THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

REPORT ON THE

QUALITY ASSURANCE REVIEW (QAR) OF FIRMS
FOR
THE LIBERIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CONDUCTED IN MONROVIA

ON

FEBRUARY 09-20, 2020

Table of Contents

EXECUTIVE SUMMARY

General background information

The Liberian Institute of Certified Public Accountants (LICPA) requested for assistance to carry out Quality Assurance Review for its member firms through a letter dated August 27, 2019 to the President of the Institute of Chartered Accountants of Nigeria (ICAN). In the letter, the President of LICPA stated that there were thirteen (13) member firms in Liberia to be reviewed. The firms were:

1. PKF Liberia
2. Baker Tilly Liberia
3. Parker & Co.,LLC
4. BICON, Inc
5. Pan African Consultants
6. Deon and Noed International (DNI) Liberia LLC
7. Gedei & Associates
8. Moore Monrovia
9. MGI-Monbo & Company
10. Seekie & Assoicates
11. SovConsult Limited
12. PwC Liberia
13. Crowe Liberia LLC

Section 17 of the LICPA Act requires the Council of the LICPA to collaborate with a West African Regional Accountancy Body of which the Institute is a member, or bilaterally with any member body of such regional accountancy body for the purpose of periodically carrying out adequate Quality Assurance Review (QAR) of the operations, activities and working paper files of Registered Practicing Accountants (RPAs), members and member firms of the Institute in relation to any audit or other assurance engagement service(s) rendered by the CPA member or member firm of the Institute or by RPA to clients.

The LICPA requested that ICAN assist in performing this review at ICAN's cost. This became necessary because the LICPA was unable to fund the exercise due to limited resources. The total membership of LICPA was about 100.

The ICAN Council, at its meeting held on December 11, 2019, considered and approved the request from LICPA. A Two-man team was also approved to undertake the review. The team was led by Alhaji Haruna N.Yahaya, mni, FCA, Managing Partner, Haruna Yahaya & Co., and Council Member of ICAN and Mr. John Evbodaghe, FCA, Immediate Past Registrar/Chief Executive ICAN. The assignment was carried out from February 9 to 20, 2020.

The Quality Assurance Review (QAR) is a structured assessment of the firms based on the International Standards on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) for assessing audit firms. To carry out the assignment, the team used ICAN's Practice Monitoring Policy Guidelines for Audit Review. The objective of ICAN's Practice monitoring is to assess among other things the extent to which audit firms are complying with International Standards on Auditing (ISAs) and the International Standard on Quality Control 1 (ISQC 1). It is designed to raise the quality of practice as part of the profession and the Institute's quality control measures. Practice Monitoring is also to enhance the quality of services practising firms render to their clients as a strategy for rebuilding public confidence in the profession.

This report is a summary of the results of the assessment of the audit firms in Liberia. The following documents were sent electronically by the team to LICPA for transmission to the 13 firms listed for review:

Appendix 2 Revised Policy Guidelines for Practice Review 2020
Appendix 3 Revised Practice Review Checklist
Appendix 4 Quality Assurance Questionnaire
Appendix 5 Annual Assessment Report Using ISQC 1
Appendix 6 Revised Reviewers Questionnaire Checklist 2020

The 13 firms were informed of the visit by the Executive Director of LICPA, but only 12 firms were successfully reviewed. One of the firms said it was not ready for the exercise and so no review was carried out at the firm. During the visits to the firms, a review was carried out to gain understanding of the quality control issues at the firms followed by a review of the working files of at least three (3) of their clients.

Most firms did not complete the quality control questionnaires before the visit as they had reservations about the exercise given that it was their peak period. Most of the staff were in the field at the time of the visit and arrangements had to be made to recall them for the exercise. It was suggested that in future, such review should be done later in the year when there would be slack periods. The review was carried out in Monrovia where all the firms were located.

Discussions were held with the President, Vice President and Executive Director of the LICPA before the commencement of the review. After the review, discussions were held with the Past Presidents of the Institute and Council Members. The team also took time to visit a Training Center for ATS Examination with a view to encouraging students to write ICAN Professional examination thereafter.

The results of the reviews were supported with documentary evidence. The audit firms were requested to support issues represented in their completed questionnaire forms with documentary evidence. In carrying out the assessment we also reviewed the documentation of the system of quality control. We checked that the necessary documentations were available and that documents were retained as required by Law.

The assessment considered six key focus areas; they are:

a. Leadership within the firm
b. Compliance with ethical issues
c. Acceptance and continuance of client relationships
d. Human resources issues
e. Performance of audit engagements
f. Monitoring of quality controls.

The LICPA Act provides that for any person to practice in Liberia as a Registered Public Accountant, such a person must be qualified or have been admitted as CPA and had the relevant audit experience. A person so qualified must have been a member of LICPA for a minimum of 3 years for an indigene and 5 years for a non-indigene. Our observation revealed that the length of time required for obtaining a Licence to Practise, irrespective of having the required experience in other jurisdiction, is hampering the growth of those who desired to Practice in the Country. Consequently, there is a wide generation gap between the older Partners and newcomers. In most cases, foreigners from Ghana and Sierra Leone who filled the gap between the older generation and new generation of indigenes who want to practice, do not have the Licence to do so because they had not spent the minimum number of years required to obtain the Licence. However, all practicing accountants who signed the audited financial statements had authorisation to do so.

All the firms were conversant with IFRS which had been adopted as the preferred accounting reporting standards in the country. However, a few the firms visited revealed weaknesses in the application of both quality control procedures and audit methodology applied by the firms to ensure that audits were adequately planned, executed and effectively completed. Consequently, the working papers in such firms lacked sufficient details in planning and execution of the audit assignments. In some cases, sufficient audit evidence were not obtained to provide an understanding of the work done and to support the audit opinion.

The overall result of the review is that out of the twelve firms reviewed, only 6 firms were found to have met the full requirements of the review. It is note-worthy that all those that met the requirements were affiliated to International network of firms.

Summary of Findings:

The summary of main findings from the review are as follows:

Leadership:
All the firms reviewed have Managing Partners with audit experience of more than fifteen years. Almost in all cases, the Managing Partners were responsible for quality control in the firms. Where the Partners were active, they were able to ensure the implementation of quality control procedures and the adequacy of the quality of documentation of working papers. Where the Partners were not very active due to age and health issues, the quality of documentation was poor or nonexistent. The result was that the effect of leadership on quality control was apparent.

Ethical Requirements:
All firms have ethical guidelines in place to ensure independence. This was evidenced by the completion of independence declaration forms. In a few firms the forms were not completed. There were no policies regarding fees and what constituted a significant portion of annual income. Each firm had its own fee structure that it used to bid for jobs. The Institute has no scale of professional fees. Partner rotation was not complied with as most firms had only one partner. In the firms that had more than one partner, there were policies in place for Engagement Quality Review, in that one partner acted as engagement partner, and another partner acted as the quality control partner.

Acceptance and continuance of client relationships:
There were firms that complied with the policy on acceptance/continuance of client's procedures. In some firms there were no proper assessments of clients before acceptance of the assignment. However, in some of the firms visited, they had written client acceptance or continuance of client procedures well documented.

Human Resources:
Staff performance appraisals where conducted in all the firms. However, staff development plans were not well documented especially in the smaller firms. There was no structured staff training in the smaller firms as that was provided on a need basis and often on the job training. Staff training was mostly done in-house and consisted of sharing of audit field work experiences. Training was normally on IFRS, audit methodology and strategy. The ratio of managers to staff was considered high to allow optimum utilization of audit staff. The use of casual personnel was rampant as the smaller firms were unable to retain staff on full time basis.

Engagement Performance:
In all the firms visited that had foreign affiliations, audit engagements were properly planned and executed. This was due to the requirements of the foreign firms if they were to ensure continual use of their franchises. However, in the smaller firms that had no foreign affiliations, the audit plan did not have details of risk assessment, internal control evaluations, initial analytical review, minutes of meetings with those charged with governance and materiality computations. Most of the firms used some form of software and that made it easy to obtain a reasonable understanding of the audit work done from the audit files reviewed. There was inadequate working paper documentation, audit evidence and proper cross-referencing of working papers.

Monitoring:
Despite the availability of Quality Control procedures, monitoring of audit quality was found to be ineffective particularly in the smaller firms, due to failure of partners and managers to carry out or document appropriate quality reviews of audit working papers. In the bigger firms however, it was easy to see the evidence of documentation of the work carried out by the staff. The review process also revealed that the work of the seniors or staff were reviewed and evidenced by the signoff of the persons carrying out the review. Most of the files reviewed had compliance with IFRS checklist to ensure that all applicable disclosures had been made.

General
Some of the firms were located in poor environments especially close to or at the center of the markets. These areas were very noisy and hampers good concentration. Also access to these offices were difficult. Some of the offices were dirty and unattractive.

A few of the firms still carried out their engagements manually. This made documentation of the work done cumbersome and, in such cases, incomplete.

Recommendations
i. The firms that had adopted and complied with the provisions of ISQC 1, should continue to do so and ensure improvements in the implementation. The smaller firms should adopt the abridged version of the ISQC 1 and its application should be made compulsory for all audit staff.
ii. All new clients and continuing clients should be properly assessed, and the outcome fully documented before commencement of engagement. A well-designed acceptance form should be used for ease of compliance and documentation.
iii. To ensure the independence and confidentiality of the firm and staff, the ethical procedures should be followed and properly documented.
iv. Staff training should be well thought out and progressive. This should include compulsory preparation of staff for professional certification examinations.
v. Staff performance appraisals should be carried out as this will provide a basis for staff development, which in turn should result in improved quality audit service delivery.

vi. Though all the software currently being used for audit engagements contain processes to carry out sufficient risk assessment and materiality considerations, they must be fully complied with and documented. Those charged with governance should ensure that their signoffs are properly documented.

vii. In the smaller firms, working papers should be adequate and sufficiently complete to provide reasonable understanding of the audit work done and audit evidence obtained. There should be proper cross referencing of the audit programs to working papers.

viii. Monitoring of audit quality should be evidenced by signature of the reviewer and the date the work was performed. Where possible audit files should be reviewed by a second partner. Cold reviews should also be carried out.

ix. The audit files compiled should contain appropriate checklists including planning checklist, Internal Control Checklist and related audit completion and disclosure checklists with applicable cross-references.

x. LICPA must enforce the ethical provision that requires audit firms to write to the past auditors requesting them to state whether there are any reasons why they should not accept the new engagements. All past auditors must respond to the new auditors.

xi. LICPA should issue a Scale of Professional fees as a guide. No firm should base their fees below the recommended scales while bidding for an assignment. This will deter any under-cutting by firms. However, firms that can afford to charge higher fees should be allowed to do so.

xii. The partners of the firm that declined to be reviewed during this exercise should be counseled not to repeat that in future.

xiii. All firms with one Partner should be compelled to put in place an arrangement to enhance continuity in case the partner is incapacitated. The arrangement could include the take-over of existing engagements by another firm. This will ensure that the clients and staff do not suffer as a result of such incapacitation of the present partner.

xiv. The firms with sole partners should be encouraged to appoint more partners from their staff as that will encourage the staff to stay in the firm. In the alternative, such firms should be encouraged to merge.

xv. All firms should take Professional Indemnity Insurance to cover for any liability that may arise out of professional misconduct in the course of carrying out an engagement.

xvi. The firms located near the markets should relocate to better and serene environment. This will enhance the ambiance of the office and provide the staff and clients a conducive atmosphere to operate.

xvii. Those firms currently operating manually should acquire a software that will enhance their compliance with the disclosure requirements, documentation of the work done and quality control as stipulated in ISQC 1.

xviii. LICPA should formalize its Mandatory Continuing Development Programmes (MCDP) It should design training programmes for members, staff of firms and students. It should specify the minimum number of CPD hours each member should have before renewal of his Licence to Practise.

DETAILED REPORT

1. Introduction

a. Accountancy Profession in Liberia is regulated by the Liberian Institute of Certified Public Accountants (LICPA), which was established by the LIPCA Act 2011 as the regulatory body. The Act empowers LICPA to:
   i. Set accounting and auditing standards;
   ii. Licence qualified individuals and firms to engage in public practice;
   iii. Maintain and publish a register of Certified Public Accountants (CPAs), Registered Practicing Accountants (RPAs), and Associate Accounting Technicians (AATs);
   iv. Develop, implement, and monitor compliance with initial professional development and continuing professional development requirements;
   v. Set ethical requirements;
   vi. Adopt quality control standards and implement quality assurance requirements;
   vii. Establish disciplinary mechanisms for investigating and disciplining members for breach of rules and misconduct; and
   viii. Advise the Government of Liberia on public sector accounting standards.

b. There were 13 firms registered to carry out assurance work in Liberia and there were only 100 CPA members in LICPA at the time of the review. The firms were:
   i. PKF Liberia
   ii. Baker Tilly Liberia
   iii. Parker & Co.,LLC
   iv. BICON, Inc
   v. Pan African Consultants
   vi. Deon and Noed International (DNI) Liberia LLC
   vii. Gedei & Associates
   viii. Moore Monrovia
   ix. MGI-Monbo & Company
   x. Seekie & Assoicates
   xi. SovConsult Limited
   xii. PwC Liberia
   xiii. Crowe Liberia LLC

c. LICPA is a member of International Federation of Accountants (IFAC), the Accounting Bodies of West Africa (ABWA) and the Pan African Federation of Accountants (PAFA).

d. Liberia has no Capital Market (Stock Exchange) and relies solely on the provisions of the Business Registration Act, Tax Code, Central Bank Act & Regulations, National Security Act, IFRS and the World Bank Guidelines (Financing Agreement) for World Bank financed projects in Liberia. The bulk of the assignments carried out by the firms are World Bank or other donor funded projects.

e. The World Bank financed projects are supposed to be audited by the Auditor General (Supreme Audit Institution), who may appoint a private external auditor to audit the project on his behalf. The normal scope and terms of reference for audits of Bank-financed projects is agreed between the Project and the Country Financial Management Specialist prior to commencing the procurement process for an external auditor. Section 45 (2) of the Public Finance and Management Act 2009 of Liberia states that "State-owned Enterprises shall prepare and submit their Annual Reports to the Board of Directors for onward submission to the Minister, Sector Minister, Auditor General and the Bureau of State Enterprises two months after the end of the financial year to which they relate.

f. The scope of the audit of the World Bank financed projects normally includes the expression of an audit opinion on the project financial statements and accounts including the submission of a management letter highlighting internal control weaknesses and accountability issues observed within a specified period of time during the project implementation. The auditor is also requested to review compliance with the covenants of the credit/grant agreement, review the Statement of Expenditures (SOEs), Interim Financial Reports (IFRs) and special account reconciliations.

g. Other donor financed projects constitute another major source of engagements for the audit firms. The scope of such assignments are similar to those of the World Bank. Therefore, the requirements for appointments as auditors to such projects substantially align with those of the World Bank.

h. The review revealed that most of the firms are complying with the provisions of ISCQ1 and ISAs. Compliance was high amongst the firms that belonged to International network as they had to comply with the networks requirement. The other firms had difficulties in complying with provisions for planning and execution of assignments. There were instances in which new audit clients were not evaluated and all the required policies and procedures as specified by ISA were not followed; quality control policies and procedures manual and audit manual although developed were not followed. The one partner firms have specific challenges as one person has to deal with all the requirements.

2. Objective of the Review

The review was carried out in accordance with the provisions of Section 17 of the LICPA Act which requires the Council of the LICPA to collaborate with a West African regional accountancy body of which the Institute is a member, or bilaterally with any member body of such regional accountancy body for the purpose of periodically carrying out adequate Quality Assurance Review (QAR) of the operations, activities and working paper files of Registered Practicing Accountants (RPAs), members and member firms of the Institute in relation to any audit or other assurance engagement service(s) rendered by the CPA member or member firm of the Institute or by RPA to clients.

The major objectives of the review were to:

i. Verify and confirm the existence of documentary evidence supporting the compliance with the provisions of ISQC1. ISQC 1 requires amongst others: to implement a system of policies and procedures to ensure that all audits are conducted in accordance with ISAs. Furthermore, ISQC 1 requires the firm to document its policies and procedures and communicate them to staff. Such policies and procedures should include leadership responsibilities for quality, ethical requirements, engagement acceptance and continuance, human resources, engagement performance and monitoring.

ii. Identify opportunities to enhance the capacity of local external auditors, as well as supporting the LICPA in monitoring the quality of its practicing auditors.

3. Scope of the Review

The scope of the review was limited to assessing the audit firms for:

i. Compliance with the System of Quality Controls as established in ISQC 1.
ii. Compliance with IESBA Code of Ethics
iii. Existence of evidence compliance with provisions for acceptance and continuance of client relationships and specific engagements
iv. Adequate Leadership responsibilities for quality within the firm
v. Appropriate Human resources capacity and flexibility to carry out audit
vi. Adequate training program and capacity building
vii. Retention/Back-up policy of the firm
viii. Engagement performance
ix. Capacity to monitoring the work done by staff
x. Assessment of the physical premises and equipment

4. Approach/methodology of the review

The methodology used consisted of two steps.

i. The ICAN documents for Practice Monitoring of its firms (5 different questionnaire papers) were sent to the Executive Director of LICPA for circulation to the 13 external audit firms as listed the LICPA. The firms were expected to familiarize themselves with the process of Review as established by ICAN and complete the questionnaires. They were also expected to provide evidence backing their answers to the questions raised where they answered "YES".

ii. The second step was the physical visits to the firms by the team. During the visit, the Quality Control Questionnaires were reviewed with the representatives of the firms to determine whether the minimum criteria were met and obtain evidence that the claims were correct.

   Also the working paper files of 3 clients were reviewed to determine compliance level with best practices.

5. Review Criteria

The review considered:

5.1. General

i. Whether the firms established and documented a system of quality control which includes required policies and procedures
ii. What procedures were in place to ensure that partners and staff confirmed that they had read and understood the firm's system of quality control

iii. Appraise the physical location of the firms and their equipments including software used for their engagements.

5.2. Leadership responsibilities

i. Internal culture based on recognition that quality is essential in performing engagements
ii. Responsibility for overall compliance. Seniority of the partner responsible for quality control
iii. Responsibility for individual audit engagements and audit experience
iv. Effective communication between compliance partner and other engagement partners
v. Legal nature (partnership or sole proprietorship)

5.3. Ethical requirements (IESBA Code of Ethics)

i. There should be evidence that the Partners and Staff had read and applied the Code of Ethics in their work.
ii. Staff awareness of the firm's policies and procedures
iii. "Ethics" partner for the big firms
iv. Potential threats to independence
v. Communicate requirements to staff
vi. Prompt identification of breaches and circumstances and relationships that may pose a threat
vii. Safeguards and action taken to resolve matters
viii. Provisions for Disciplinary actions by the Institute

5.4. Acceptance and continuance of engagements

i. Undertaking due diligence on Clients gained
ii. Re-assessing existing client's integrity and attached risks
iii. Risk assessments before accepting appointments
iv. Communication with previous auditors
v. Procedure before accepting assignment
vi. Evidence of contract with client (Engagement letters)
vii. Policy on withdrawal

5.5. Human resources Policies

i. Number of full-time professional staff, especially managers and senior auditing staff
ii. Performance evaluation for auditing experience and qualification of staff/partners
iii. Recruitment
iv. Capabilities and competence
v. Career development
vi. Remuneration
vii. Review of personnel files
    a. Review of staff manual
    b. References
    c. Job descriptions
    d. Job analysis
    e. Job specification
    f. Appraisals
    g. Appropriate training to needs

5.6. Engagement performance

i. Audit methodology/approach
ii. Procedure for engagement partner to inform team of responsibilities, background information, planning issues and audit approach.
iii. Supervision by engagement partner
iv. Review procedures
v. Consultation
vi. Documentation (permanent audit file, current audit file, correspondence file etc.)

5.7. Monitoring Policies and Procedures

i. Review of firm's system of quality control
ii. Periodic "cold" reviews of engagement files
iii. Appropriateness of audit opinion Issued
iv. Complaints regarding non-compliance with professional standards and firm's own system of quality control

5.8. Compliance with International Standards on Auditing

i. Use of compliance checklist
ii. On the basis of review of financial statements, the supporting audit working papers, consider relevance of each ISA and record any weaknesses.

5.9. Retention/back-up policy of the firm

i. The existence of adequate and efficient back-up policy for the firm's report. Back-up media may include one or more of the following:
   a. Central server
   b. Compact disc (CD)
   c. Flash disc etc.
ii. Ensure the existence of valid retention policy for all the firm's reports as provided by the relevant statute.

5.10. Review of audit files

i. Use an audit file checklist
ii. Selection to reflect representative samples of the firm's engagements.
iii. Focus on high risk audits i.e. complex and larger businesses
iv. Ask for all relevant files, including client tax and correspondence files
v. Review files within the firm's calendar year.
vi. Ensure that only files signed by both Directors and Auditors are reviewed
vii. Review file without engagement partner or staff present
viii. Only recognise work recorded on the file

5.11. Auditor's role in ensuring financial statements' compliance with IFRS

i. Primary responsibility is directors'
ii. Auditor should record how the completeness and fairness of the presentation and disclosures in financial statements had been reviewed
iii. Auditor expresses an opinion on compliance with IFRS
iv. Use of IFRS Disclosure checklist

5.12. Review of audit evidence

i. Identify key areas
   a. Based on review of financial statements
   b. Based on knowledge of business and planning
ii. Essential to record what audit work is on the file
iii. If audit work not recorded, assume it has not been done
iv. If timing, nature and extent of audit work not recorded, assume it has not been done
v. Consider adequacy of audit work performed and recorded in each key area
vi. Consider financial statement assertions and audit objectives to identify deficiencies
vii. Record weaknesses identified

6. Findings

The review identified the following as our findings:

i. Almost all the firms reviewed used one form of software or another. The audit software had quality control and procedures manual based on ISQC 1 in them. However, the few that did not have software only had hard copies of checklists or audit practice manuals that they treated as quality control polices. It was difficult for such firms to comply with the documentation required.

ii. Independence declaration forms were completed, signed off and filed in the audit file of most of the firms as these were embedded in their audit software. There were written ethical requirements policies in the software in majority of the firms and staff were required to comply with them while on audit assignments.

iii. A few firms did not comply with the provisions required for Acceptance and continuance of client relationships. Such firms did not carry out the assessment of new clients or continuing relationships.

iv. The review of staff available in the firms revealed inadequate capacity in smaller firms. In most cases, these firms depended on contract personnel to undertake relatively large audit engagements. The level of staffing in the smaller firms made it difficult for them to achieve consistency in quality due to pressure on such staff to work on other assignments.

v. Only a few firms maintained adequate personnel files. In most firms the staff records were incomplete as they lack many of the vital records of staff career history including appointment letter, appraisal reports, independence declaration, confidentiality agreements and information showing substantive progress made by the staff in the firm.

vi. The training programs were not well structured. Training programmes were implemented as the need arises. In most cases, the trainings consisted of periodic briefings by experienced staff. There were no records of the trainings in the staff files. LICPA does not have a Mandatory Continuing Programme Development requirement for its members. In a few cases, the LICPA had organised trainings for its members and staff of the firms.

vii. The review revealed that most audit engagements were adequately planned. This was because most of the engagements were for donor organizations that required minimum standards of documentations before the firms could be engaged to undertake such assignments. Since most firms have foreign affiliations and use audit software, there were adequate evidence of documentation of work done.

viii. The review revealed that only in a few cases and in the smaller firms where audit programs were not completed, and the programs cross referenced to the schedules of work done. This indicated that there were no works done.

ix. A few audit firms did not write to the past auditors requesting them to state whether there were any reasons why they should not accept the new engagements. Also, in a few instances past auditors did not respond to letters written to them by the new auditors.

x. The review revealed that firms quoted for jobs using their own fee structure. There were complaints that some firms bided too low for jobs thereby under-cutting other firms in the bid to secure the engagements. This is unhealthy for the profession. The LICPA does not have a Scale of Professional Fees that will serve as a benchmark for all firms.

xi. One firm declined to be reviewed during this exercise. The Partners made themselves unavailable for the review even after arrangements were made to reschedule the visit to their firm.

xii. In firms where there was only one partner, there were no arrangements in place for continuity of the practice and conclusion of the outstanding engagements in the case of any eventuality that could lead to the incapacitation of the partner to continue with the engagements. This situation could lead to the client and staff suffering untold hardship as a result of such incapacitation of the partner.

xiii. Not all the firms had Professional Indemnity Insurance to cover for any liability that may arise out of professional misconduct. Where there were insurance covers, it was due to the requirements of the clients.

xiv. Some of the firms were located in poor environments especially close to the markets. These areas were very noisy and hampers good concentration. Also access to these offices were difficult. Some of the offices were dirty and unattractive.

xv. A few of the firms still carried out their engagements manually. This made documentation of the work done cumbersome and, in such cases, incomplete.

7. Recommendations

As a way forward, the following are our recommendations:

i. The firms that have adopted and complied with the provisions of ISQC 1, should continue to do so and ensure improvement in the implementation. The smaller firms should adopt the abridged version of the ISQC 1 and its application should be made compulsory for all audit staff.

ii. All new clients and continuing clients should be properly assessed, and the outcome fully documented before commencement of engagement. A well-designed acceptance form should be used for ease of compliance and documentation.

iii. To ensure the independence of the firm, staff and confidentiality, the ethical procedures should be followed and properly documented.

iv. Staff training should be well thought out and progressive. This should include compulsory preparation of staff for professional certification examinations.

v. Staff performance appraisals should be carried out as this will provide a basis for staff development, which in turn should result in improved quality audit delivery

vi. Though all the software currently being used for audit engagements contain processes to carry out sufficient risk assessment and materiality considerations, these must be fully complied with and documented. Those charged with governance should ensure that their sign off are properly documented.

vii. In smaller firms, working papers should be adequate and sufficiently complete to provide reasonable understanding of the audit work done and audit evidence obtained. There should be proper cross referencing of the audit programs to working papers.

viii. Monitoring of audit quality should be evidenced by signature of the reviewer and the date the work was performed. Where possible audit files should be reviewed by a second or quality partner. Cold reviews should also be carried out.

ix. The audit files compiled should contain appropriate checklists including planning checklist, Internal Control Checklist and related audit completion and disclosure checklists with applicable cross-references.

x. LICPA must enforce the ethical provision that requires audit firms to write to the past auditors requesting them to state whether there are any reasons why they should not accept the new engagement. All past auditors must respond to the new auditors.

xi. LICPA should issue a Scale of Professional fees below which no firm should base their fees while bidding for an assignment. This will deter any under-cutting by firms. However, firms that can afford to charge higher fees should be allowed to do so.

xii. The partners of the firm that declined to be reviewed during this exercise should be counseled not to repeat that in future.

xiii. All firms with one Partner should be compelled to put in place an arrangement to enhance continuity in case the partner is incapacitated. The arrangement could include the takeover of existing engagements by another firm. This will ensure that the client and staff do not suffer as a result of such incapacitation of the present partner.

xiv. All firms should take our indemnity insurance to cover for any liability that may arise out of professional misconduct.

xv. The firms with sole partners should be encouraged to appoint more partners from their staff as that will encourage the staff to stay in the firm. In the alternative, such firms should be encouraged to merge.

xvi. The firms located near the markets should relocate to better and quieter areas. This will enhance the ambiance of the office and provide the staff and clients a conducive atmosphere to operate.

xvii. Those firms currently operating manually should acquire a software that will enhance their compliance with the disclosure requirements, documentation of the work done and quality control as stipulated in ISQC 1.

xviii. LICPA should formalize its Continuing Development programmes. It should design programmes for members, staff of firms and students. It should specify the minimum number of CPD hours each member should have before renewal of his Licence to Practise.

8. Conclusion

We wish to thank the ICAN Council for not only approving the request of LICPA to carry out this practice monitoring but making available the resources to do so.

We also thank the President, Council and Management of LICPA for providing us with accommodation and transportation during our stay in Monrovia. The LICPA was very open to us during the visit and asked that we convey their best regards to the ICAN President and Council for the assistance.

We were impressed that out of the 13 firms listed for review 12 cooperated with the team even when a few of them know that they were deficient in most of the areas to be reviewed. They understood that the purpose was to assist them update their practices. Unfortunately, one firm refused to be reviewed.

Overall we are of the view that the practices in Liberia are doing very well given the limited resources available in the Country. We recommend that they keep up the good practices and improve where they were found deficient.

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March 30, 2020