

ICAEW PROFESSIONAL STANDARDS



# YOUR AUDIT MONITORING ONSITE REVIEW

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## YOUR AUDIT ONSITE REVIEW

We are required by law to conduct monitoring reviews with 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 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](#).

As required by statute, we use 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 RSB-scope audit clients; and
- previous regulatory history.

Your next review date will depend on this risk-based selection approach. It may be on or just before the six-year anniversary of your previous review, but this is not an automatic default or right. 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. Please refer to our leaflet, [Your Practice Assurance onsite review](#) for more information.

If your firm is licensed for ATOL this will often be combined with your audit visit.

### 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 reviews.

### Preparing for the review

Please refer to the list in the 'What you need to have available for the review' 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 review to answer any questions you may have and discuss practical arrangements for our onsite work.

### The opening meeting and onsite work

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/CPD 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;
- 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.

### The closing record

At the end of the onsite work, we will summarise our findings 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.

### 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.

### COMMENTS

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

Director, 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

## WHAT YOU NEED TO HAVE AVAILABLE FOR THE REVIEW

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 review, we will not necessarily look at everything. If any items are not clear, please discuss them with us during our pre-review 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 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 last two audit compliance reviews, including cold file reviews.
- 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.
- 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).
- 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 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, 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.

## 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 with ICAEW regulatory and conduct news by subscribing to our monthly newsletter, [Regulatory and Conduct News](#), follow us on [LinkedIn](#) and visit [icaew.com/regulatorynews](#)
- **Audit Regulations and guidance** - [icaew.com/auditguidance](#)
- **Support for ICAEW audit regulated firms** - Practical audit support and guidance available to ICAEW auditors including the latest regulatory updates, webcasts and monitoring reports - [icaew.com/auditresources](#)
- **Our annual Audit Monitoring Report** - prepare for your firm's next audit monitoring review 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.
- **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](#)
- **Practice resources including thought leadership and professional guidance** - [icaew.com/practiceresources](#)
- **Technical, ethical and practical helpsheets** - [icaew.com/helpsheets](#)
- **Practice helpsheets** - [icaew.com/practicehelpsheets](#)
- **Technical information** - [icaew.com/technical](#)
- **Helplines and support** - [icaew.com/helplines](#)  
You can contact us for specialist help on a wide range of topics including ethical, technical and legislative. Our technical advisory team offer advice on all aspects of complying with the MLR17 and can answer questions on both:
  - general issues concerning the regulations and reporting suspected illegal activity; and
  - specific issues, which can be discussed anonymously.
- **Courses to help you with your continuing professional development** - [icaew.com/cpd](#)
- **Communities** - [icaew.com/communities](#)
- **ICAEW library service** - [icaew.com/library](#)
- **Annual return guidance** - 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 - [icaew.com/annualreturn](#)
- **Raise a money laundering concern** - [icaew.com/amlconcerns](#)
- **Core accounting and tax service** - [icaew.com/bloomsbury](#)
- **Anti-money laundering resources** - [icaew.com/moneylaundering](#)
- **Anti-money laundering supervision** - [icaew.com/amlsupervision](#)
- **Anti-money laundering supervision report** - [icaew.com/amlsupervisionreport](#)

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 198,500 members and students around the world. 99 of the top 100 global brand employ our 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 12,000 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 the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting 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.

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

## ICAEW

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E [generalenquiries@icaew.com](mailto:generalenquiries@icaew.com)  
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## ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

We:

- **authorise** ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- **investigate** complaints and hold ICAEW firms and members to account where they fall short of standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

[icaew.com/regulation](http://icaew.com/regulation)

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ICAEW is  
carbon neutral

\* includes parent companies. Source: ICAEW member data at 27 July 2022, Interbrand, Best Global Brands 2021