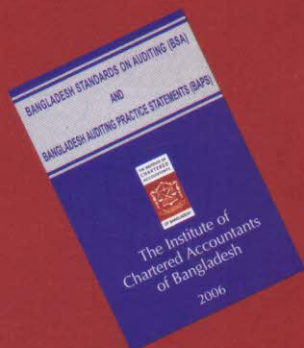
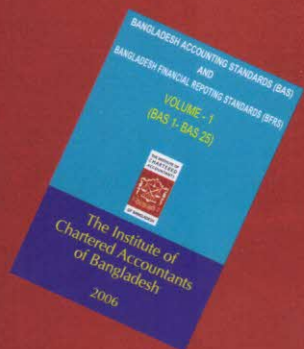


GUIDANCE FOR MEMBERS IN PRACTICE



PART II

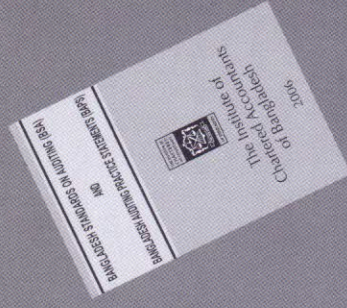
FRAMEWORK FOR QUALITY CONTROL



THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF BANGLADESH

2007

GUIDANCE FOR MEMBERS IN PRACTICE



PART II FRAMEWORK FOR QUALITY CONTROL



THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF BANGLADESH

2007

Published in June 2007

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The Institute of Chartered Accountants of Bangladesh



MESSAGE

I am pleased to announce the publication of the **Framework for Quality Control** booklet intended for our members in practice. Quality control of audit assurance and indeed of our professional services performed by us is now a very topical issue and a vital cornerstone of our professional obligations as practising members. These obligations stem from national and international mandates which ICAB, as the supreme regulatory body of the accounting profession in this country, is committed to follow.

Members of the Institute holding a Certificate of Practice are required to follow the provisions of the **Bangladesh Standards on Auditing (BSA)** and Bangladesh Auditing Practice Statements (BAPS) while carrying out audit assurance work. Special mention may be made of BSA 220 - Quality Control for Audit Work and BSA 230 - Documentation, which will be relied upon for the visits to the practising firms for conducting Quality Control Review by the Institute.

At the same time, I wish to remind the honourable members of the fact that **Quality has a Cost**. The Institute already has a published Fees Schedule prescribing minimum rates for provision of various audit and non audit services by the practising members. The Institute sincerely expects that the honourable members will follow these prescribed rates while discharging their professional obligations thereby ensuring high quality of our work..

I would like to record my thanks to the Chairman and members of the Quality Assurance Board of the Council-ICAB for taking the initiative to develop this booklet and for their suggestions for improving quality control aspects of our practice work.

M Farhad Hussain FCA
President, ICAB

Dated: June 14, 2007



The Institute of Chartered Accountants of Bangladesh

PREFACE

The role of auditors in providing assurance services has attracted increasing attention in recent times and the quality of audit work is also being examined closely. Against the backdrop of increasing demands being made upon the work of the auditors licensed by ICAB in lending credibility to the attestation of financial statements, and in line with its professional obligations under national and international standards, most notably the International Federation of Accountants (IFAC), the Institute of Chartered Accountants of Bangladesh (ICAB) wishes to demonstrate its firm commitment to ensure quality control of the work performed by its members in providing audit and other professional services. In this regard, the Council of the ICAB had earlier set up a special Standing Committee called the Quality Assurance Board (QAB) and this Board was tasked with the responsibility of introducing a set of guidelines for ensuring quality control and to institute a time bound programme for awareness, implementation, monitoring and action against firms or individuals not complying with the Institute's regulations.

The attached booklet, which has been approved by the Council of ICAB, entitled **Framework for Quality Control**, forms Part II of the **Guidance for Members in Practice** series, launched earlier by the Institute. Attention of the practising members is specially drawn to Part I of the series, entitled **Practice Management**, which contains a comprehensive approach to carrying out an audit, as well as containing specimen audit reports, audit programmes, internal control questionnaires, disclosure checklist, letters of engagement and representations from the management. Members are also advised to carefully follow the provisions of Bangladesh Standards on Auditing and particularly **BSA – 220 Quality Control for Audit Work**, in carrying out their professional obligations, and in particular Section 4 of this BSA which requires audit firms to establish sound quality control policies and procedures designed to ensure that all audits are conducted in accordance with BSAs.

The Institute requires all members holding a Certificate of Practice to abide by the standards set by the Institute. At the same time, it will take up a programme very shortly for active monitoring of the firms licensed to perform audit services including visits to individual firms to review compliance with ICAB's professional rules and regulations. The Institute expects the sincere co-operation of the concerned members and also undertakes to provide technical support, advice and guidance, if required by its members.

Akhtar Sohail Kasem FCA
Chairman, Quality Assurance Board
and Member Council & Past President, ICAB

Dated: June 14, 2007

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The Institute of Chartered Accountants of Bangladesh

Bangladesh Standards on Auditing (BSA) and Bangladesh Auditing Practice Statements (BAPS)

Adopted upto October 2006

BSA 120	Framework of Bangladesh Standards on Auditing
BSA 200	Objective and General Principles Governing an Audit of Financial Statements
BSA 210	Terms of Audit Engagements
BSA 220	Quality Control for Audit Work
BSA 230	Documentation
BSA 240	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements
BSA 250	Consideration of Laws and Regulations in an Audit of Financial Statements
BSA 260	Communications of Audit Matters with those Charged with Governance
BSA 300	Planning
BSA 310	Knowledge of the Business
BSA 315	Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement
BSA 320	Audit Materiality
BSA 330	The Auditor's Procedures in Response to Assessed Risks
BSA 400	Risk Assessments and Internal Control
BSA 401	Auditing in a Computer Information Systems Environment
BSA 402	Audit considerations Relating to Entities Using Service Organizations
BSA 500	Audit Evidence
BSA 501	Audit Evidence-Additional Considerations for Specific Items
BSA 505	External Confirmations
BSA 510	Initial Engagements-Opening Balances
BSA 520	Analytical Procedures
BSA 530	Audit Sampling and other Selective Testing Procedures
BSA 540	Audit of Accounting Estimates
BSA 545	Auditing Fair Value Measurements and Disclosures
BSA 550	Related Parties
BSA 560	Subsequent Events
BSA 570	Going Concern
BSA 580	Management Representations
BSA 600	Using the work of another Auditor
BSA 610	Considering the work of Internal Auditing
BSA 620	Using the Work of an Expert
BSA 700	The Auditor's Report on Financial Statements
BSA 710	Comparatives
BSA 720	Other Information in documents containing Audited Financial Statements
BSA 800	The Auditor's Report on Special purpose Audit Engagements Glossary
BAPS 1000	Inter-Bank Confirmation Procedures
BAPS 1004	The Relationship Between Banking Supervisors and Banks' External Auditors
BAPS 1005	The Special Considerations in the Audit of Small Entities
BAPS 1009	Computer-Assisted Audit Techniques
BAPS 1014	Reporting by Auditors on Compliance with BAS and BFRS.



1. Introduction

Members of the Institute of Chartered Accountants of Bangladesh holding a Certificate of Practice are governed by practising rules and regulations of the Institute. These regulations are embodied in various directives of the Institute explained more fully in Clause 4 of this Framework. The Institute is also a member body of the International Federation of Accountants (IFAC) and is committed to follow the international standards in addition to its own standards.

ICAB has also made it mandatory for all its practising members to follow the Bangladesh Standards on Auditing (BSA) which are adopted from the International Standards on Auditing with modifications, where necessary. Among the various auditing standards adopted by ICAB, special mention may be made of **BSA 220 – Quality Control for Audit Work**, the purpose of which is to establish standards and provide guidance on the quality control. IFAC regulations also require that the audit firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances.

In view of the present day requirements for upholding the image and dignity of the profession as a whole and for more close monitoring of the quality control standards of its practising members, ICAB has recently introduced "Quality Assurance Board" under Standing and other Committees/ Boards through its Bye-Laws, 2004 (para 84). As part of this exercise, the QAB was entrusted with the task of establishing a Quality Control Framework to provide written guidelines to ensure quality control in respect of audits and other professional services performed by the firms.

However, it should be pointed out that the professional and ethical responsibilities of the practising members, be it in practice or in industry, should always be borne in mind prior to and during the performance of any professional assignment. It is hoped that a sound quality control program will also demonstrate to the regulators, investors, business community and the wider public our commitment to uphold and develop professional standards that command public confidence.

Quality Assurance Board (QAB) is also expected to provide members in practice with a framework of quality assurance principles to help them assess and develop their practices, and by offering technical support and advice, where necessary.

Failure to comply with adequate quality control standards of the audit firm or its professional staff will render the firm and its professional staff to such penalties and strictures as decided upon by the Council of ICAB.

2. Objectives of QAB

The primary objectives of QAB may be summarized as follows:

- ❑ To serve the public interest by setting high-quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the auditing and assurance profession.
- ❑ To demonstrate to the regulators, investors, business community, interested third parties and the wider public our commitment to upholding and developing professional standards that command public confidence and to provide comfort and assurance to users of financial statements, regulators and third parties.
- ❑ To establish appropriate quality assurance standards and guidelines in relation to audit practice of the firms that are considered essential in the interest of the profession, in the public interest and to comply with the requirements of ICAB's professional requirements as well as Statements of Membership Obligation (SMO)-1 on Quality Assurance issued by the International Federation of Accountants (IFAC). The SMOs clarify and strengthen IFAC's membership obligations and seek to enhance the performance of accountants worldwide.
- ❑ To provide support and guidance to help audit firms to develop and improve their practices.
- ❑ To take up a programme of practice review which applies to all practising members in Bangladesh who hold a Certificate of Practice (COP) of ICAB. QAB will conduct quality control reviews of audits performed by audit firms, notify them of the review results, make recommendations as necessary, and receive reports on corrective actions taken with regard to those recommendations, in order to maintain and improve an appropriate level of quality of members' audits, which will lead to maintaining and ensuring public confidence in audits.
- ❑ To recommend to the Council appropriate disciplinary measures against firms and members following identified instances of non compliance with prescribed standards.

3. Responsibilities and Functions of Quality Assurance Board

The Terms of Reference of QAB, as described in Clause 84 of The Institute of Chartered Accountants of Bangladesh Bye Laws 2004, are reproduced below:

- a. Develop a framework and establish policies and procedures for the quality assurance programme to ensure that members in practice carry out audits in accordance with the professional standards adopted by the Institute.
- b. Establish appropriate quality control standards and guidelines in relation to audit practice of the members that are considered essential in the interest of the profession and the public
- c. Carry out review of working papers relating to audits carried out by the members in practice
- d. Monitor the quality assurance programme to ensure its effective implementation
- e. Arrange training programs and workshops to improve the standard of audit
- f. Perform a periodic review of the quality assurance programme including objectives, standards, policies, procedures and guidelines etc. to ensure that it remains up-to-date and in line with the standards and guidelines issued by the IFAC for such a programme
- g. Any other functions delegated to it by the Council

4. Directives of ICAB in this regard

The Council of the Institute has issued various directives from time to time governing the conduct and practice rights of its practising members, some of which are listed below:

- The Institute of Chartered Accountants Bye Laws 2004 (previously 1973)
- Code of Professional Conduct and Ethics (part of ICAB Bye Laws)
- Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) – latest release 2006
- Bangladesh Standards on Auditing (BSA) and Bangladesh Auditing Practice Statements (BAPS) - latest release 2006

- Guidance for Members in Practice, Part I Practice Management, issued 2004
- Fees Schedule – latest release 2004
- Other industry specific audit guides

In addition, the Institute organizes many seminars, workshops and training sessions on the above subjects every year as part of its Continuing Professional Education (CPE) programme to educate and provide technical support and guidance to its members.

5. Definitions

In this Framework, the following terms have the meaning attributed below;

Audit : The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and they give a true and fair view.

Engagement Partner : The partner in the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm and who has the appropriate authority from a professional, legal or regulatory body.

Firm : A sole practitioner or a partnership of professional accountants of the members of the Institute engaged in professional practice and holding a COP of the ICAB.

Entity : A client or a firm

Listed entity : An entity whose shares or debt are quoted or listed on a stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body

Quality Control Reviewer : Chartered Accountant engaged by the Institute, to carry out the review of audit working papers of firms engaged in audits. The Quality Control reviewers may be assisted by appropriate qualified and experienced staff

Monitoring / Review : A process comprising an ongoing consideration and evaluation of the firm's system of quality control, including a periodic inspection of a selected engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively

Reasonable Assurance : In the context of Bangladesh standard on quality control, a high, but not absolute, level of assurance

File Review : The objective examination of an audit assignment after its completion. The purpose of the review is to confirm that the Auditor carried out the audit in accordance with the ICAB Regulations, Bangladesh Standards on Auditing, any specific legislative requirements and the requirements of the Audit Regulations; and that the accounts comply with statutory and other requirements. Such review should also consider whether the work has been carried out in accordance with the firm's adopted procedures and to the firm's required professional standards.

Firm Review : The objective examination of the policies and procedures established by a firm to ensure compliance with professional obligations of the Institute and ensure quality control of its work.

COP : Certificate of Practice issued by ICAB

6. To Whom Does Quality Assurance Apply

Quality Assurance applies to all ICAB members who hold a Certificate of Practice (COP). No member of the Institute shall be entitled to practice within Bangladesh unless he/she has obtained from the Institute a Certificate of Practice (COP). In exercise of the powers conferred under Article 7(3) of The Bangladesh Chartered Accountants Order 1973, the Council of the Institute has, in connection with the issue of Certificate of Practice, deemed it fit to impose the further conditions that a member of the Institute desiring to engage himself in practice as a public accountant shall be required to have at his/her credit at least 02 (two) years post-qualification practical experience and complete a required programme of Continuing Professional Education (CPE).



Quality Assurance covers audit and other professional services offered by the practising members and consideration of the application of legislation, regulations, standards and guidance relevant to the provision of such services.

7. Control over Practice and Elements of Quality Control

Every firm should have an established system of policies and procedures designed to provide quality control over its practice. ('Policies' refer to the firm's objectives and goals for implementing the various elements of quality control: 'Procedures' refer to the steps to be taken to accomplish the policies adopted).

The quality control policies and procedures broadly comprise the following elements:

1. Independence, integrity and objectivity
2. Personnel management
3. Acceptance and continuance of clients
4. Engagement performance
5. Monitoring

The quality control policies and procedures should be documented and communicated to the firm's personnel. Such communication describes the quality control policies and procedures and the objectives they are designed to achieve, and includes the message that each individual has a personal responsibility for quality and is expected to comply with these policies and procedures. In addition, the firm recognizes the importance of obtaining feedback on its quality control system from its personnel.

8. Selection of Audit Engagement

1. Every firm conducting audits of financial statements is required to undergo a Quality Control Review (QCR) organized by the Board at least once in three calendar years. However, an earlier review may be required under special circumstances. These circumstances may include:
 - (i) Complaint by a regulatory body or a third party
 - (ii) Referral by the Council or the Investigation and Disciplinary Committee of ICAB
 - (iii) Where the Board feels in view of special circumstances and in the public interest, that a review is necessary.



2. QCR is carried out by following a set of procedures, which provides assurance on the standard of audit work performed by members in practice. Working paper files of specific audit engagements are selected from list of clients of the firm, and are reviewed to determine that the work performed was in accordance with the Bangladesh Standards on Auditing and other rules and regulations of the Institute.
3. Every firm engaged in the audit practice is required to submit to the Board a list of audit engagements in a prescribed format as of December 31 each year (to be submitted within 3 months after December 31) or as and when required by the Board. The list should specify listed and other audit engagements separately for all office locations of the firm and audit engagement partners.

9. Visit Process

Where more than one member holding COP operate in a firm, i.e. a partnership firm, the visit is to the firm rather than the individual COP holders. COP holders and firms engaged in public practice will receive a visit, on average, at least once every 3 years and will be selected on a combination of random, cyclical and risk based factors. Visits will be initiated by the QAB.

10. Reviewers

Quality Assurance visits will be conducted by reviewers from the QAB who will have wide range of public practice experience. All reviewers will operate under strict obligations of confidentiality.

11. Notice and Duration of the Visit

QAB will generally provide at least 30 days' notice of a visit (in exceptional cases requiring immediate attention, a surprise visit may be carried out or a shorter notice period may be given) and will also try and provide an indicative list of topics that are likely to be discussed at the entrance meeting together with a list of the documents and records likely to be needed during the visit. The duration of the visit will depend on the individual firm and circumstances, but it is expected that visits to most firms should not take longer than 3-5 business days. Visits to larger firms with more complex range of assignments may take longer.



12. Review Process

1. The Reviewers authorized by QAB will select audit engagements from the list of audit engagements provided by the firm under review. In making the selection, the reviewers will use their professional judgment and giving preference to listed companies, other companies with substantial operations, or other public interest entities that are considered high risk engagements. The reviewers will try to verify whether the quality control for audit work has been applied as per ICAB rules and regulations and Bangladesh Standards on Auditing with special emphasis on **BSA 220 - QUALITY CONTROL FOR AUDIT WORK** (Ref: Annexure 1) and **BSA 230 – DOCUMENTATION** (Ref: Annexure 2).
2. Audit working papers and correspondence files of latest audited financial statements will be reviewed to determine whether or not the quality of work performed was in accordance with the Bangladesh Standards on Auditing and the audit opinion expressed is based on sufficient and appropriate audit evidence.
3. The review will be carried out at the premises of the firm. The reviewer will use a QCR checklist to ensure that requirements of the Bangladesh Standards on Auditing have been met and that the audit opinion issued by the firm is properly supported by audit evidence in the form of working papers.
4. The Reviewer shall discuss all issues identified during the review with the engagement partner. After completion of the review, the reviewer shall prepare a review report, which will include issues and weaknesses identified during the review, and recommendations for improvement. In cases where major weaknesses are found, a draft report will be sent to the firm requiring comments in writing. Where comments are received, these shall be analyzed before presenting both the report and comments to the Board.
5. All reports will be presented before the Board for approval except for urgent cases where the report may be finalized by circulation to at least 5 members of the Board including Chairman/or Vice Chairman.
6. The Board shall take appropriate steps to update the Council of the status of the reviews and recommend appropriate steps to be taken by the Council.



13. Review Conclusion

1. After approval by the Board, a final report will be issued to the firm, with a conclusion stating:
 - Standard of work performed was **in accordance** with Bangladesh Standards on Auditing and ICAB directives, rules and regulations
 - Standard of work performed was **not in accordance** with the Bangladesh Standards on Auditing and ICAB directives, rules and regulations
2. In case where the conclusion of any audit engagement is assessed as **not in accordance** by the Board, then except for cases subject to falling under Investigation and Disciplinary Committee, the reviewer shall select more audit engagements. Selection of additional audit engagements would be preferably from listed companies. The overall conclusion of the firm would be **in accordance** if 75% or more of the selected audit engagements are found to be **in accordance**. Review of additional files shall be carried out within a time period decided by the Board.

14. Satisfactory QCR rating

When a firm has been reviewed and received **in accordance** conclusion, the firm is issued a report indicating eligibility to be included in the list of firms having satisfactory QCR rating. The last QCR report will be valid till the time next QCR is carried out, which is required to be undertaken within 6 months of the expiry of three years from the last review.

15. QCR Revisits

At least 6 months time shall be given to the firms to improve their standards once it receives a **not in accordance** conclusion and a revisit will be performed within 6-12 months of the last review. More than one file shall be reviewed at the revisit; one of the same audit engagement, which had resulted in a **“not in accordance”** conclusion and rest of the files of other audit engagements.

16. Withdrawal of Satisfactory QCR rating

If a firm already on the list of firms having satisfactory QCR rating receives a **not in accordance** conclusion in a subsequent review, the firm's name shall be immediately withdrawn from the list, and such withdrawal shall be prominently published in the appropriate news journals of ICAB and similar intimation will be provided to the regulators and any other publicity medium as the Board may decide.

17. Fines and Penalties

The Board will refer a member or a firm to the Council for appropriate disciplinary action where, in its opinion, it finds that the firm or the member is prima facie grossly negligent in issuing an audit report or performance of a professional assignment or for any other instance of non compliance identified by the Board.

Thereafter, the matter will be considered by the Council and necessary action taken, which may include reprimand, withdrawal of COP, suspension of membership or any other fines and penalties in accordance with the provisions of the ICAB Bye Laws.

18. Confidentiality and independence

The reviewers will be required to sign a "Statement of Confidentiality" in order to ensure complete confidentiality of the information obtained from the audit firms. Further, they will also sign a "Statement of Independence" to confirm that they are both free and appear to be free from interest, which might be regarded as incompatible with their objectivity as far as the firm being reviewed is concerned. The name of the firm and their entities are to be kept confidential.

19. Date of Issue & Effective Date

Following approval by the Council of ICAB, this Framework is issued on 14 June 2007 and will be effective from July 01, 2007.

— END —

ANNEXURES

**BANGLADESH STANDARD ON AUDITING 220
QUALITY CONTROL FOR AUDIT WORK****CONTENTS**

	Paragraphs
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Appendix: Illustrative Examples of Quality Control Procedures for an Audit Firm¹

Bangladesh Standard on Auditing (BSA) 220, "Quality Control for Audit Work" should be read in the context of the "Preface to the Bangladesh Standards on Quality Control, Auditing, Assurance and Related Services," which sets out the application and authority of BSAs.

Introduction

1. The purpose of this Bangladesh Standard on Auditing (BSA) is to establish standards and provide guidance on the quality control:
 - (a) Policies and procedures of an audit firm regarding audit work generally; and
 - (b) Procedures regarding the work delegated to assistants on an individual audit.
2. **Quality control policies and procedures should be implemented at both the level of the audit firm and on individual audits.**
3. In this BSA the following terms have the meaning attributed below:
 - (a) "The auditor" means the person with final responsibility for the audit.
 - (b) "Audit firm" means either the partners of a firm providing audit services or a sole practitioner providing audit services, as appropriate.
 - (c) "Personnel" means all partners and professional staff engaged in the audit practice of the firm.
 - (d) "Assistants" means personnel involved in an individual audit other than the auditor.

Audit Firm

4. **The audit firm should implement quality control policies and procedures designed to ensure that all audits are conducted in accordance with BSAs or relevant national standards or practices.**
5. The nature, timing and extent of an audit firm's quality control policies and procedures depend on a number of factors such as the size and nature of its practice, its geographic dispersion, its organization and appropriate cost/benefit considerations. Accordingly, the policies and procedures adopted by individual audit firms will vary, as will the extent of their documentation. Illustrative examples of quality control procedures are presented in the Appendix to this BSA.
6. The objectives of the quality control policies to be adopted by an audit firm will ordinarily incorporate the following:
 - (a) Professional requirements:²
Personnel in the firm are to adhere to the principles of independence, integrity, objectivity, confidentiality and professional behavior.
 - (b) Skills and competence:³
The firm is to be staffed by personnel who have attained and maintain the technical standards and professional competence required to enable them to fulfill their responsibilities with due care.
 - (c) Assignment:
Audit work is to be assigned to personnel who have the degree of technical training and proficiency required in the circumstances.
 - (d) Delegation:
There is to be sufficient direction, supervision and review of work at all levels to provide reasonable assurance that the work performed meets appropriate standards of quality.
 - (e) Consultation:
Whenever necessary, consultation within or outside the firm is to occur with those who have appropriate expertise.
 - (f) Acceptance and retention of clients:
An evaluation of prospective clients and a review, on an ongoing basis, of

existing clients is to be conducted. In making a decision to accept or retain a client, the firm's independence and ability to serve the client properly and the integrity of the client's management are to be considered.

(g) Monitoring:

The continued adequacy and operational effectiveness of quality control policies and procedures is to be monitored.

² Refer to the *Code of Ethics for Professional Accountants* issued by the Council of the Institute of Chartered Accountants of Bangladesh and the requirement on auditors to observe these in BSA 200, "Objective and General Principles Governing an Audit of Financial Statements."

7. The firm's general quality control policies and procedures should be communicated to its personnel in a manner that provides reasonable assurance that the policies and procedures are understood and implemented.

Individual Audits

8. The auditor should implement those quality control procedures which are, in the context of the policies and procedures of the firm, appropriate to the individual audit.

9. The auditor, and assistants with supervisory responsibilities, will consider the professional competence of assistants performing work delegated to them when deciding the extent of direction, supervision and review appropriate for each assistant.

10. Any delegation of work to assistants would be in a manner that provides reasonable assurance that such work will be performed with due care by persons having the degree of professional competence required in the circumstances.

Direction

11. Assistants to whom work is delegated need appropriate direction. Direction involves informing assistants of their responsibilities and the objectives of the procedures they are to perform. It also involves informing them of matters, such as the nature of the entity's business and possible accounting or auditing problems that may affect the nature, timing and extent of audit procedures with which they are involved.

12. The audit program is an important tool for the communication of audit directions. Time budgets and the overall audit plan are also helpful in communicating audit directions.

Supervision

13. Supervision is closely related to both direction and review and may involve elements of both.

14. Personnel carrying out supervisory responsibilities perform the following functions during the audit:

(a) Monitor the progress of the audit to consider whether:

(i) Assistants have the necessary skills and competence to carry out their assigned tasks;

(ii) Assistants understand the audit directions; and

(iii) The work is being carried out in accordance with the overall audit plan and the audit program;

(b) Become informed of and address significant accounting and auditing questions raised during the audit, by assessing their significance and modifying the overall audit plan and the audit program as appropriate; and

(c) Resolve any differences of professional judgment between personnel and consider the level of consultation that is appropriate.

Review

15. The work performed by each assistant needs to be reviewed by personnel of at least equal competence to consider whether:

(a) The work has been performed in accordance with the audit program;

(b) The work performed and the results obtained have been adequately documented;

(c) All significant audit matters have been resolved or are reflected in audit conclusions;

(d) The objectives of the audit procedures have been achieved; and

(e) The conclusions expressed are consistent with the results of the work performed and support the audit opinion.

16. The following need to be reviewed on a timely basis:

- (a) The overall audit plan and the audit program;
- (b) The assessments of inherent and control risks, including the results of tests of control and the modifications, if any, made to the overall audit plan and the audit program as a result thereof;
- (c) The documentation of the audit evidence obtained from substantive procedures and the conclusions drawn there from including the results of consultations; and
- (d) The financial statements, proposed audit adjustments and the proposed auditor's report.

The process of reviewing an audit may include, particularly in the case of large complex audits, requesting personnel not otherwise involved in the audit to perform certain additional procedures before issuing the auditor's report.

Compliance with International Standards on Auditing

17. Compliance with this BSA ensures compliance in all material respects with ISA-220.

Effective Date

This BSA is effective for audits of financial statements for periods beginning on or after 1 January 2005.

Public Sector Perspective

1. *This BSA refers to the work of private sector audit firms. Many audits of governments and other public sector entities are carried out by Auditor General or private sector audit firms appointed by Auditor General. The general principles in this BSA on quality control apply equally to Auditor General. However, some of the specific policies and procedures may not be applicable (for example, acceptance and retention of clients, Auditor General organized on a collegial basis) and there may be additional policies relevant to public sector auditors.*
2. *Also, in the public sector of some countries, quality control generally has a different meaning to that adopted in this BSA. Quality assurance is the term applied to internal supervision and review procedures whereas quality control is the term applied to external quality reviews.*

Appendix

Illustrative Examples of Quality Control Procedures for an Audit Firm

A. PROFESSIONAL REQUIREMENTS

Policy

Personnel in the firm are to adhere to the principles of independence, integrity, objectivity, confidentiality and professional behavior.

Procedures

1. Assign an individual or group to provide guidance and to resolve questions on matters of integrity, objectivity, independence and confidentiality.
 - (a) Identify circumstances where documentation as to the resolution of questions would be appropriate.
 - (b) Require consultation with authoritative sources when considered necessary.
2. Communicate policies and procedures regarding independence, integrity, objectivity, confidentiality and professional behavior to personnel at all levels within the firm.
 - (a) Inform personnel of the firm's policies and procedures and advise them that they are expected to be familiar with them.
 - (b) Emphasize independence of mental attitude in training programs and in supervision and review of audits.
 - (c) Inform personnel on a timely basis of those entities to which independence policies apply.
 - (d) Prepare and maintain for independence purposes a list of the firm's clients and of other entities (client's affiliates, parents, associates, and so forth) to which independence policies apply.
 - (i) Make the list available to personnel (including personnel new to the firm or to an office) who need it to determine their independence.

- (ii) Establish procedures to notify personnel of changes in the list.
- 3. Monitor compliance with policies and procedures relating to independence, integrity, objectivity, confidentiality and professional behavior.
 - (a) Obtain from personnel periodic written representations, ordinarily on an annual basis, stating that:
 - (i) They are familiar with the firm's policies and procedures;
 - (ii) Prohibited investments are not held and were not held during the period; and
 - (iii) Prohibited relationships do not exist, and transactions prohibited by firm policy have not occurred.
 - (b) Assign responsibility for resolving exceptions to a person or group with appropriate authority.
 - (c) Assign responsibility for obtaining representations and reviewing independence compliance files for completeness to a person or group with appropriate authority.
 - (d) Review periodically the firm's association with clients to ascertain whether any areas of involvement may or may be seen to impair the firm's independence.

B. SKILLS AND COMPETENCE

Policy

The firm is to be staffed by personnel who have attained and maintain the technical standards and professional competence required to enable them to fulfill their responsibilities with due care.

Procedures

Hiring

- 1. Maintain a program designed to obtain qualified personnel by planning for personnel needs, establishing hiring objectives, and setting qualifications for those involved in the hiring function.
 - (a) Plan for the firm's personnel needs at all levels and establish quantified hiring objectives based on current clientele, anticipated growth, and retirement.
 - (b) Design a program to achieve hiring objectives which provides for:
 - (i) Identification of sources of potential hirees;

- (ii) Methods of contact with potential hirees;
- (iii) Methods of specific identification of potential hirees;
- (iv) Methods of attracting potential hirees and informing them about the firm; and
- (v) Methods of evaluating and selecting potential hirees for extension of employment offers.
- (c) Inform those persons involved in hiring as to the firm's personnel needs and hiring objectives.
- (d) Assign to authorized persons the responsibility for employment decisions.
- (e) Monitor the effectiveness of the recruiting program.
 - (i) Evaluate the recruiting program periodically to determine whether policies and procedures for obtaining qualified personnel are being observed.
 - (ii) Review hiring results periodically to determine whether goals and personnel needs are being achieved.
- 2. Establish qualifications and guidelines for evaluating potential hirees at each professional level.
 - (a) Identify the attributes to be sought in hirees, such as intelligence, integrity, honesty, motivation and aptitude for the profession.
 - (b) Identify achievements and experiences desirable for entry level and experienced personnel. For example:
 - (i) Academic background.
 - (ii) Personal achievements.
 - (iii) Work experience.
 - (iv) Personal interests.
 - (c) Set guidelines to be followed when hiring individuals in situations such as:
 - (i) Hiring relatives of personnel or relatives of clients.
 - (ii) Rehiring former employees.

- (iii) Hiring client employees.
- (d) Obtain background information and documentation of qualifications of applicants by appropriate means, such as the following:
 - (i) Resumes.
 - (ii) Application forms.
 - (iii) Interviews.
 - (iv) Academic record.
 - (v) Personal references.
 - (vi) Former employment references
- (e) Evaluate the qualifications of new personnel, including those obtained from other than the usual hiring channels (for example, those joining the firm at supervisory levels or through merger or acquisition), to determine that they meet the firm's requirements and standards.
- 3. Inform applicants and new personnel of the firm's policies and procedures relevant to them.
 - (a) Use a brochure or other means to inform applicants and new personnel.
 - (b) Prepare and maintain a manual describing policies and procedures for distribution to personnel.
 - (c) Conduct an orientation program for new personnel.

Professional Development

- 4. Establish guidelines and requirements for continuing professional education and communicate them to personnel.
 - (a) Assign responsibility for the professional development function to a person or group with appropriate authority.
 - (b) Provide that programs developed by the firm be reviewed by qualified individuals. Programs would contain statements of objectives and

education and/or experience prerequisites.

- (c) Provide an orientation program relating to the firm and the profession for newly employed personnel.
 - (i) Prepare publications and programs designed to inform newly employed personnel of their professional responsibilities and opportunities.
 - (ii) Assign responsibility for conducting orientation conferences to explain professional responsibilities and firm policies.
- (d) Establish continuing professional education requirements for personnel at each level within the firm.
 - (i) Consider legislative and professional bodies' requirements or voluntary guidelines in establishing firm requirements.
 - (ii) Encourage participation in external continuing professional education programs, including self-study courses.
 - (iii) Encourage membership in professional organizations. Consider having the firm pay or contribute toward membership dues and expenses.
 - (iv) Encourage personnel to serve on professional committees, prepare articles, and participate in other professional activities.
- (e) Monitor continuing professional education programs and maintains appropriate records, both on a firm and an individual basis.
 - (i) Review periodically the records of participation by personnel to determine compliance with firm requirements.
 - (ii) Review periodically evaluation reports and other records prepared for continuing education programs to evaluate whether the programs are being presented effectively and are accomplishing firm objectives. Consider the need for new programs and for revision or elimination of ineffective programs.
- 5. Make available to personnel information about current developments in professional technical standards and materials containing the firm's technical policies and procedures and encourage personnel to engage in self development

activities.

- (a) Provide personnel with professional literature relating to current developments in professional technical standards.
 - (i) Distribute to personnel material of general interest, such as relevant international and national pronouncements on accounting and auditing matters.
 - (ii) Distribute pronouncements on relevant regulations and statutory requirements in areas of specific interest, such as company securities and taxation law, to persons who have responsibility in such areas.
 - (iii) Distribute manuals containing firm policies and procedures on technical matters to personnel. Manuals need to be updated for new developments and changing conditions.
- (b) For training programs presented by the firm, develop or obtain course materials and select and train instructors.
 - (i) State the program objectives and education and/or experience prerequisites in the training programs.
 - (ii) Provide that program instructors be qualified as to both program content and teaching methods.
 - (iii) Have participants evaluate program content and instructors of training sessions.
 - (iv) Have instructors evaluate program content and participants in training sessions.
 - (v) Update programs as needed in light of new developments, changing conditions, and evaluation reports.
 - (vi) Maintain a library or other facility containing professional, regulatory and firm literature relating to professional technical matters.
6. Provide, to the extent necessary, programs to fill the firm's needs for personnel with expertise in specialized areas and industries.
 - (a) Conduct firm programs to develop and maintain expertise in specialized areas and industries, such as regulated industries, computer auditing, and

statistical sampling methods.

- (b) Encourage attendance at external education programs, meetings, and conferences to acquire technical or industry expertise.
- (c) Encourage membership and participation in organizations concerned with specialized areas and industries.
- (d) Provide technical literature relating to specialized areas and industries.

Advancement

7. Establish qualifications deemed necessary for the various levels of responsibility within the firm.
 - (a) Prepare guidelines describing responsibilities at each level and expected performance and qualifications necessary for advancement to each level, including the following:
 - (i) Titles and related responsibilities.
 - (ii) The amount of experience (which may be expressed as a time period) generally required for advancement to the succeeding level.
 - (b) Identify criteria which will be considered in evaluating individual performance and expected proficiency, such as:
 - (i) Technical knowledge.
 - (ii) Analytical and judgmental abilities.
 - (iii) Communication skills.
 - (iv) Leadership and training skills.
 - (v) Client relations.
 - (vi) Personal attitude and professional bearing (character, intelligence, judgment and motivation).
 - (vii) Qualification as a professional accountant for advancement to a

- supervisory position.
- (c) Use a personnel manual or other means to communicate advancement policies and procedures to personnel.
8. Evaluate performance of personnel and advise personnel of their progress.
- (a) Gather and evaluate information on performance of personnel.
- (i) Identify evaluation responsibilities and requirements at each level indicating who will prepare evaluations and when they will be prepared.
- (ii) Instruct personnel on the objectives of personnel evaluation.
- (iii) Utilize forms, which may be standardized, for evaluating performance of personnel.
- (iv) Review evaluations with the individual being evaluated.
- (v) Require that evaluations be reviewed by the evaluator's superior.
- (vi) Review evaluations to determine that individuals worked for and were evaluated by different persons.
- (vii) Determine that evaluations are completed on a timely basis.
- (viii) Maintain personnel files containing documentation relating to the evaluation process.
- (b) Periodically counsel personnel as to their progress and career opportunities.
- (i) Review periodically with personnel the evaluation of their performance, including an assessment of their progress with the firm. Considerations would include the following:
- Performance.
 - Future objectives of the firm and the individual.
 - Assignment preference.

- Career opportunities.
 - (ii) Evaluate partners periodically by means of senior partner or fellow partner evaluation and counseling as to whether they continue to have the qualifications to fulfill their responsibilities.
 - (iii) Review periodically the system of personnel evaluation and counseling to ascertain that:
 - Procedures for evaluation and documentation are being followed on a timely basis;
 - Requirements established for advancement are being achieved;
 - Personnel decisions are consistent with evaluations; and
 - Recognition is given to outstanding performance.
9. Assign responsibility for making advancement decisions.
- (a) Assign responsibility to designated persons for making advancement and termination decisions, conducting evaluation interviews with persons considered for advancement, documenting the results of the interviews, and maintaining appropriate records.
- (b) Evaluate data obtained giving appropriate recognition in advancement decisions to the quality of the work performed.
- (c) Study the firm's advancement experience periodically to ascertain whether individuals meeting stated criteria are assigned increased degrees of responsibility.

C. ASSIGNMENT

Policy

Audit work is to be assigned to personnel who have the degree of technical training and proficiency required in the circumstances.

Procedures

1. Delineate the firm's approach to assigning personnel, including the planning of overall firm and office needs and the measures employed to achieve a balance

of audit manpower requirements, personnel skills, individual development and utilization.

- (a) Plan the personnel needs of the firm on an overall basis and for individual practice offices.
 - (b) Identify on a timely basis the staffing requirements of specific audits.
 - (c) Prepare time budgets for audits to determine manpower requirements and to schedule audit work.
 - (d) Consider the following factors in achieving a balance of audit manpower requirements, personal skills, individual development and utilization:
 - (i) Audit size and complexity.
 - (ii) Personnel availability.
 - (iii) Special expertise required.
 - (iv) Timing of the work to be performed.
 - (v) Continuity and periodic rotation of personnel.
 - (vi) Opportunities for on-the-job training.
2. Assign an appropriate person or persons to be responsible for assigning personnel to audits.
- (a) Consider the following in making assignments of individuals:
 - (i) Staffing and timing requirements of the specific audit.
 - (ii) Evaluations of the qualifications of personnel as to experience, position, background, and special expertise.
 - (iii) The planned supervision and involvement by supervisory personnel.
 - (iv) Projected time availability of individuals assigned.
 - (v) Situations where possible independence problems and conflicts of

interest may exist, such as assignment of personnel to audits for clients who are former employers or are employers of certain kin.

- (b) Give appropriate consideration, in assigning personnel, to both continuity and rotation to provide for efficient conduct of the audit and the perspective of other personnel with different experience and backgrounds.
3. Provide for approval of the scheduling and staffing of the audit by the auditor.
- (a) Submit, where necessary, for review and approval the names and qualifications of personnel to be assigned to an audit.
 - (b) Consider the experience and training of the audit personnel in relation to the complexity or other requirements of the audit, and the extent of supervision to be provided.

D. DELEGATION

Policy

There is to be sufficient direction, supervision and review of work at all levels to provide reasonable assurance that the work performed meets appropriate standards of quality.

Procedures

1. Provide procedures for planning audits.
 - (a) Assign responsibility for planning an audit. Involve appropriate personnel assigned to the audit in the planning process.
 - (b) Develop background information or review information obtained from prior audits and update for changed circumstances.
 - (c) Describe matters to be included in the overall audit plan and the audit program, such as the following:
 - (i) Development of proposed work programs for particular areas of audit interest.
 - (ii) Determination of manpower requirements and need for specialized knowledge.

- (iii) Development of estimates of time required to complete the audit.
 - (iv) Consideration of current economic conditions affecting the client or its industry and their potential effect on the conduct of the audit.
2. Provide procedures for maintaining the firm's standards of quality for the work performed.
- (a) Provide adequate supervision at all organizational levels, considering the training, ability and experience of the personnel assigned.
 - (b) Develop guidelines for the form and content of working papers.
 - (c) Utilize standardized forms, checklists, and questionnaires to the extent appropriate to assist in the performance of audits.
 - (d) Provide procedures for resolving differences of professional judgment among personnel involved in an audit.
3. Provide on-the-job training during the performance of audits.
- (a) Emphasize the importance of on-the-job training as a significant part of an individual's development.
 - (i) Discuss with assistants the relationship of the work they are performing to the audit as a whole.
 - (ii) Involve assistants in as many portions of the audit as practicable.
 - (b) Emphasize the significance of personnel management skills and include coverage of these subjects in firm training programs.
 - (c) Encourage personnel to train and develop subordinates.
 - (d) Monitor assignments to determine that personnel.
 - (i) Fulfill, where applicable, the experience requirements of the relevant legislative, regulatory or professional body.
 - (ii) Gain experience in various areas of audits and varied industries.

- (iii) Work under different supervisory personnel.

E. CONSULTATION

Policy

Whenever necessary, consultation within or outside the firm is to occur with those who have appropriate expertise.

Procedures

1. Identify areas and specialized situations where consultation is required and encourage personnel to consult with or use authoritative sources on other complex or unusual matters.
 - (a) Inform personnel of the firm's consultation policies and procedures.
 - (b) Specify areas or specialized situations requiring consultation because of the nature or complexity of the subject matter. Examples include:
 - (i) Application of newly issued technical pronouncements.
 - (ii) Industries with special accounting, auditing or reporting requirements.
 - (iii) Emerging practice problems.
 - (iv) Filing requirements of legislative and regulatory bodies, particularly those of a foreign jurisdiction.
 - (c) Maintain or provide access to adequate reference libraries and other authoritative sources.
 - (i) Establish responsibility for maintaining a reference library in each practice office.
 - (ii) Maintain technical manuals and issue technical pronouncements, including those relating to particular industries and other specialties.
 - (iii) Maintain consultation arrangements with other firms and individuals where necessary to supplement firm resources.



- (iv) Refer problems to a division or group in the professional body established to deal with technical inquiries.
- 2. Designate individuals as specialists to serve as authoritative sources and define their authority in consultative situations.
 - (a) Designate individuals as specialists for filings with legislative and other regulatory bodies.
 - (b) Designate specialists for particular industries.
 - (c) Advise personnel of the degree of authority to be accorded specialists' opinions and of the procedures to be followed for resolving differences of opinion with specialists.
- 3. Specify the extent of documentation to be provided for the results of consultation in those areas and specialized situations where consultation is required.
 - (a) Advise personnel as to the extent of documentation to be prepared and the responsibility for its preparation.
 - (b) Indicate where consultation documentation is to be maintained.
 - (c) Maintain subject files containing the results of consultations for reference and research purposes.

F. ACCEPTANCE AND RETENTION OF CLIENTS

Policy

An evaluation of prospective clients and a review, on an ongoing basis, of existing clients is to be conducted. In making a decision to accept or retain a client, the firm's independence and ability to serve the client properly and the integrity of the client's management are to be considered.

Procedures

- 1. Establish procedures for evaluation of prospective clients and for their approval as clients.
 - (a) Evaluation procedures could include the following:



- (i) Obtain and review available financial statements regarding the prospective client, such as annual reports, interim financial statements and income tax returns.
- (ii) Inquire of third parties as to any information regarding the prospective client and its management and principals which may have a bearing on evaluating the prospective client. Inquiries may be directed to the prospective client's bankers, legal advisers, investment banker, and others in the financial or business community who may have such knowledge.
- (iii) Communicate with the predecessor auditor. Inquiries would include questions regarding the facts that might bear on the integrity of management, on disagreements with management as to accounting policies, audit procedures, or other similarly significant matters, and on the predecessor's understanding as to the reasons for the change in auditors.
- (iv) Consider circumstances which would cause the firm to regard the engagement as one requiring special attention or presenting unusual risks.
- (v) Evaluate the firm's independence and ability to serve the prospective client. In evaluating the firm's ability, consider needs for technical skills, knowledge of the industry and personnel.
- (vi) Determine that acceptance of the client would not violate codes of professional ethics.
- (b) Designate an individual or group, at appropriate management levels, to evaluate the information obtained regarding the prospective client and to make the acceptance decision.
 - (i) Consider types of engagements that the firm would not accept or which would be accepted only under certain conditions.
 - (ii) Provide for documentation of the conclusion reached.
- (c) Inform appropriate personnel of the firm's policies and procedures for accepting clients.
- (d) Designate responsibility for administering and monitoring compliance with the firm's policies and procedures for acceptance of clients.

2. Evaluate clients upon the occurrence of specified events to determine whether the relationships ought to be continued.
- (a) Events specified for this purpose could include:
- (i) The expiration of a time period.
 - (ii) A major change in one or more of the following:
 - Management
 - Directors
 - Ownership
 - Legal advisers
 - Financial condition
 - Litigation status
 - Scope of the engagement
 - Nature of the client's business.
 - (iii) The existence of conditions which would have caused the firm to reject a client had such conditions existed at the time of the initial acceptance.
- (b) Designate an individual or group, at appropriate management levels, to evaluate the information obtained and to make retention decisions.
- (i) Consider types of engagements that the firm would not continue or which would be continued only under certain conditions.
 - (ii) Provide for documentation of the conclusion reached.
- (c) Inform appropriate personnel of the firm's policies and procedures for retaining clients.

- (d) Designate responsibility for administering and monitoring compliance with the firm's policies and procedures for retention of clients.

II. MONITORING

Policy

The continued adequacy and operational effectiveness of quality control policies and procedures is to be monitored.

Procedures

- 1. Define the scope and content of the firm's monitoring program.
 - (a) Determine the monitoring procedures necessary to provide reasonable assurance that the firm's other quality control policies and procedures are operating effectively.
 - (i) Determine objectives and prepare instructions and review programs for use in conducting monitoring activities.
 - (ii) Provide guidelines for the extent of work and criteria for selection of engagements for review.
 - (iii) Establish the frequency and timing of monitoring activities.
 - (iv) Establish procedures to resolve disagreements which may arise between reviewers and engagement or management personnel.
 - (b) Establish levels of competence, etc., for personnel to participate in monitoring activities and the method of their selection.
 - (i) Determine criteria for selecting monitoring personnel, including levels of responsibility in the firm and requirements for specialized knowledge.
 - (ii) Assign responsibility for selecting monitoring personnel.
- (c) Conduct monitoring activities.
 - (i) Review and test compliance with the firm's general quality control policies and procedures.

- (ii) Review selected engagements for compliance with professional standards and with the firm's quality control policies and procedures.
- 2. Provide for reporting findings to the appropriate management levels, for monitoring actions taken or planned, and for overall review of the firm's quality control system.
 - (a) Discuss general findings with appropriate management personnel.
 - (b) Discuss findings on selected engagements with engagement management personnel.
 - (c) Report both general and selected engagement findings and recommendations to firm management together with corrective actions taken or planned.
 - (d) Determine that planned corrective actions were taken.

- (e) Determine need for modification of quality control policies and procedures in view of results of monitoring activities and other relevant matters.

ANNEXURE - 2

BANGLADESH STANDARD ON AUDITING 230

DOCUMENTATION

CONTENTS	Paragraphs
Introduction.....	1-4
Form and Content of Working Papers.....	5-12
Confidentiality, Safe Custody, Retention and Ownership of Working Papers.....	13-14

Bangladesh Standard on Auditing (BSA) 230, "Documentation" should be read in the context of the "Preface to the Bangladesh Standards on Quality Control, Auditing, Assurance and Related Services," which sets out the application and authority of BSAs.

Introduction

1. The purpose of this Bangladesh Standard on Auditing (BSA) is to establish standards and provide guidance regarding documentation in the context of the audit of financial statements.
2. **The auditor should document matters which are important in providing evidence to support the audit opinion and evidence that the audit was carried out in accordance with BSAs.**
3. "Documentation" means the material (working papers) prepared by and for, or obtained and retained by the auditor in connection with the performance of the

audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.

4. Working papers:

- (a) Assist in the planning and performance of the audit;
- (b) Assist in the supervision and review of the audit work; and
- (c) Record the audit evidence resulting from the audit work performed to support the auditor's opinion.

Form and Content of Working Papers

5. **The auditor should prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit.**
6. **The auditor should record in the working papers information on planning the audit work, the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained.** Working papers would include the auditor's reasoning on all significant matters which require the exercise of judgment, together with the auditor's conclusion thereon. In areas involving difficult questions of principle or judgment, working papers will record the relevant facts that were known by the auditor at the time the conclusions were reached.
7. The extent of working papers is a matter of professional judgment since it is neither necessary nor practical to document every matter the auditor considers. In assessing the extent of working papers to be prepared and retained, it may be useful for the auditor to consider what would be necessary to provide another auditor who has no previous experience with the audit with an understanding of the work performed and the basis of the principle decisions taken but not the detailed aspects of the audit. That other auditor may only be able to obtain an understanding of detailed aspects of the audit by discussing them with the auditors who prepared the working papers.
8. The form and content of working papers are affected by matters such as the following:
 - Nature of the engagement
 - Form of the auditor's report
 - Nature and complexity of the business
 - Nature and condition of the entity's accounting and internal control systems

- Needs in the particular circumstances for direction, supervision and review of work performed by assistants.
 - Specific audit methodology and technology used in the course of the audit.
9. Working papers are designed and organized to meet the circumstances and the auditor's needs for each individual audit. The use of standardized working papers (for example, checklists, specimen letters, standard organization of working papers) may improve the efficiency with which such working papers are prepared and reviewed. They facilitate the delegation of work while providing a means to control its quality.
 10. To improve audit efficiency, the auditor may utilize schedules, analyses and other documentation prepared by the entity. In such circumstances, the auditor would need to be satisfied that those materials have been properly prepared.
 11. Working papers ordinarily include the following:
 - Information concerning the legal and organizational structure of the entity.
 - Extracts or copies of important legal documents, agreements and minutes.
 - Information concerning the industry, economic environment and legislative environment within which the entity operates.
 - Evidence of the planning process including audit programs and any changes thereto.
 - Evidence of the auditor's understanding of the accounting and internal control systems.
 - Evidence of inherent and control risk assessments and any revisions thereof.
 - Evidence of the auditor's consideration of the work of internal auditing and conclusions reached.
 - Analyses of transactions and balances.
 - Analyses of significant ratios and trends.
 - A record of the nature, timing and extent of audit procedures performed and the results of such procedures.
 - Evidence that the work performed by assistants was supervised and reviewed.
 - An indication as to who performed the audit procedures and when they were performed.
 - Details of procedures applied regarding components whose financial statements are audited by another auditor.
 - Copies of communications with other auditors, experts and other third parties.
 - Copies of letters or notes concerning audit matters communicated to or

discussed with the entity, including the terms of the engagement and material weaknesses in internal control.

- Letters of representation received from the entity.
 - Conclusions reached by the auditor concerning significant aspects of the audit, including how exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.
 - Copies of the financial statements and auditor's report.
12. In the case of recurring audits, some working paper files may be classified as "permanent" audit files which are updated with new information of continuing importance, as distinct from current audit files which contain information relating primarily to the audit of a single period.

Confidentiality, Safe Custody, Retention and Ownership of Working Papers

13. **The auditor should adopt appropriate procedures for maintaining the confidentiality and safe custody of the working papers and for retaining them for a period sufficient to meet the needs of the practice and in accordance with legal and professional requirements of record retention.**
14. Working papers are the property of the auditor. Although portions of or extracts from the working papers may be made available to the entity at the discretion of the auditor, they are not a substitute for the entity's accounting records.

Compliance with International Standards on Auditing

15. Compliance with this BSA ensures compliance in all material respects with ISA-230.

Effective Date

16. This BSA is effective for audits of financial statements for periods beginning on or after 1 January 2005.

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- | | |
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