



YOUR AUDIT MONITORING  
**VISIT REVIEW**

# About your audit monitoring visit

**We are required by law to conduct monitoring visits to all firms registered for audit with ICAEW. Our monitoring programme also supports the ICAEW objective to maintain the highest standards among our member firms.**

**Our monitoring philosophy is to be proportionate and focus on the most significant aspects of the audit.** Our reviewers, who are all chartered accountants, receive regular training to ensure this approach is maintained across all our monitoring activity. As well as this, our team ensures their knowledge of the latest technical developments and interpretations of standards is kept up to date.

During your visit, we will review and assess your firm's procedures, processes and controls to ensure audits comply with professional standards and that your firm meets the requirements of the Audit Regulations and Guidance.

As required by statute, we use a risk-based approach to select firms for visits. However, we are required to visit all firms at least once every six years. We may select firms for monitoring visits more frequently, depending on factors such as:

- the size and complexity of the firm;
- its RSB-scope audit clients; and
- previous regulatory history.

Your next visit date will depend on this risk-based selection approach. It may be on or just before the six-year anniversary of your previous visit, but this is not an automatic default or right. We will continue to notify you when we select you for a visit.

Usually, we carry out our audit visits separately from visits for Practice Assurance, DPB (Investment Business) and probate. However, in some cases, it's more practical to cover more than one area. Please refer to our leaflet, *Your Practice Assurance visit* for more information.

## FIRMS WITH PUBLIC INTEREST ENTITIES AND OTHER RETAINED AUDITS

Any firm which audits at least one Public Interest Entity (PIE) is monitored directly by the Financial Reporting Council (FRC). In simple terms, a PIE is a fully listed company, bank, or an insurance provider.

The FRC also monitors audits of AIM quoted entities with a market cap over €200m (average over three years) and Lloyd's syndicates. These together with PIEs are called retained audits.

If your firm has a least one large PIE audit, you will receive a visit from the FRC's Audit Quality Review (AQR) team every three years. For other firms, these visits may extend to every six years. The AQR team visits cover both the firm's overall quality control procedures for the audit of PIEs and the PIE/retained audits. The FRC will tell firms when a visit is due to take place.

If your firm has PIEs or other retained audits, we will continue to visit you to review all other audit work. We may need to review some aspects of your whole-firm procedures to complete our visits.

## BEFORE THE VISIT

Please review the list in the '**Information you will need to have available for the start of the visit**' section of this leaflet to ensure you will have everything ready and available for the reviewer to access.

We'll phone you usually 7 to 14 days before the visit to answer any questions you may have and discuss practical arrangements for the visit.

## THE OPENING MEETING AND REVIEW

Our approach is open and friendly, starting with an opening meeting to gain a general picture of your firm. The opening meeting helps the reviewer understand:

- the nature of your audit practice;
- how you operate your practice; and
- your approach to achieving audit quality.

The opening meeting gives you, as the firm's audit compliance principal, an opportunity to raise specific points about how your firm operates and to ask questions relating to ICAEW. You are welcome to invite colleagues, such as those involved in internal compliance work, to join you.

We will select and review a sample of audit files and we may re-perform a sample of your cold file reviews (performed as part of your audit compliance review) to confirm the firm's results. If your internal review has identified problems, we will look to see how you've dealt with them.

We will also cover relevant whole-firm procedures and will review underlying records such as training and appraisal records, annual declarations and PII.

We will discuss our audit file findings with the person responsible for the audit to make sure the findings are accurate. We will also discuss with you, other general findings and the reasons behind them and, if appropriate, work with you to develop practical solutions.

## LARGER FIRMS

If you are a multi-partner firm, we may need to arrange a meeting with:

- appropriate senior personnel to gain an understanding of the firm's vision, strategy and objectives;
- the head of audit;
- the principal responsible for risk management (audit service line);
- the principal responsible for HR (audit service line); and
- the ethics principal.

We understand the same person may perform a number of these roles.

## THE CLOSING RECORD

After our review, we will summarise our findings and discuss them with you. The purpose of this closing record is to:

- agree the findings from our visit;
- explore any issues that have arisen, including potential root causes; and
- discuss your initial thoughts on how to address the findings.

We will highlight any more significant issues, including any areas where we consider your firm has not met the requirements of the Audit Regulations and Guidance.

## YOUR RESPONSE

We ask you to respond to our findings in writing within 15 business days. For any significant findings, you will be asked to provide the results of your root cause analysis, together with details of your actions. In your response, please ensure you are specific; refer to any actions you have already taken or plan to take, and state by what date. Your responses are an important part of the visit process so please take particular care when you draft them.

## AFTER THE VISIT

When we receive your response, we complete our visit documentation. We will only be able to close the process once we have received and considered your response. If we have any questions, we will contact you as soon as possible.

You will receive a letter from us that will either confirm your visit has been completed satisfactorily or to request additional information that we need before we can close the visit.

In some circumstances, we may need to report matters to the Audit Registration Committee (ARC). If this happens, we'll keep you fully informed and we will send you a copy of our report for your comment before it's submitted to ARC.

## SOURCES OF INFORMATION

We offer practical audit support and guidance to all our ICAEW auditors including:

- our annual audit monitoring report – prepare for your firm's next audit monitoring visit with our latest report. Every year our quality assurance team looks back at the last 12 months of audit monitoring reviews, covering the Big Four to sole practitioners, and identifies areas for improvement and examples of good practice;
- webinars on topical issues faced by the profession;
- guidance on the requirements of being a registered auditor; and
- *Audit News* – keep up to date with the latest audit news. We automatically email a copy to audit compliance principals and responsible individuals or copies are published on our website at [icaew.com/auditnews](http://icaew.com/auditnews)

- annual return - all firms registered for audit with ICAEW are required to complete an annual return. Find out more about the annual return including guidance notes and FAQs.

These resources are all available at [icaew.com/auditguidance](http://icaew.com/auditguidance) and [icaew.com/annualreturn](http://icaew.com/annualreturn)

## COMMENTS

If you have any comments about the visit process, please write to:

Regional Directors, Quality Assurance  
ICAEW  
Metropolitan House  
321 Avebury Boulevard  
Milton Keynes  
MK9 2FZ  
UK

If your comments are about the Regional Directors of Quality Assurance, please write to:

Chief Executive  
ICAEW  
Chartered Accountants' Hall  
Moorgate Place  
London  
EC2R 6EA  
UK

## INFORMATION YOU WILL NEED TO HAVE AVAILABLE FOR THE START OF THE VISIT

The list below sets out information that we may ask to see. Although it would be helpful to have these items available in the office for the start of the visit, we will not necessarily look at everything. If any items are not clear, please discuss them with us during our pre-visit phone call.

### ALL FIRMS

- Gross practice income and gross audit income for the last financial year. Please also provide estimates for the current financial year.
- Correspondence with ICAEW concerning the firm's audit registration, including a copy of the most recent annual return.
- Audit manual and your ISQC1 documentation.
- List of current audit clients (as defined in the Audit Regulations and Guidance), showing name of responsible individual (latest year end, activity and turnover will be useful).
- List of current trust clients with partner or staff member trustee, with details of trust investment in audit clients.

- List of current clients where the firm signs off as a registered auditor, but the client is not an audit client as defined in the Audit Regulations and Guidance, showing type of client and name of responsible individual.
- Access to the files of audit clients for audits completed in the previous 12 months. We may need to refer to files for the previous 24 months so, ideally, these should be available.
- Records of the last two audit compliance reviews, including cold file reviews.
- List of subcontractors used, indicating their level of involvement in audits, and the subcontractor agreements.
- Staff assessments.
- CPD and training records, fit and proper forms, independence and confidentiality records for the previous two years for responsible individuals and audit staff (including subcontractors).
- Records of any complaints received since our last visit (or date of registration if no previous visit) and how they have been resolved; or, if still outstanding, a summary of the issues involved.
- Records of any recent disciplinary cases.
- PII policy, including application or proposal form, summary of litigation and PII claim records.

### SOLE PRACTITIONERS

- Consultation arrangements on ethical, technical, practical or other significant issues.

### PARTNERSHIPS AND COMPANIES

- Details of the control of the firm, such as the partnership or company structure, reporting and supervisory responsibilities and arrangements within the firm for consultation on ethical, technical, practical or other significant issues.
- Partner appraisals and assessments as appropriate.

ICAEW's regulatory role is distinct from its representative role. Managed by our Professional Standards department, we protect the reputation of ICAEW, our members and the chartered accountancy profession. We ensure our students, members and firms act with integrity and are competent. Our role is to:

- authorise our members and firms to undertake work regulated by law: audit, local audit, investment business, insolvency work, and probate;
- monitor firms and insolvency practitioners to ensure they undertake work correctly and to the highest standards;
- investigate complaints and hold members and firms accountable where they fall short of standards;
- lobby and comment on proposed changes to the law and regulation affecting our stakeholders; and
- provide guidance, advice and award-winning training films to ensure our stakeholders comply with laws, regulations and professional standards.

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There are over 1.8m chartered accountants and students around the world – talented, ethical and committed professionals who use their expertise to ensure we have a successful and sustainable future.

Over 181,500 of these are ICAEW Chartered Accountants and students. We train, develop and support each one of them so that they have the knowledge and values to help build local and global economies that are sustainable, accountable and fair.

We've been at the heart of the accountancy profession since we were founded in 1880 to ensure trust in business. We share our knowledge and insight with governments, regulators and business leaders worldwide as we believe accountancy is a force for positive economic change across the world.

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
[www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)

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