|  |  |  |  |
| --- | --- | --- | --- |
| Client: XYZ Ltd | Prepared by: Mr. Y | Date: | **Ref:**  **C1.2** |
| Year end: 31 Dec 2014 | Reviewed by: Mr. X | Date: |
| File no: | | |

**ETHICAL ISSUES: SAFEGUARDS APPLIED**

*The purpose of this form is to provide a framework for assessing the extent of any threat to the firm’s independence from the provision of accounting and tax compliance services. The threat posed by other services should be considered on a case by case basis. It must be emphasised that the form provides only an indication of the severity of any threats and the possible safeguards that could be applied. The specific safeguards to be applied and their sufficiency is a matter for professional judgement.*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Nature of Threat*** | ***Extent of Threat*** | | | |
| High | Medium | | Low |
| * Preparation of statutory accounts from management accounts where little or no adjustment is required and the client approves any adjustments and narrative in the accounts. |  |  | |  |
| * Preparation of statutory accounts from trial balance or management accounts where significant adjustments are required but where the client approves those adjustments and narrative in the accounts. |  |  | |  |
| * Preparation of statutory accounts from books of prime entry where significant adjustments are required but where the client approves those adjustments and narrative in the accounts. |  |  | |  |
| * The firm maintains the payroll. |  |  | |  |
| * The firm maintains the accounting records and or prepares management accounts. |  |  | |  |
| * The firm completes VAT returns. |  |  | | √ |
| * The firm prepares the tax computations that are routine with little need for any judgement. |  |  | | √ |
| * The firm prepares the tax computations where there are contentious items whose treatment may be disputed by NBR. |  |  | | √ |
| ***Response to threat*** | | | ***Tick those applied*** | |
| * Any threats are insignificant, no action is required. | | | √ | |
| * The file contains evidence that the possible threats have been considered and the treatment of relevant matters have been discussed and agreed in principle with the client. | | | √ | |
| * In addition to file notes, different staff were used to carry out the non-audit work. | | | √ | |
| * In addition to file notes, a different manager/partner was responsible for the non-audit work. | | | √ | |
| * There will be a second partner review of at least the statutory accounts, planning, completion and any contentious areas where the auditor required judgment. | | |  | |
| * The file will be subject to external hot review | | |  | |

I approve the safeguards applied in relation to the threats identified and confirm that in my opinion they are sufficient to safeguard the firm's independence.

Partner\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_SD\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_DD-MM-YY\_\_\_\_\_\_\_\_\_\_\_\_\_

**Disclaimer: Dummy audit working files have been prepared and published to improve the quality of audit documentation of member firms providing audit services in Bangladesh. Member firms providing audit services should not assume these dummy working files as absolute benchmark for the purpose of preparing and keeping audit documentation. Every audit client has unique characteristics and risks. International Standards on Auditing (ISA) also requires to exercise engagement partner’s judgment on a number of areas in conducting the audit of an entity. Therefore, member firms should use their professional knowledge, skill, experiences along with these dummy working files to keep adequate and appropriate working papers for each audit engagement. The preparers do not assume any liability for drawing an inappropriate audit opinion based on the working papers prepared on the basis of these dummy working files.**