

# **The World Bank Audit Firm Assessment Questionnaire**

# Assessment of audit firms in the Africa Region

## **Background**

The Bank's financial management Bank Procedures (BP) and Operations Policy (OP) (BP/OP 10.00) require that auditors of Bank-financed operations should be acceptable to the Bank. The Bank in this regard will be conducting an assessment of audit firms based on International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) for assessing audit firms. In order to participate in the assessment, you will need to fill in information requested in the Quality Control Questionnaire below.

## **QUALITY CONTROL QUESTIONNAIRE (QCQ)**

The purpose of the QCQ is to obtain information about the quality control policies and procedures in place at the audit firm level. This questionnaire is organized around the elements detailed in the International Standard on Quality Control 1 (ISQC 1). For each element, firms should submit a narrative description in clear and concise wording, of their firms' relevant quality control policies and procedures. Using the electronic form, firms are required to enter their responses to each of the following elements:

1. Leadership responsibilities for quality within the firm;
2. Ethical requirements;
3. Acceptance and continuation of client relationships and specific engagements;
4. Human resources;
5. Engagement performance; and
6. Monitoring

If any firm believes that an aspect is not applicable to it, the firm should explain its reasoning in the space provided for the response. Submission of actual policies and procedures is not being requested nor would such submission be a substitute for responding to each question. All information required by this document will be treated as confidential by the World Bank.

Name of firm:

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**Physical street address:** .....

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**Name of Chief Executive Officer:**

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**Name of Quality Control Partner/Director:**

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**Telephone no:**

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**Fax no:**

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**E-mail address:**

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**Website:**

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**If the firm is a member of a Network of Firms, please provide: 1) the name of the Network and 2) physical street address of a) the other member firms of the network and b) where central administration of the Network is based:**

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**If the firm is a member of an Association of Firms, please give 1) the name of the Association and 2) physical street address of a) the other member firms of the network and b) where central administration of the Association is based:**

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**Partnership or proprietorship?**

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**Document completed by**

.....  
(full name and position)

**Date document completed:**

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<p><b>1. Leadership responsibilities for quality within the firm</b></p>
<p>a. Who is the person we should liaise with at your firm on this element of ISQC 1?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.18: “The firm shall establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing engagements. Such policies and procedures shall require the firm’s chief executive officer (or equivalent) or, if appropriate, the firm’s managing board of partners (or equivalent), to assume ultimate responsibility for the firm’s system of quality control.”</i></p>
<p>b. Who is the person assuming ultimate responsibility for the quality control system within the firm?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>c. How do you promote an internal culture of quality at your firm and which staff(s) is / are involved in promoting this culture?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>d. Describe the core values of the firm.</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>e. What is the process for development, documentation and implementation of quality control policies and procedures?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>f. Describe the methods of communication of the quality control system to personnel (indicate scope and frequency of these communications).</p> <p>.....</p>

<p>.....</p> <p>.....</p>
<p>g. How does the leadership promote the fact that the firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all the engagements that the firm performs?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.19 "The firm shall establish policies and procedures such that any person or persons assigned operational responsibility for the firm's system of quality control by the firm's chief executive officer or managing board of partners has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility."</i></p>
<p>h. Describe the responsibilities of the CEO (or equivalent) for quality control, and where applicable the qualifications, number of years of audit experience, ability and authority of those to whom responsibilities for quality control systems are delegated.</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>i. Are the firm's policies and procedures prescribed by another firm? If so, by whom?</p> <p>.....</p> <p>.....</p> <p>.....</p>

<p><b>2. Ethical requirements</b></p>
<p>a. Who is the person we should liaise with at your firm on this element of ISQC 1?</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.20: "The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical</i></p>

*requirements.”*

- b. Describe the policies and procedures for establishing, promoting, and monitoring ethical conduct amongst all personnel.

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- c. Describe the policies and procedures for the firm, its personnel, experts contracted by the firm, and network firm personnel relating to the following:

- i. Integrity;

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- ii. Objectivity;

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- iii. Professional competence and due care;

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- iv. Confidentiality; and

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- v. Professional behavior

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*ISQC 1.21: “The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethical requirements. (...)”*

- d. Describe the policies and procedures for identifying, communicating, and monitoring compliance with specific independence requirements, including maintenance of adequate records.

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- e. Describe the independence policies and procedures for the firm, its personnel, experts contracted by the firm, and network firm personnel relating to the following;

- vi. Fees that constitute a significant proportion of income;

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- vii. Partner rotation;

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- viii. Client monies/assets held;

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- ix. Anti-money laundering legislation and professional requirements;

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- x. Reportable Irregularity requirements;

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- xi. Advice to audit clients of another firm;

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- xii. Conflict of interest and its resolution;

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<p>xiii. Partners or professional staff joining clients;</p> <p>.....</p> <p>.....</p> <p>xiv. Staff secondments to clients;</p> <p>.....</p> <p>.....</p> <p>xv. Incompatible duties;</p> <p>.....</p> <p>.....</p> <p>xvi. Commercial alliances;</p> <p>.....</p> <p>.....</p> <p>xvii. Payment of commission;</p> <p>.....</p> <p>.....</p> <p>xviii. Gifts and hospitality;</p> <p>.....</p> <p>.....</p> <p>xix. Non-audit services performed for audit clients; and</p> <p>.....</p> <p>.....</p> <p>xx. Overdue fees from audit clients.</p> <p>.....</p> <p>.....</p>
<p>f. Describe the policies and procedures to eliminate possible threats to independence or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.</p> <p>.....</p> <p>.....</p>

*ISQC 1.23: “The firm shall establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations (...)”.*

- g. Describe the policies and procedures for breaches and/or waivers of ethical requirements.

### **3. Acceptance and continuance of client relationships and specific engagements**

- a. Who is the person we should liaise with at your firm on this element?

*ISQC 1.26.: “The firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm:*

- a) Is competent to perform the engagement and has the capabilities, including time and resources, to do so;*
- b) Can comply with relevant ethical requirements; and*
- c) Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity.”*

- b. Describe the policies and procedures for ensuring that the firm has the necessary competence and capabilities to perform the audit engagement and has the availability of time and resources to do so.

- c. Describe the policies and procedures for ensuring that the firm complies with the

<p>relevant ethical requirements prior to accepting or continuing client relationships or specific engagements.</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>d. Describe the policies and procedures to address a potential conflict of interest in accepting an engagement, and how the firm determines whether it is appropriate to accept the engagement.</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>e. Record the criteria utilized and the details of the rating system used in making client acceptance and continuance determinations (specify rejection criteria).</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><i>ISQC1.28: “The firm shall establish policies and procedures on continuing an engagement and the client relationship, addressing the circumstances where the firm obtains information that would have caused it to decline the engagement had that information been available earlier. Such policies and procedures shall include consideration of:</i></p> <p><i>a) The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and</i></p> <p><i>b) The possibility of withdrawing from the engagement or from both the engagement and the client relationship.”</i></p>
<p>f. Describe the policies and procedures on continuance of engagements and client relationships where the firm subsequently obtains information that would have caused it to decline an engagement had that information been available earlier.</p> <p>.....</p> <p>.....</p>
<p><b>4. Human resources</b></p>

a. Who is the person we should liaise with at your firm on this element?

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*ISQC 1.29. The firm shall establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:*

- a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and*
- b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances.*

b. What is the size and staff levels of the professional audit staff<sup>1</sup>

	Number	Number		
		>10 years audit experience	>5 years audit experience	Professional qualified
Partners				
Managers				
Senior audit staff				
Audit assistants				

c. Describe the policies and procedures in place for the following:

i. Recruitment;

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ii. Performance evaluation;

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<sup>1</sup> The professional staff should be those in permanent positions.

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iii. Career development;

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iv. Promotion

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v. Compensation;

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vi. The estimation of personnel needs

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vii. Disciplinary actions;

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<p><i>ISQC1. 30: “The firm shall assign responsibility for each engagement to an engagement partner and shall establish policies and procedures requiring that:</i></p> <ul style="list-style-type: none"> <li><i>a) The identity and role of the engagement partner are communicated to key members of client management and those charged with governance;</i></li> <li><i>b) The engagement partner has the appropriate competence, capabilities, and authority to perform the role; and</i></li> <li><i>c) The responsibilities of the engagement partner are clearly defined and communicated to that partner.”</i></li> </ul>
<ul style="list-style-type: none"> <li>d. Describe the firm’s policies and procedures ensuring the 1) identity and role of the engagement partner are communicated to key members of client management and those charged with governance b) The engagement partner has the appropriate competence, capabilities, and authority to perform the role; and c) the responsibilities of the engagement partner are clearly defined and communicated to that partner.</li> </ul> <p>.....</p> <p>.....</p> <p>.....</p>
<p><i>ISQC1.31: “The firm shall also establish policies and procedures to assign appropriate personnel with the necessary competence, and capabilities to:</i></p> <ul style="list-style-type: none"> <li><i>a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and</i></li> <li><i>b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances.”</i></li> </ul>
<ul style="list-style-type: none"> <li>e. Describe the firm’s professional development policies and procedures, the communication of these to staff, how these are documented and how they are reinforced and monitored.</li> </ul> <p>.....</p> <p>.....</p> <p>.....</p> <p><i>Provide (in a tabular form) information on trainings attended in past two years clearly noting the staff levels (Partner, manager, senior auditor and audit assistant); frequency of trainings, nature, durations and participant numbers.</i></p>

<p>.....</p> <p>.....</p> <p>.....</p>
<p>f. Describe the policies and procedures for maintenance of personnel files that record career development, competencies, professional development courses attended, qualifications obtained, work experience (including industry expertise) and performance appraisals.</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><b>5. Engagement performance</b></p>
<p>a. Who is the person we should liaise with at your firm on this element?</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.32: “The firm shall establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances. Such policies and procedures shall include:</i></p> <p><i>a) Matters relevant to promoting consistency in the quality of engagement performance;</i></p> <p><i>b) Supervision responsibilities; and</i></p> <p><i>c) Review responsibilities.”</i></p>
<p>b. Describe the policies and procedures that provide the firm with reasonable assurance that engagements are performed in accordance with professional standards – International Standards of Auditing - and applicable legal and regulatory requirements and that appropriate reports are issued in the circumstances. Give details of the audit methodology, whether the methodology is based on ISA or acceptable national standards, manuals and software tools used.</p> <p>.....</p> <p>.....</p>
<p>c. Describe the supervision and review policies and procedures at the engagement</p>

level.

*ISQC 1.34: “The firm shall establish policies and procedures designed to provide it with reasonable assurance that:*

- a) Appropriate consultation takes place on difficult or contentious matters;*
- b) Sufficient resources are available to enable appropriate consultation take place;*
- c) The nature and scope of, and conclusions resulting from, such consultations are documented and are agreed by both the individual seeking consultation and the individual consulted; and*
- d) Conclusions resulting from consultations are implemented.”*

d. What are the policies and procedures regarding required and voluntary consultations?

*ISQC 1.35: “The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures shall:*

- a) Require an engagement quality control review for all audits of financial statements of listed entities;*
- b) Set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements shall be evaluated to determine whether an engagement quality control review should be performed; and*
- c) Require an engagement quality control review for all engagements, if any, meeting the criteria established in compliance with subparagraph 35(b).*



- e. What are the criteria for engagements requiring quality control reviews (pre-issuance)?

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*ISQC 1.36: “The firm shall establish policies and procedures setting out the nature, timing and extent of an engagement quality control review. Such policies and procedures shall require that the engagement report not be dated until the completion of the engagement quality control review”.*

*ISQC 1.39: “The firm shall establish policies and procedures to 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.*

- f. What are the policies and procedures for determining the nature, timing, and extent of an engagement quality control review and the criteria for the eligibility of an engagement quality control reviewer?

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*ISQC 1.42: “The firm shall establish policies and procedures on documentation of the engagement quality control review which require documentation that:*

- a) The procedures required by the firm’s policies on engagement quality control review have been performed;*
- b) The engagement quality control review has been completed on or before the date of the report; and*
- c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.*

- g. What are the policies and procedures for the documentation of the engagement

<p>quality control review?</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.43: “The firm shall establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer.”</i></p>
<p>h. Describe the policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer.</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.45: “The firm shall establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized”</i></p> <p><i>ISQC 1.46: “The firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of engagement documentation.”</i></p> <p><i>ISQC 1.47: “The firm shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation”.</i></p>
<p>i. Describe the documentation policies and procedures for audit engagements, including file retention, security and backups.</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

<b>6. Monitoring</b>
<p>a. Who is the person we should liaise with at your firm on this element?</p> <p>.....</p>
<p><i>ISQC 1.48: “The firm shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively (...).”</i></p>
<p>b. Describe the policies and procedures for monitoring compliance with quality control policies and procedures</p> <p>.....</p> <p>.....</p>
<p>c. Describe the policies and procedures for inspection of a sample of completed engagements.</p> <p>.....</p> <p>.....</p>
<p>d. Describe the policies and procedures for requiring responsibility for the monitoring process to be assigned to persons with sufficient experience and authority in the firm to assume that responsibility, and for requiring that those performing the engagement or the engagement quality control review are not involved in inspecting engagements.</p> <p>.....</p> <p>.....</p>
<p><i>ISQC 1.49: “The firm shall evaluate the effect of deficiencies noted as a result of the monitoring process (...).”</i></p>
<p>e. Describe how the effects of monitoring deficiencies found are evaluated and how the results of the monitoring and possible resulting recommendations are documented and communicated to engagement partners and other appropriate personnel.</p> <p>.....</p> <p>.....</p>

*ISQC 1.52: “The firm shall establish policies and procedures to address cases where the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement. Such policies and procedures shall require the firm to determine what further action is appropriate to comply with relevant professional standards and applicable legal and regulatory requirements and to consider whether to obtain legal advice.”*

- f. Where monitoring indicates that a report may have been inappropriate or that procedures were omitted during the performance of the engagement, describe the procedures followed regarding corrective actions to be taken.

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*ISQC 1.55: “The firm shall establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with:*

- d) Complaints and allegations that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements; and*
- e) Allegations of non-compliance with the firm’s system of quality control (...).*

- g. Describe the policies and procedures for dealing with complaints and allegations.

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- h. What are the actions taken by the firm when deficiencies in the quality control system or non-compliance with applicable requirements or standards are identified?

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