



# YOUR ON-SITE AUDIT MONITORING REVIEW



PROFESSIONAL  
STANDARDS  
DEPARTMENT

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The aim of reviews is to reassure you that your firm is meeting the requirements of the Audit Regulations and Guidance. We are required by law to conduct monitoring reviews, like on-site monitoring reviews, with all firms registered for audit with ICAEW. Our monitoring programme is central to our role as an improvement regulator to strengthen confidence and trust in those regulated by ICAEW. We do this by enabling, evaluating and enforcing the standards expected by the profession, oversight regulators and government.

# YOUR ON-SITE AUDIT MONITORING REVIEW

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 consistently across all our monitoring activity. Our team ensures their knowledge of the latest technical developments and interpretations of standards is kept up to date.

During your review, 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](#)

## WHY YOUR FIRM HAS BEEN SELECTED FOR A REVIEW

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

- the size and complexity of the firm;
- its Recognised Supervisory Body (RSB)-scope audit clients;
- previous regulatory history; and/or
- factors identified from our audit risk monitoring activities.

Your next review date will depend on this risk-based selection approach. It will be no later than the six-year anniversary of the start of your previous review, but a six-year interval is not an automatic default. We will continue to notify you when we select you for a review.

Usually, we carry out our audit reviews separately from reviews for Practice Assurance, DPB (Investment Business) and probate. However, in some cases, it's more practical to cover more than one area. If your firm is licensed for ATOL this will often be combined with your audit visit.

Please refer to the relevant additional leaflets we have supplied if you have a combined review.

## Firms with public interest entities and other retained audits

Any firm which audits at least one public interest entity (PIE) must have separate PIE Auditor Registration and 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 market capitalisation over €200m (average over three years) and Lloyd's syndicates. These together with PIEs are called retained audits.

The FRC's Audit Quality Review (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 reviews.

## WHAT TO EXPECT FROM THE REVIEW

We'll phone you usually 7 to 14 days before the review to answer any questions you may have and discuss practical arrangements for our on-site work.

Our approach is open and friendly, starting with an initial meeting to plan the review and gain a general picture of your firm.

The initial meeting helps the reviewer understand:

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

This 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 reperform a sample of your cold file reviews (performed as part of your ISQM1 monitoring) 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 quality management procedures and will review underlying records such as audit training undertaken by those involved in audit work, appraisal records, annual declarations and PII. We will look at your latest ISQM1 annual evaluation and supporting documentation.

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 further meetings with:

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

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

### Reviews focused on the ISQM1 system of quality management

Some larger firms with substantial audit portfolios may receive monitoring reviews from us that focus on ISQM1. We will inform you of this when we schedule the review and explain what further information we require for this more in-depth work on your system of audit quality management.

### The closing record

At the end of the on-site work, we will summarise our findings in a closing record and discuss them with you. The purpose of this closing record is to:

- agree the findings from our review;
- 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 review process so please take particular care when you draft them.

## ACTION TO TAKE IMMEDIATELY

Please go over the lists in the 'What you need to have available for the start of the review' section below to ensure you will have everything ready and available for the reviewer.

### Changes to your practice

Some firms change their structure by converting to a limited company, a limited liability partnership or by setting up new connected entities. You may also make changes to your principals and/or shareholders. Audit Regulations require you to tell us about any changes to your firm as they happen. Please don't rely on reporting them through your annual return.

If you have made any changes that you haven't told us about you should complete a [Standing data change form](#) before the review. You can then discuss the implications of these changes with your reviewer during the audit on-site review.

Access more information on [maintaining your firm's record](#) and use our digital tool to [check your firm's eligibility](#) to carry out audit work.

### What you need to have available for the review

The checklists that follow set 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 review, we will not necessarily look at everything. If any items are not clear, please discuss them with us during our initial meeting or pre-review call.

#### Checklists

Feel free to use the digital/interactive tick boxes provided to keep track of the documents for the monitoring review.



### 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 details of your audit quality management procedures.

List of current audit clients (as defined in the [Audit Regulations and Guidance](#)), showing name of responsible individual (latest year end, activity and turnover, audit fees and non-audit fees 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 firm's audit quality monitoring over the previous two years, including cold file reviews.

(where applicable) Details of deficiencies identified in the system of quality management with root cause analysis and remediation undertaken/planned.

Details of the firm's most recent evaluation of its system of quality management.

Record of any breaches of Audit Regulations, including any breaches of Ethical Standards.

List of subcontractors used, indicating their level of involvement in audits, and the subcontractor agreements.

Staff assessments.

Records of audit training, fit and proper forms, independence and confidentiality records for the previous two years for responsible individuals and audit staff (including subcontractors).

Independence declarations for non-audit principals.

Records of any complaints received since our last review (or date of registration if no previous review) 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.

Records of consultation on ethical issues.

### Sole principals

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

Details of alternate arrangements.

### Partnerships and companies

Details of the control of the firm, such as the partnership or company structure, including any formal partnership agreement, LLP agreement or shareholders agreement.

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.

## AFTER THE REVIEW

When we receive your response, we complete our review 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 notification from us that will either confirm your review has been completed satisfactorily or to request additional information that we need before we can close the review.

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.

### Feedback

After your visit, you will be sent a link to an anonymous and confidential survey. Please complete the survey. Your comments will help us assess and improve the visit process.

### Comments

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

Director, Quality Assurance  
Professional Standards Department  
ICAEW, Metropolitan House  
321 Avebury Boulevard  
Milton Keynes  
MK9 2FZ, UK

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

Chief Officer  
Professional Standards Department  
ICAEW, Metropolitan House  
321 Avebury Boulevard  
Milton Keynes  
MK9 2FZ, UK

## HELP AND SUPPORT

There is a broad range of information and guidance available to your firm. Here's a quick guide on where to find some of our useful resources.

### Keep up to date

All audit compliance principals and responsible individuals receive the following communications:

- [Regulatory and Conduct News](#) includes a dedicated audit section each month
- [Audit News](#) e-newsletter

We encourage you to read and share these regulatory updates with your staff.



[ICAEW Regulation and Conduct LinkedIn](#)

Follow us for the very latest regulatory updates and guidance.

- [Audit Regulations and Guidance](#) - access the regulations for audit in the UK, Ireland and the Crown Dependencies.
- [Support for ICAEW-regulated audit firms](#) - practical audit support and guidance available to ICAEW auditors including the latest regulatory updates, webcasts and monitoring reports.
- [Latest Audit Monitoring Report](#) - find out how firms can improve the quality of their audit work based on the findings of our Quality Assurance reviews.
- [Quality Assurance monitoring feedback survey](#) - find out what firms have to say about the ICAEW monitoring process.
- [Annual return guidance](#) - find out more about the requirements, including guidance notes and FAQs.
- [Training and continuing professional development \(CPD\)](#)
- [Audit and Assurance Faculty](#) - an internationally recognised network of professionals focused on keeping ahead of the changes to the audit and assurance landscape.
- [ICAEW library service](#) - offering a range of services and resources in person or online.
- [Bloomsbury core accounting and tax service](#) - stay ahead with updated legislation, HMRC manuals, and insightful case summaries.
- [Technical, ethical and practical helpsheets](#)

### Helplines and support

- Email us about your upcoming monitoring review: [qadvisits@icaew.com](mailto:qadvisits@icaew.com)
- All of our other contact details are available at [icaew.com/helplines](https://www.icaew.com/helplines)

## ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen confidence and trust in those regulated by ICAEW.

We do this by enabling, evaluating and enforcing the standards expected by the profession, oversight regulators and government.

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support and take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board and oversight regulators including the Financial Reporting Council, Office for Professional Body Anti-Money Laundering Supervision, the Insolvency Service and the Legal Services Board.

We:

- **authorise** firms and individuals to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- **investigate** complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of the required standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help ICAEW's regulated community comply with laws, regulations and expected professional standards.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 208,000 members and students around the world. 99 of the top 100 global brands employ ICAEW Chartered Accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting the UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

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

\* includes parent companies. Source: ICAEW member data February 2024, Interbrand, Best Global Brands 2023

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ICAEW is working towards becoming net zero