PUBLIC ACCOUNTANTS’ AND AUDITORS’ BOARD QUALITY REVIEW REPORT – 2017/2018

The report covers the quality reviews performed by the Public Accountants and Auditors Board (PAAB) for the period November 2017 to November 2018 and summarizes the findings per category as indicated in the tables below.

No re-reviews were performed during the reporting period.

1. **Quality Control findings**

This report summarises the quality control review process performed during the 2018 review cycle performed by the Public Accountants and Auditors Board Namibia (PAAB). The findings are based on the documentation of policies, procedures, considerations, detail of procedures performed, and evidence of monitoring procedures performed.

The report is categorized per type of review namely firm reviews and audit assurance engagement performed for completed assignments up to the date of the review.

2. **Firm reviews**

The PAAB performed 18 firm reviews of which 12 (66.6%) firms are subject to a re-review and six firms were found to be satisfactory (33.3%).

The total number of findings were 99 findings and are summarized in the table below and are ranked per Quality Control Elements sorted from the highest to the lowest frequency of occurrence in the review reports.
Table 1: Number of findings per quality control element

<table>
<thead>
<tr>
<th>No.</th>
<th>Quality control element</th>
<th>No. of findings per Element</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ethical requirements</td>
<td>35</td>
</tr>
<tr>
<td>2</td>
<td>Monitoring</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>Engagement performance</td>
<td>19</td>
</tr>
<tr>
<td>4</td>
<td>Human resources</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Leadership responsibilities</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Client acceptance and continuance</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Total number of findings</strong></td>
<td><strong>99</strong></td>
</tr>
</tbody>
</table>

The first three Quality Control elements also raised the highest number of high-risk findings with Ethical requirements (16), Monitoring (12) and Engagement performance (13) respectively which are included in the above figures.
3. Audit assurance engagements / file reviews

The Inspections department of the PAAB performed 42 individual audit engagement file reviews of which 20 (47.6%) audit engagement partners are subject to a re-review and 22 (52.3%) audit engagement partners were found to be satisfactory.

The total number of findings was 312 findings and they are summarized in the table below. The findings are ranked per occurrence sorted from the highest to the lowest frequency in the review reports.

Table 2: Number of findings per engagement file report classification
<table>
<thead>
<tr>
<th>No.</th>
<th>Engagement file report classification</th>
<th>No. of findings per inspection theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adequacy of Financial Statements and Disclosures</td>
<td>43</td>
</tr>
<tr>
<td>2</td>
<td>Risk Assessment and Response</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Pre-engagement activities/Planning</td>
<td>37</td>
</tr>
<tr>
<td>4</td>
<td>Completion</td>
<td>22</td>
</tr>
<tr>
<td>5</td>
<td>Revenue Recognition</td>
<td>19</td>
</tr>
<tr>
<td>6</td>
<td>Audit Report</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>Going Concern</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>Financial Assets and Liabilities</td>
<td>15</td>
</tr>
<tr>
<td>9</td>
<td>Property Plant and Equipment (PPE)/Investment Property</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>Working Papers</td>
<td>9</td>
</tr>
<tr>
<td>11</td>
<td>Ethics and Independence</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>Internal Control Testing</td>
<td>8</td>
</tr>
<tr>
<td>13</td>
<td>Analytical review</td>
<td>8</td>
</tr>
<tr>
<td>14</td>
<td>Subsequent Events</td>
<td>7</td>
</tr>
<tr>
<td>15</td>
<td>Fair value measurement, Valuations and Estimates</td>
<td>7</td>
</tr>
<tr>
<td>16</td>
<td>Journals</td>
<td>7</td>
</tr>
<tr>
<td>17</td>
<td>Inventory</td>
<td>6</td>
</tr>
<tr>
<td>18</td>
<td>Auditor’s Own Compliance with Laws and Regulations</td>
<td>6</td>
</tr>
<tr>
<td>19</td>
<td>Related Parties</td>
<td>6</td>
</tr>
<tr>
<td>20</td>
<td>Expenses</td>
<td>5</td>
</tr>
<tr>
<td>21</td>
<td>Reporting to those charged with governance</td>
<td>5</td>
</tr>
<tr>
<td>22</td>
<td>Taxation</td>
<td>5</td>
</tr>
<tr>
<td>23</td>
<td>Reliance on the work of an expert/other auditor/internal audit/service organisation</td>
<td>2</td>
</tr>
<tr>
<td>24</td>
<td>Biological assets</td>
<td>1</td>
</tr>
<tr>
<td>25</td>
<td>Opening Balances</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Total number of findings</strong></td>
<td><strong>312</strong></td>
</tr>
</tbody>
</table>

The following table is a summary of the highest number of high-risk findings for the files reviewed by the PAAB as indicated in Table 2 above.
Table 3: The five largest report classifications with high-risk findings per engagement file

<table>
<thead>
<tr>
<th>No.</th>
<th>Engagement file report classification</th>
<th>No. of findings per inspection theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk Assessment and Response Working Papers</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Audit Report</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Revenue Recognition</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Adequacy of Financial Statements and Disclosures</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Financial Assets and Liabilities</td>
<td>6</td>
</tr>
</tbody>
</table>

It was appreciated by the PAAB that the firms and assurance partners reviewed cooperated to streamline the quality review process.

The documentation standard ISA 230 requires from an auditor to document sufficient detail and conclude on the work performed which resulted in the majority of findings being raised. The working papers finding included audit differences not attached to management representation letter, differences between working papers and financial statements, working papers not updated during the final file completion.

Conclusions on working papers being contrary to the overall file and comments not cleared resulted in further findings being raised.

The re-review criteria stipulated by ICAN 2010/2011 were applied to assess the documentation on the firm and audit assurance engagement files.

4. **Comparison to the International Forum of Independent Audit Regulators (IFIAR) findings**

The top 5 IFIAR findings based on the IFIAR Survey of Inspection findings for 2017 for Listed Entities are summarised in the table below. All entities reviewed during the year by the PAAB have been included in the comparison, whereas the IFAIR inspections relate to Public Interest entities only. This can make direct comparison difficult as areas such as estimates and internal control are likely more complex in larger entities.
Table 4: Comparison of the top five findings to the top IFIAR findings

<table>
<thead>
<tr>
<th>No.</th>
<th>Engagement file report classification</th>
<th>Ranking of finding according to IFIAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adequacy of Financial Statements and Disclosures</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Risk Assessment and Response</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Pre-engagement activities/Planning</td>
<td>*</td>
</tr>
<tr>
<td>4</td>
<td>Completion</td>
<td>*</td>
</tr>
<tr>
<td>5</td>
<td>Revenue recognition</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Audit Report</td>
<td>17</td>
</tr>
<tr>
<td>7</td>
<td>Going Concern</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Total number of findings by the IFIAR members per inspection theme</td>
<td>1,168</td>
</tr>
<tr>
<td></td>
<td>Number of audit firms inspected by the 33 IFIAR members</td>
<td>918</td>
</tr>
</tbody>
</table>

- The IFAR did not classify the item as an inspection theme according to IFIAR table B.6(B-5).

With regard to firm review findings, 95% of the firm’s inspected had at least one finding raised, compared to the IFIAR average of 54%.

Sven von Blottnitz  
CHAIRPERSON: QUALITY ASSURANCE COMMITTEE