engagements to enable the firm or engagement partners to issue reports that are appropriate in the circumstances?  
(Consider knowledge of the relevant industries, ability to apply professional judgment etc.)

#### **Element 5 : Engagement Performance**

1. Are policies and procedures being put in place to ensure appropriate documentation of the work performed as well as the timing and extent of the review performed?
2. Are there appropriate policies and procedures being put in place to ensure significant judgment made in the course of the audit has since been documented?
3. Are review responsibilities determined on the basis that more experienced engagement team members review work performed by less experienced team members?
4. Are there mechanisms in place to ensure that conclusions resulting from consultations whether internal or external are documented and implemented?
5. Are there any mechanisms in your firm that deal with and resolve differences of opinion within engagement team?
6. Does your firm ensure that engagement quality control reviews (EQCR) are performed on the audits of listed entities financial statements and such other engagements the firm may deem appropriate before reports are being issued by the firm?

7. Does your practice establish policies and procedures setting out :-
  - (a) the nature, timing and extent of an EQCR;
  - (b) criteria for the eligibility of EQCR ; and
  - (c) documentation requirement for EQCR.
  
8. Does your practice's policies and procedures address the appointment of engagement quality control reviewers and establish their eligibility through
  - (a) the technical qualifications required to perform the role including the necessary experience and authority; and
  
  - (b) the degree to which an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer's objectivity?
  
  - (c) Period of service before rotation for specific audit engagements in respect of financial statements of listed entities?

### **Element 6 : Monitoring**

1. Does your practice put in place any policies and/ or procedures designed to provide it with reasonable assurance that the system of quality control is relevant, adequate, operating effectively and complied with in practice?
  
2. Does the firm inspect a selection of completed engagements on a cyclical basis which ordinarily spans no more than 3 years?
  
3. Does the practice at least annually communicate the results of the monitoring of the quality control system to engagement partners and other appropriate individuals within the firm including the chief executive officer or the managing board of partners?
  
4. Does your firm have a mechanism that deals with complaints and allegations made that work performed by your firm fails to comply with professional standards and regulatory and legal requirements?
  
5. Does your firm have established policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control?

### **PART II: PERFORMANCE OF AUDIT ENGAGEMENT**

1. Does your practice utilise audit programmes, pre-printed forms, questionnaires and/or checklists to ensure proper documentation of audit or review procedures and basis to support pertinent issues?
  
2. Does your practice have an established system for second person reviews?
  
3. Does your practice have a systematic method of file organisation?
  
4. Does your practice issue engagement letters and consider whether engagement letter should be reissued?

5. Does your practice have a mechanism in place to ensure compliance with the regulations and auditing guidelines for specialised industries?  
(Consider BAFIA, Capital Market Services Act 2007, property developers licensing requirements etc.)
6. Does your practice have any mechanism in place to ensure sufficient knowledge of the client's business and system has been obtained and this has a significant effect on the performance of the engagement?
7. Does your practice evaluate the review of the internal control system of its clients, where appropriate?
8. Does your practice employ documentation to assist in determining that results of the evaluation and testing of the internal control systems are taken into account in determining the nature, extent and timing of substantive procedures?
9. Does your practice have a mechanism in place to ensure sufficient and appropriate substantive tests (including analytical review) are performed even in situations where internal controls are relied upon?
10. Does your practice make use of checklists or documentation to arrive at valid conclusions in order to form an opinion?
11. Does your practice have a mechanism in place to ensure that the requirements for an audit report are duly complied with?
12. Where qualified audit reports are deemed necessary, does your practice have an established system for second person review?