

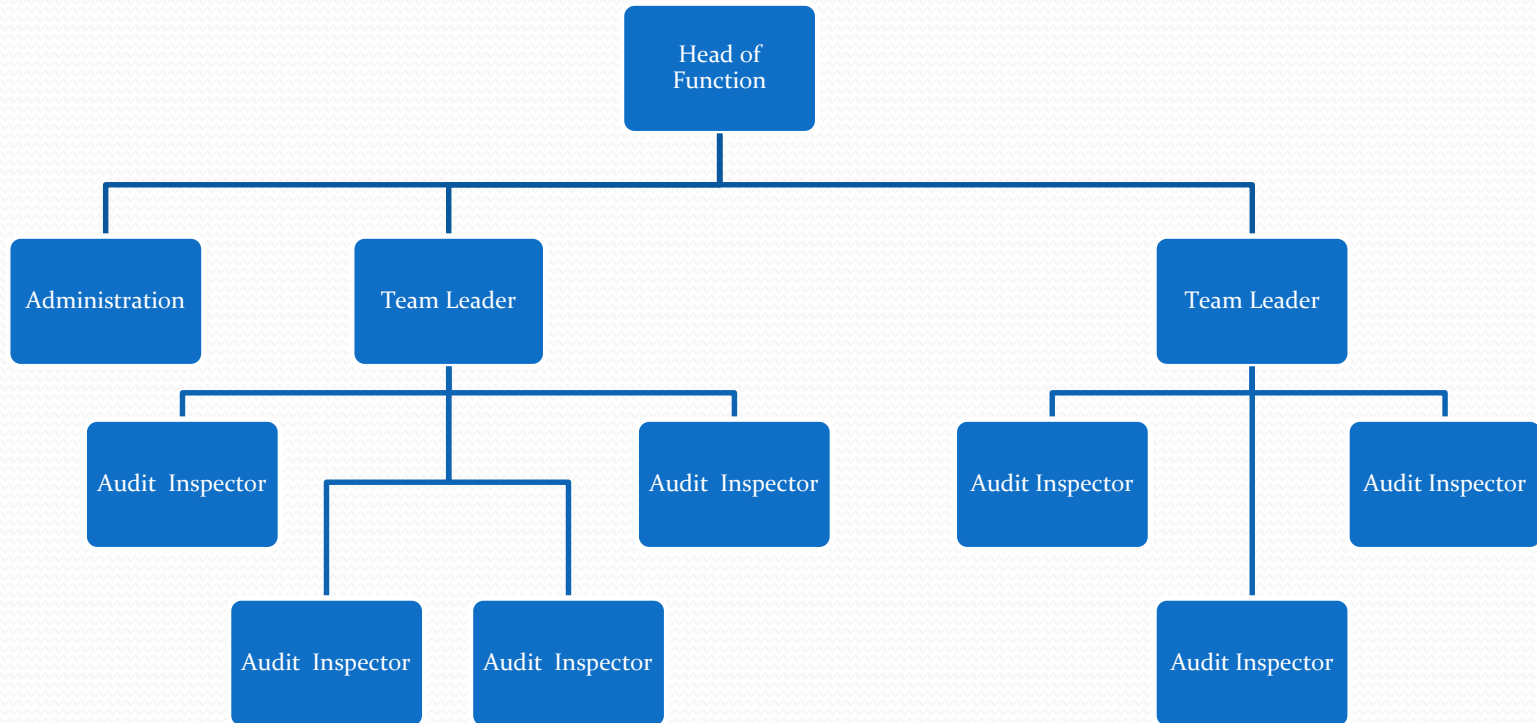
IAASA Audit Inspections Unit

Overview of the functions of AIU & Audit
Inspection Approach

17 June 2016

Organisational Structure

Proposed Structure with full complement of staff



Organisational Structure

Functions of the Unit

Audit Inspections

The AIU's overall objective will be to inspect PIE auditors' work and to promote improvements in the quality of auditing of PIEs.

The responsibilities of the Unit include the following:

- Whole firm inspections
- Individual audit inspections
- Joint inspections with overseas regulators
- Thematic reviews

IAASA Audit Inspections Unit

Inspection process

Pre-inspection process

PIE Auditors
annual return
submitted to IAASA

- Information for years ended 31 December, to be returned by 31 January
- Includes information on PIE audits and whole firm information

IAASA risk
assessment process

- IAASA analyses information returned considering various risk factors
- Risk factors include; industry; results of previous reviews; market cap; tenure of auditor

IAASA visit
schedule finalised

- Visit schedule finalised with indicative number of files to be reviewed
- Visit schedule includes any joint inspections planned

Whole firm inspection process

Visit timeline agreed

- Different aspects of whole firm inspections can be performed at different times of the year if logistically necessary
- May seek to perform in first quarter of calendar year

IAASA issues information request

- IAASA will issue a request for information to firm

On site visit

- On site inspection in accordance with the Common Audit Inspection Methodology
- Regular meetings during visit to discuss queries arising

Inspection completion

- Following completion of on-site visit, a queries list will be issued. This will reflect open queries or queries where IAASA requires a formal written response. This will be a detailed document.
- Firms will have 2 weeks to respond

Audit Inspection process

Audit selection completed

- Audits selected for review based on risk
- 2 weeks notice will be given
- No changes may be made to the file following notification
- For logistical reasons, IAASA likely to return to firm several times through the year following completion of the audits selected

On site inspection

- Each audit review expected to take between 1 and 3 weeks
- Inspection will involve a detailed review of a number of sections of the audit
- Regular meetings throughout visit between inspector and audit team

Inspection completion

- Following completion of on-site visit, a queries list will be issued, as per whole firm inspection.
- Firms will have 2 weeks to respond
- A closing meeting will be scheduled within 2 weeks of receipt of responses.
- It is intended to rate each audit inspected, but this will not be the case initially

Inspection completion

Overall inspection report

- Overall inspection report compiled summarising results of whole firm inspection and all files inspected in the year
- This will be issued to firm prior to finalisation
- It is intended that this report will be published, but this will not be the case initially