

Quality Control Documentation Guide

Issued September 2010

by

**Kampuchea Institute of
Certified Public Accountants
and Auditors (KICPAA)**

Introduction

The Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) has produced this guide to assist its member firms to develop the policies and procedures documentation required to comply with the requirements of the Cambodian International Standard on Quality Control (CISQC1) and the Cambodian Code of Ethics for Professional Accountants (CCEPA).

The guide deals with firm wide quality control and ethical requirements under the aforementioned mandatory requirements. Whilst the guide deals with engagement performance documentation required under CISQC1 and CCEPA it does not cover the requirements of Cambodian International Standards on Auditing, Cambodian International Standards on Review Engagement or Cambodian International Standards on Assurance Engagement or the work papers and work files for individual engagements conducted under those standards.

CISQC1 applies to all firms of professional accountants in respect of audits and reviews of financial statements, and other assurance and related services engagements. It defines a Firm as “A sole practitioner, partnership or corporation or other entity of professional accountants”.

CISQC1 includes a requirement that the firm must establish policies and procedures designed to provide the firm with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.

CCEPA defines:

- > an audit engagement as “A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with International Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.”
- > A review engagement as “An assurance engagement, conducted in accordance with International Standards on Review Engagements or equivalent, in which a professional accountant in public practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.
- > An assurance engagement as “An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

Throughout the pro forma documents contained in this guide the term audit client or audit engagement refers to both audit and review clients and engagements.

Users of this guide should note however that the requirements of CISQC1 and CCEPA are not restricted to policies and procedures relative to audits and reviews of financial statements, and other assurance and related services engagements and the personnel who work on such engagements. They also include general requirements relative to policies and procedures applicable to the overall firm and all personnel.

As no two firms are the same, all firms that use this guide need to tailor the pro-forma policies and procedures to their firm's unique environment and needs. CISQC1 recognises that the nature and extent of the policies and procedures developed by an individual firm to comply with CISQC1 will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network.

The guide is therefore produced in Microsoft Word so that KICPAA members can tailor it to their individual situation.

Some users may wish to add more policies and procedures to address their specific environment or needs, whilst other (e.g. small firms including sole practitioners) may need to tailor communication, review policies etc to suit their firm structure. CISQC1 does not call for compliance with requirements that are not relevant, for example, in the circumstances of a sole practitioner with no staff, requirements of CISQC1 such as those for policies and procedures for the assignment of appropriate personnel to the engagement team, for review responsibilities and for the annual communication of the results of monitoring to engagement partners (directors) within the firm are not relevant in the absence of staff.

Care should however be taken in adapting the pro forma documents in this guide to a particular firm. In particular reference should be made to the requirements of CISQC1 and CCEPA to ensure that any amendments made do not contravene mandatory requirements relating to requirements to document policies and procedures relative to specific situations. To ensure the firm still complies with such documentation requirements it is suggested that the best approach may be to:

- > amend particular policies/procedures when necessary by stating something along the lines of that it is not necessary for the firm to (*policy/procedure*) because the firm has only one partner (director) and no staff.
- > Not delete particular policies or procedures even though they may not be applicable to the firm at the present time (this approach will also assist in making sure the documentation covers possible future changes in the size or structure of the firm).

Reference should be made to the definitions contained in CISQC1 and CCEPA if necessary to interpret some terminology used in the pro forma documents. Terms that appear frequently in the pro forma documents and their definitions are shown below to assist members in understanding requirements:

Immediate family	A spouse (or equivalent) or dependent
Close family	A parent, child or sibling who is not an immediate family member

This guide has been produced to assist KICPAA members to meet their quality control obligations. KICPAA member firms are permitted to copy and amend the pro forma documents for use within their practice, but no other persons or organisations are permitted to copy or reproduce this guide or the pro forma documents contained herein without the express consent of KICPAA.

Whilst due care has been taken in preparing this guide, KICPAA does not accept any responsibility in relation to any inaccuracy, error or omission therein.

Contents

Documentation	4
Documentation policy statement	4
Leadership responsibilities	5
Leadership responsibilities policy statement	5
Assignment of operational responsibility document.....	6
Ethical requirements	7
Ethical requirements policy statement	7
General Requirements – applicable to all clients and engagements	7
Compliance with ethical pronouncements	7
Integrity, objectivity and independence	7
Confidentiality	8
Fees	9
Objectivity – All Services.....	9
Custody of Client Assets.....	9
Additional Requirements applicable to Audit, Review and other Assurance Clients and Engagements	10
Financial interests	10
Loans and Guarantees	12
Business Relationships.....	12
Family and Personal Relationships	13
Employment with an Audit or other assurance Client	14
Temporary Staff Assignments	15
Recent Service with an Audit or other assurance client.....	15
Serving as a Director or officer of an Audit or other assurance Client.....	15
Long Association of Senior Personnel with an Audit or other assurance Client (Including Partner/Director Rotation on public interest audit clients).....	15
Provision of Non-assurance Services to Audit or other Assurance Clients	16
Preparing Accounting Records and Financial Statements	16
Valuation Services	17
Taxation Services.....	17
Internal Audit Services	18
IT Systems Services	18

Litigation Support Services.....	19
Legal Services.....	19
Recruiting Services	19
Corporate Finance Service	19
Fees	20
Compensation and Evaluation Policies.....	21
Gifts and Hospitality	21
Actual or threatened litigation.....	21
Networks	21
Annual independence confirmation	22
Independence resolution memorandum	23
Acceptance and continuance of client relationships	24
Acceptance and continuance of client relationships Policy statement	24
Acceptance of new clients.....	24
Engagement letters.....	25
Continuing engagements.....	25
Ethical letter	26
New client acceptance checklist	27
Client/engagement information notification form	28
Client retention checklist	29
Independence checklist	30
Engagement Letter (Audit Client).....	35
Human resources	37
Human resources policy statement	37
Recruitment.....	37
Performance evaluation/promotion/remuneration	37
Capabilities/competence/career development.....	37
Assignment to engagements.....	38
Job descriptions.....	39
Professional staff performance review.....	40
Engagement performance.....	43
Engagement performance policy statement	43
Engagement performance	43
Consultations and referrals.....	43

Engagement documentation.....	43
Assurance practices only.....	44
Differences of opinion	44
Engagement quality review.....	44
Differences of opinion resolution –assurance practices only.....	47
Monitoring	48
Monitoring policy statement.....	48
Monitoring	48
Complaints and allegations	49
Monitor’s Questionnaire	51
Monitor’s Report.....	53
Record of complaint.....	55

Documentation

Documentation policy statement

The firm requires that appropriate documentation be in place to provide evidence of the operation of each element of its system of quality control.

The above requirements include:

- > When safeguards are required to reduce a threat to an acceptable level, the nature of the threat and the safeguards in place or applied that reduce the threat to an acceptable level must be documented.
- > When a threat required significant analysis to determine whether safeguards were necessary and it was concluded that they were not because the threat was already at an acceptable level, the nature of the threat and the rationale for the conclusion must be documented

The firm's quality control guide, containing all policies and procedures, is made available to all team members and feedback on the quality control system is encouraged.

All team members have a responsibility for quality in the firm and are expected to comply with all policies and procedures. Any changes to the quality control manual and/or the firm's policies and procedures will be explained to members at the (weekly / monthly / other) team meetings.

Documents relating to the quality control system will be retained for at least __ years.

Leadership responsibilities

Leadership responsibilities policy statement

Ultimate responsibility for the firm's system of quality control has been assumed by the partner(s)/director(s)/CEO/managing board of partners (directors). We have an overriding commitment to quality.

Operational responsibility has been assigned to an appropriately experienced and qualified person, specified in the 'Assignment of operational responsibility' document (As this firm is operated by a sole practitioner, the practitioner has assumed responsibility for quality control). The person assigned this responsibility:

- > Is required to have, and maintain an understanding of the entire text of Cambodian International Standards on Quality Control (CISQC1), including its application and other explanatory material, in order to understand and apply its requirements properly.
- > Has the authority of the firm to assume the responsibility required.

The quality of our work, the satisfaction and enjoyment we experience from completing the work, and the profitability derived are correlated to the level of efficiency and effectiveness reached.

The firm's leadership recognises that the firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all engagements that the firm performs. The mandatory status of the Cambodian Code of Ethics for Professional Accountants (CCEPA) and CISQC1 is acknowledged and the firm affirms the intention to operate the practice in a climate of quality, complying with those requirements:

- > All team members are expected to maintain a high level of quality in all assigned tasks.
- > Quality will not be compromised by commercial considerations on assignments.
- > Adopted procedures will be consistently followed by all team members.
- > Team members' annual performance reviews (and their compensation and promotion) will include an appraisal of their demonstrated commitment to quality.
- > Training is recognised as the key component to ensuring quality is maintained.
- > Team members are encouraged to attend training relevant to their roles.
- > The firm devotes sufficient resources for the development, documentation and support of its quality control policies and procedures.

We have documented a set of policies and procedures that reflect what the practice does. These policies and procedures are designed to promote an internal culture recognising that quality is essential in performing engagements. The requirements of CCEPA and CISQC1, and other mandatory standards relevant to services offered by the practice, are adequately addressed by these procedures. There is a built-in system of controls and checks.

We recognise that if these controls are not built in to the way the firm performs its work then it is unlikely they would be consistently performed.

The partners (directors) are committed to the documented policies and procedures, and review them at least annually to ensure they are current.

Assignment of operational responsibility document

The firm recognises the need for the person who has been assigned operational responsibility for the firm's quality control system to have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

Given the above and having considered the personnel of the firm, it has been decided to assign operational responsibility for the firm's quality control system to:

[Insert name here]

Signed: _____

Partner (Director)

Accepted by: _____

Date: _____

Date: _____

Ethical requirements

Ethical requirements policy statement

General Requirements – applicable to all clients and engagements

Compliance with ethical pronouncements

All team members are expected to adhere to the fundamental principles of professional ethics as outlined in the CCEPA, by-laws and any miscellaneous professional statements. We require all team members to maintain a high standard of personal conduct to avoid any possible damage to their reputation, the firm's reputation or that of the Kampuchea Institute of Certified Public Accountants and Auditors.

Team members should refer to, and be conversant with, CCEPA, the Cambodian Code of Ethics for Professional Accountants and other mandatory ethical pronouncements.

All team members are responsible for the firm's adherence to the ethical principles. If any team members are concerned about any issue in relation to ethical principles, they are empowered to communicate these concerns to the engagement partner (director), quality control leader or senior partner (director) as the team member believes is appropriate.

Integrity, objectivity and independence

The engagement partner (director) must be informed where a team member or relative has any financial interest or dealings with any client or a connection with any client. This includes situations where the client employs relatives or friends.

Where the firm is making a proposal to gain a new client or begins to act for a new client and any team member has any interest in the client's affairs, including those mentioned above, the team member must immediately, upon becoming aware that the firm is proposing or acting, notify the engagement partner (director) of their interest.

Engagement partners (directors) are required to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements.

All personnel are required to promptly notify the managing partner (director) and the quality control leader of:

- > Circumstances and relationships that create a threat to independence.
- > Breaches of independence requirements.

The managing partner (director) and/or the quality control leader shall promptly communicate identified breaches of policies and procedures to:

- > The relevant engagement partner (director) who, with the firm, needs to address the breach and
- > Other relevant personnel in the firm and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action.

The engagement partner (director) and the other relevant individuals, and where appropriate the network, must promptly communicate to the managing partner (director) and quality control leader the actions taken to resolve the matter, so that the firm can determine whether it should take further action.

Where a team member receives a gift or benefit of any kind or buys goods (or uses services) from a client the engagement partner (director) must be notified. If the firm or a professional accountant employed by the firm or an immediate or close family member of such an individual is offered gifts and hospitality from a client, the significance of any threats evaluated and:

- > When necessary safeguards applied, or
- > When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, the firm or individual is required to decline such an offer.

Any social contact team members may have with clients must be disclosed to the engagement partner (director) concerned. The interaction may be completely appropriate, but the partner (director) must be aware of the circumstances to ensure the integrity and objectivity of the firm is maintained.

The engagement partner (director) is responsible for evaluating any threats to independence and ensuring any threats that clearly are not insignificant are documented, and eliminated or reduced to an acceptable level.

The firm will provide appropriate education to all team members required to be independent.

Confidentiality

Team members have access to clients' confidential information, and it is a critical condition of employment that this information is treated as strictly confidential. Inappropriate use of client's confidential information is grounds for dismissal.

Examples of inappropriate actions regarding client information are:

- > Imparting information to anyone other than to a member of this firm, other than to other parties where such disclosure is normal and client-approved.
- > Imparting information to clients' employees.
- > Imparting to anyone the names of clients for whom the firm acts, except where such disclosures are normal and necessary or client-approved.
- > Disclosing any information to anyone where such disclosure might be to the detriment of the client.
- > Discussing with relatives or friends any matters relating to the firm's clients or their affairs.
- > Care must be taken to ensure details relating to a client cannot be heard or seen at reception or in other public areas.
- > Confidential information can be disclosed inadvertently when on a telephone in the proximity of another person
- > Telephone calls should not be taken when team members are engaged with other clients.
- > Client files or other documentation must not be left unattended or visible at reception, or in interview areas or other public areas.
- > Great care should be taken to ensure the correct books and papers etc. are forwarded to or handed to a client.

- > Unused draft client reports/tax returns must be disposed of securely.

When team members are visiting client premises, other team members should not disclose to anyone where those team members are working. If a client or other person urgently needs to speak to a team member who is working out of the office, arrangements must be made for that team member to be contacted by someone in the office so that they may return the call. Alternatively, team members may call the office at intervals during the day to check for any urgent messages.

Fees

An evaluation must be made of the significance of any threat arising from factors such as the level of fee quoted and the services to which it applies and safeguards applied when necessary

If the firm charges a contingent fee for a non-assurance engagement the significance of any threats to compliance with fundamental ethical principles must be evaluated and safeguards applied when necessary.

If the firm receives referral fees or commissions relating to a client or commissions from a third party in connection with the sale of goods or services to a client an evaluation must be made of the significance of the threat and safeguards applied when necessary.

If a referral fee is paid to obtain a client the significance of the threat must be evaluated and safeguards applied when necessary.

Objectivity – All Services

When providing any professional service the firm shall:

- > Determine whether there are threats to compliance with the fundamental ethical principle of objectivity resulting from having interests in, or relationships with, a client or its directors, officers or employees.
- > Evaluate the significance of any threats and apply safeguards when necessary.
- > If safeguards cannot eliminate or reduce the threat to an acceptable level, decline or terminate the relevant engagement.

Custody of Client Assets

If the firm or any professional accountant employed by it assumes custody of client monies or other assets:

- > As part of client and engagement acceptance procedures for services that involve the holding of such client assets, appropriate inquiries shall be made about the source of such assets and legal and regulatory obligations shall be considered.
- > The holder shall ensure that:
 - These assets are kept separately from personal or firm assets.
 - These assets are used only for the purpose for which they are intended.
 - At all times they are ready to account for those assets and any income, dividends, or gains generated, to any persons entitled to such accounting.

- They comply with all relevant laws and regulations relevant to the holding of and accounting for such assets.

Additional Requirements applicable to Audit, Review and other Assurance Clients and Engagements

All personnel that are involved in providing audit, review or other assurance services are required to annually provide written confirmation of compliance with the firm's policies and procedures on independence by completing the "Annual Independence confirmation" form and forwarding it to the quality control leader.

Financial interests

The firm, a member of an audit team, or a member of such an individual's immediate family, are not permitted to:

- > Have a direct or a material indirect financial interest in the audit or other assurance client.
- > Have a direct or material indirect financial interest in an entity that has a controlling interest in the audit or other assurance client.
- > Have a financial interest in an entity in which an audit client also has a financial interest and that interest is material to any party, and the audit client can exercise significant influence over the other entity.

If a member of the audit team, or a member of that individual's immediate family, or the firm, has a financial interest in an entity in which a director, officer or controlling owner of an audit client is also known to have a financial interest the significance of any threat must be evaluated and safeguards applied when necessary.

Neither

- > The firm, or a member of the audit or other assurance team, or a member of that individual's immediate family;
- > a partner (director) in the office in which the engagement partner (director) practices in connection with the audit or other assurance engagement, or that persons immediate family members;
- > other partners (director(s) and managerial employees who provide non-assurance services to the audit or other assurance client (except those whose involvement is minimal) or their immediate family members;

are permitted to hold a direct financial interest or a material indirect financial interest in the audit or assurance client as a trustee unless:

- > The trustee, an immediate family member of the trustee, or the firm are not beneficiaries of the trust; and
- > The interest in the audit or other assurance client held by the trust is not material to the trust; and
- > The trust is not able to exercise significant influence over the audit or assurance client; and

- > The trustee, an immediate family member of the trustee, or the firm is not able to significantly influence any investment decision involving a financial interest in the audit or other assurance client.

Members of an audit or other assurance team shall:

- > determine whether a threat is created by any known financial interests in the audit or other assurance client held by other individuals including:
 - Partners (Directors) and professional employees of the firm, other than those referred to above, or their immediate family members; and
 - Individuals with a close personal relationship with a member of the audit or assurance team.
- > Evaluate the significance of any such threat identified and apply safeguards when necessary.

If the firm or a partner (director) or employee of the firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit or other assurance client (for example, by way of an inheritance, gift or as a result of a merger) and such interest would not be permitted to be held under section 290 of the CCEPA (*independence requirements for audit engagements and review engagements*), then:

- > If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material.
- > If the interest is received by a member of the audit or other assurance team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material.
- > If the interest is received by an individual who is not a member of the audit or assurance team, or by an immediate family member of the individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material.
- > Pending the disposal of the financial interest, a determination shall be made as to whether any safeguards are necessary.

Other partners (directors) in the office in which the engagement partner (director) practices in connection with an audit engagement, or their immediate family members, are not permitted to hold a direct financial interest or a material indirect financial interest in that audit client(s).

Other partners (directors) or managerial employees who provide non-audit services to an audit client or a member of such an individual's immediate family are not permitted to have a direct or indirect financial interest in the audit client.

Members of an audit or other assurance team are required to notify the firm if they have a close family member who the audit or assurance team member knows has a direct financial interest or a material indirect financial interest in the audit or other assurance client. If the firm is advised of the existence of such an interest, the significance of the threat must be evaluated and safeguards applied when necessary.

Any partner (director) or employee of the firm who becomes aware of any breaches of the above requirements resulting from the purchase, inheritance or other acquisition of a financial interest in an audit or other assurance client is required to promptly notify the CEO / Managing Partner (Director) / Quality Control Officer.

Loans and Guarantees

A member of an audit or other assurance team or a member of that individual's immediate family, or the firm is only permitted to have a loan, or a guarantee of a loan from an audit or other assurance client that is a bank or a similar institution if such loan or guarantee was made under normal lending procedures, terms and conditions. If such a loan was made to the firm and it is material to the audit client or the firm, safeguards must be applied to reduce the self interest threat to an acceptable level.

The firm or a member of the audit or other assurance team, or a member of that individual's immediate family, shall not accepted a loan from, or have a borrowing guaranteed by an audit or other assurance client that is not a bank or similar institution unless the loan or guarantee is immaterial to both the firm or the member of the audit team and the immediate family member and the client.

The firm or a member of the audit or other assurance team, or a member of that individual's immediate family, shall not make or guarantee a loan to an audit or other assurance client unless the loan or guarantee is immaterial to both the firm or the member of the audit or other assurance team and the immediate family member and the client.

Business Relationships

The Firm shall not enter into a close business relationship arising from a commercial relationship or common financial interest with an audit or other assurance client or its management except if any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management.

A member of the audit or other assurance team shall not enter into a close business relationship arising from a commercial relationship or common financial interest with an audit or other assurance client or its management except if any financial interest is immaterial and the business relationship insignificant to the member of the audit or other assurance team.

If a close business relationship arising from a commercial relationship or common financial interest with an audit or other assurance client or its management exists between an immediate family member of a member of the audit or other assurance team and the audit or other assurance client or its management the significance of any threat must be evaluated and safeguards applied when necessary.

The firm, or a member of the audit team, or a member of that individual's immediate family, shall not hold an interest in a closely-held entity in which the audit client or a director or officer of the client, or any group thereof, also holds an interest unless:

- > the business relationship is insignificant to the firm, the member of the audit team and the immediate family member, and the client;
- > the financial interest is immaterial to the investor or group of investors; and
- > The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

The purchase of goods and services from an audit or other assurance client by the firm, or a member of the audit or other assurance team, or a member of that individual's immediate family is prohibited unless they are of an immaterial amount and the significance of any threat created is evaluated and when necessary safeguards applied.

Family and Personal Relationships

An immediate family member of a member of an audit team is not permitted to act as a director or officer of the audit client or as an employee in a position to exert significant influence over the preparation of the clients accounting records or financial statements on which the firm will express an opinion.

An immediate family member of a member of an other assurance team is not permitted to be a director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement or to have occupied such a position during any period covered by the engagement or the subject matter information.

The firm does not permit any of the following relationships unless the significance of the threat has been evaluated and safeguards applied when necessary:

- > An immediate family member of a member of the audit team is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows;
- > A close family member of a member of the audit team is a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion;
- > A close family member of a member of an other assurance team is a director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement;
- > A member of the audit team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion;
- > A member of an other assurance team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the subject matter information of the assurance engagement;
- > A personal or family relationship exists between a partner (director) or employee of the firm who is not a member of the audit team and a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion;
- > A partner (director) or employee of the firm has a close family or personal relationship with a director or officer or an employee in a position to exert significant influence over the subject matter information of a non audit or review assurance engagement.

Partners (Directors) and employees of the firm:

- > who are aware of a personal or family relationship between a partner (director) or employee of the firm who is not a member of the audit team and a director or officer of the audit client or an

employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion are required to consult the audit team;

- > Are required to promptly notify the firm of any breaches of ethical requirements in respect of audit or other assurance clients pertaining to family and personnel relationships resulting from changes in the employment status of their immediate or close family members or other personal relationships that create threats to independence.

If an inadvertent violation of ethical requirements pertaining to Family and Personnel relationships occurs:

- > that relates to an immediate family member of a member of the audit team becoming a director or officer of the audit client or being in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion that person shall immediately be removed from the audit team;
- > In other cases other safeguards shall be applied when necessary to reduce any remaining threat to an acceptable level.

Employment with an Audit or other assurance Client

The Firm shall not accept (or continue) an audit engagement if any former member of the audit team or partner (director) of the firm is a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the audit client's accounting records or financial statements on which the firm will express an opinion unless:

- > The individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements, and any amount owed to the individual is not material to the firm;
- > The individual does not continue to participate or appear to participate in the firm's business or professional activities.

If the firm accepts (or continues) an audit engagement according to the previous exceptions, the significance of any threat to independence must be evaluated and safeguards applied when necessary.

The Firm shall not accept (or continue) an other assurance engagement if a former member of the assurance team or partner (director) of the firm joined the other assurance client as a director or officer, or an employee who is in a position to exert significant influence over the subject matter information of the assurance engagement unless:

- > The individual does not continue to participate in the firm's business or professional activities;
- > The significance of any threats created are evaluated and safeguards applied when necessary.

Members of an audit or other assurance team are required to promptly notify the firm when entering employment negotiations with the client. The significance of the threat created by this must be evaluated and safeguards applied when necessary.

The Firm shall not accept (or continue) an audit of a public interest entity if during the 12 months prior to the audit period a former key audit partner (director) or CEO or equivalent of the firm has been a director, officer or employee in a position to exert significant influence over the preparation of the

public interest audit client's accounting records or financial statements on which the firm will express an opinion.

Temporary Staff Assignments

Staff may only be lent by the firm to an audit client for a short period of time and under the conditions that they are not involved in providing non-assurance services that would not be permitted under section 290 of the CCEPA (*independence requirements for audit engagements and review engagements*) or assuming management responsibilities and that in all circumstances, the audit client shall be responsible for directing and supervising the activities of the loaned staff. If staff are lent under these conditions the significance of any threat must be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

Recent Service with an Audit or other assurance client

No partner (director) or employee of the firm shall be

- > A member of an audit team if that person served as a director or officer of the audit client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion during the period covered by the audit report;
- > A member of an other assurance team if that person served as a director or officer of the assurance client, or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement during the period covered by the assurance report.

The significance of any threats must be evaluated and safeguards applied when necessary if:

- > A member of an audit team before the period covered by the report served as a director or officer of the audit client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion;
- > A member of an other assurance team before the period covered by the report served as a director or officer of the assurance client, or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

Serving as a Director or officer of an Audit or other assurance Client

No partner (director) or employee of the firm is permitted to serve as a director or officer or Company Secretary of an audit or other assurance client.

Long Association of Senior Personnel with an Audit or other assurance Client (Including Partner/Director Rotation on public interest audit clients)

An individual shall not be a key audit partner (director) (an engagement or review partner/director) on the audit of a Public Interest Entity, including a listed entity, for more than seven years. After such time, the individual shall not be a member of the engagement team or be a key audit partner (director) for the client for two years.

If other partners (directors) of the firm have a long association with an audit client that is a public interest entity the significance of the threats must be evaluated and safeguards applied when necessary.

If the same senior personnel are used on the other assurance engagement over a long period of time the significance of the threats must be evaluated and safeguards applied when necessary.

Provision of Non-assurance Services to Audit or other Assurance Clients

If the Firm is requested to provide a non-assurance service to an audit or other assurance client, before the firm accepts such an engagement a determination must be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service consideration is required to be given to any threat that the audit or other assurance team has reason to believe is created by providing other related non-assurance services and if a threat is created that cannot be reduced to an acceptable level by the application of safeguards, the firm must decline to provide the non-assurance service.

The firm shall not assume a management responsibility for any audit client.

The firm shall ensure it does not assume a management responsibility as part of any other assurance service or if it assumes management responsibilities as part of other non assurance services provided to an other assurance client that the responsibility is not related to the subject matter and subject matter information of the other assurance engagement.

When providing other assurance services, the firm shall satisfy itself that a member of the client's management is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and accepting responsibility for the actions to be taken arising from the results of the service.

If non-assurance services are provided:

- > To an audit client the firm must satisfy itself that a member of management is responsible for making the significant judgments and decisions that are the proper responsibility of management, evaluating the results of the service and accepting responsibility for the actions to be taken arising from the results of the service;
- > Related to the subject matter information of an other assurance engagement the firm shall make an evaluation of the significance of the firm's involvement with the subject matter information of the engagement and a determination of whether any threats that are not at an acceptable level can be reduced to an acceptable level by the application of safeguards.

If the firm has been involved in the preparation of subject matter information which is subsequently the subject matter information of an other assurance engagement the firm shall evaluate the significance of any threats created by the provision of such services and apply safeguards when necessary.

Preparing Accounting Records and Financial Statements

If the firm is requested to provide services related to the preparation of accounting records and financial statements to any audit clients that are not public interest entities, the services provided must

be restricted to those of a routine or mechanical nature and the significance of any threats created by the provision of these services evaluated and when necessary safeguards must be implemented.

The firm may only provide accounting and bookkeeping services (including payroll services) or the preparation of financial statements on which the firm will express an opinion or financial information which forms the basis of the financial statements to any audit client that is a public interest entity in an emergency or other unusual situation.

The firm may only provide accounting or bookkeeping services (including payroll services) or the preparation of financial statements or other financial information for divisions or related entities of an audit client that is a public interest entity if those services of a routine or mechanical nature and the divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion, or the services relate to matters that are collectively immaterial to the financial statements of the division or related entity.

Valuation Services

The firm shall not provide valuation services that would have a material effect, separately or in the aggregate, on the financial statements on which the firm will express an opinion, to an audit client that is a public interest entity.

The firm shall not provide any valuation service that has a material effect on the financial statements on which the firm will express an opinion and the valuation involves a significant degree of subjectivity to an audit client that is not a public interest entity.

If the firm performs a valuation that forms part of the subject matter information of an other assurance engagement the firm shall evaluate the significance of any threats and apply safeguards when necessary.

Taxation Services

If the firm prepares calculations of tax liabilities (or assets) for the purpose of preparing accounting entries that will subsequently be audited by the firm for audit clients that are not public interest entities safeguards must be applied when necessary to eliminate the threat or reduce it to an acceptable level.

If the firm is requested to prepare calculations of tax liabilities (or assets) for any audit clients that are public interest entities for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion:

- > Those services will only be provided in emergency or other unusual situations;
- > Those services will only be provided by personnel that are not members of the audit team;
- > Those services will only be provided for a short period of time and in circumstances where they are not expected to recur;
- > The situation relating to the provision of these services will be discussed with those charged with governance of the client.

Tax planning or other tax advisory services where the advice provided will affect matters reflected in the financial statements to any audit clients and any of those services involve situations where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements are not to be provided by the firm if:

- > The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- > The outcome or consequences of the tax advice will have a material effect on the financial statements on which the firm will express an opinion.

If the foregoing prohibitions do not apply the services may only be provided if the significance of threats has been evaluated and safeguards applied when necessary

If the firm is requested to provide tax services to an audit client that require the firm to perform a valuation to assist the client with its tax reporting obligations or for tax planning purposes;

- > Where the result of the valuation will have a direct effect on the financial statements, the requirements of the CCEPA 290.175 to 290.180 must be applied;
- > If the valuation is to be performed for tax purposes only and the result of the valuation will not have a direct effect on the financial statements (i.e. the financial statements are only affected through accounting entries related to tax) and
 - such effect on the financial statements is material; or
 - the valuation will not be subject to external review by a tax authority or similar regulatory authority.

The significance of any threat created must be evaluated and safeguards applied when necessary

The firm shall only represent an audit client in the resolution of a tax dispute involving the referral of a decision by the tax authority to a higher authority such as a tribunal or court if the significance of any threat has been evaluated and applied when necessary

Internal Audit Services

The firm shall not provide internal audit services:

- > to any audit clients (clients for whom the firm provides an audit opinion on their financial statement) if those services involve the firm's personnel assuming a management responsibility
- > To any audit clients that are public interest entities if the internal audit services relate to:
 - A significant part of the internal controls over financial reporting; or
 - Financial accounting systems that generate information that is, separately or in the aggregate, significant to the client's accounting records or financial statements on which the firm will express an opinion; or
 - Amounts or disclosures that are, separately or in the aggregate, material to the financial statements on which the firm will express an opinion.

If the firm uses the results of work it conducted under its engagement to provide internal audit services in conducting its audit of the client's financial statements, the firm shall evaluate the significance of the threat and apply safeguards when necessary

IT Systems Services

The provision of IT Systems Services to audit clients that involve the design or implementation of IT systems that forms a significant part of the internal control over financial reporting or generates information that is significant to the client's accounting records or financial statements on which the firm will express an opinion:

- > Is prohibited in respect of audit clients that are public interest entities;
- > May only be provided to audit client(s) that are not public entities if appropriate safeguards have been put in place and the IT services are provided by personnel who are not members of the audit team and who have different reporting lines within the firm.

Litigation Support Services

The firm may only provide any litigation support services to audit clients:

- > Involving estimating damages or other amounts that affect the financial statements on which the firm will express an opinion if the firm follows the valuation service provisions included in CCEPA 290.175 to 290.180;
- > If the significance of any threats created have been evaluated and safeguards applied when necessary.

Legal Services

The firm is prohibited from providing any legal services to audit clients that involve:

- > Acting in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion;
- > The appointment of a partner (director) or an employee of the firm as General Counsel for legal affairs of an audit client.

The firm may only provide any other legal services to audit clients if the significance of threats has been evaluated and when necessary safeguards applied.

Recruiting Services

The firm is prohibited from providing recruiting services to audit clients that are public interest entities if the services involve searching for or seeking out candidates, or undertaking reference checks of prospective candidates, for positions of a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

The firm shall only provide other recruiting services to audit clients when the existence and significance of any threats have been evaluated and when necessary safeguards applied.

Corporate Finance Service

The firm shall not provide corporate finance services to an audit client in any situation where the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and:

- > The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- > The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion

The firm shall not provide corporate finance services involving promoting, dealing in, or underwriting an audit client's shares.

The firm shall only provide other corporate finance services to audit clients when the significance of any threats have been evaluated and safeguards applied when necessary

Fees

If the total fees from any audit client represent a large proportion of the revenue of the firm, an individual office of the firm or an individual partner (director) the threats must be evaluated and safeguards applied when necessary.

If the total fees from an other assurance client represent a large proportion of the total fees of the firm the significance of the threat shall be evaluated and safeguards applied when necessary.

If the fees generated from an other assurance client represent a large proportion of the revenue from an individual partner's (director's) clients the significance of the threat shall be evaluated and safeguards applied when necessary.

If the total fees from any public interest audit client and its related entities represent more than 15% of the total fees received by the firm for two consecutive years:

- > The firm shall disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm, and discuss which of the safeguards (a pre or post issue review) it will apply to reduce the threat to an acceptable level;
- > The Firm shall apply the agreed safeguards;
- > If the fees continue to exceed 15% each year, the disclosure to and discussion with those charged with governance will continue to occur and one of the safeguards (pre or post issuance review) will be applied annually;
- > If the fees referred to in the previous point significantly exceed 15% the firm will determine whether the significance of the threat is such that a post issuance review would not reduce the threat to an acceptable level and a pre issuance review is required.

If at the time of issuing a report for the current year the fees charged to that audit client for the previous year, or a significant part thereof, remained unpaid:

- > The existence and significance of any threat must be evaluated and safeguards applied when necessary;
- > A determination made as to whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the audit engagement.

If fees due from an other assurance client remain unpaid after the report has been issued, the firm shall:

- > Evaluate the existence and significance of any threat and apply safeguards when necessary;
- > Determine whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed or continue the assurance engagement.

Contingent fees shall not be either directly or indirectly charged in respect of an audit or other assurance engagement.

Contingent fees shall not be directly or indirectly charged in respect of a non-assurance service provided to an audit client:

- > If the fee is material, or expected to be material to the firm;
- > If the fee was charged by a network firm that participates in a significant part of the audit, the fee is material to that firm;
- > If the outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.

The firm shall not enter into any contingent fee arrangement in respect of a non-assurance service provided to a other assurance client under which the outcome of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgment related to a matter that is material to the subject matter information of the other assurance engagement.

Any other contingent fee arrangements in respect of a non-assurance service provided to an audit or other assurance client shall only be entered into if the significance of any threats has been evaluated and safeguards applied when necessary.

Compensation and Evaluation Policies

A key audit partner (director) shall not be evaluated on or compensated for selling non-assurance services to the audit client.

Other members of an audit team shall not be evaluated on or compensated for selling non-assurance services to an audit client unless the significance of the threat has been evaluated and is at an acceptable level and safeguards applied when necessary.

Gifts and Hospitality

Neither the firm nor a member of an audit or other assurance team is permitted to accept any gifts or hospitality from an audit or other assurance client.

Actual or threatened litigation

If any litigation (legal action) exists, or appears likely, between the firm or a member of the audit or other assurance team, and an audit or other assurance client the threats shall be evaluated and safeguards applied when necessary. If the Firm is not satisfied that the safeguards have reduced the threats to an acceptable level, the firm shall withdraw from, or decline, the engagement.

Networks

If the firm is a network firm, the firm shall be independent of the audit clients of the other firms within the network.

Annual independence confirmation

Name of employee:

- | Yes | No | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a direct or indirect material financial interest in a client or its subsidiaries/affiliates? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a financial interest in any major competitors, investors in or affiliates of a client? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have any outside business relationship with a client or an officer, director or principal shareholder having the objective of financial gain? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you owe any client any amount (except as a normal customer, or in respect of a loan under normal lending conditions)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you serve as a director, trustee, officer or employee of a client? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has your spouse or dependent child been employed by a client? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has anyone in your family been employed in any managerial position by a client? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are any billings delinquent (high WIP) for clients that are your responsibility? |

If you answered **yes** to any of these questions, you must detail the reason for this threat to independence on the independence resolution memorandum, together with an explanation of how the threat to independence has been eliminated or reduced to an acceptable level.

I have read the independence policy of the firm, and CCEPA Cambodian *Code of Ethics for Professional Accountants*, and I believe I understand them. I am in compliance except for the matters listed on the independence resolution memorandum.

Signature of employee:	Date:
Signature of partner (director):	Date:

Independence resolution memorandum

Independence issue relates to:

Date:	
Client:	
Employee/partner (director):	

Please describe the issue and the potential threat to independence:

Sources/persons consulted (attach copy of applicable material):

What are the findings?

How is the threat to be eliminated or reduced to an acceptable level?

Resolved by:	Date:
Resolution acknowledged by employee:	Date:

Acceptance and continuance of client relationships

Acceptance and continuance of client relationships Policy statement

The firm acknowledges that client integrity and the ability of the firm to conduct the engagement competently and ethically are essential components of the firm's quality control system.

Acceptance of new clients

The firm will only tender for or accept new clients after obtaining such information as it considers necessary and completing the appropriate documentation (New client acceptance checklist) concluding that the firm:

- > Is competent to perform the engagement and has the capabilities, including the time and resources, to do so;
- > Can comply with the fundamental principles of CCEPA;
- > Has considered the integrity of the client and does not have information that would lead it to conclude the client lacks integrity.

The engagement (potential engagement) partner (director) is required to forward a completed "Client/engagement information notification form" to the managing partner (director) and/or quality control leader whenever a new client or engagement is obtained or if there is a significant change in the structure/management of the client or the scope of services the firm provides that client. This form provides the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements.

The firm shall evaluate the significance of any conflict of interest threats and if a potential conflict of interest is identified in accepting an engagement from a new or an existing client shall apply safeguards when necessary. If a conflict of interest creates a threat to one or more of the fundamental ethical principles that cannot be eliminated or reduced to an acceptable level through the application of safeguards the firm will not accept the engagement or resign from one or more of the conflicting engagements.

When asked to replace another professional accountant in public practice, or when considering tendering for an engagement currently held by another professional accountant in public practice the firm shall:

- > Determine whether there are any reasons, professional or otherwise, for not accepting the engagement;
- > Evaluate the significance of any threats;

- > Depending on the nature of the engagement, when necessary directly communicate with the existing accountant to establish the facts and circumstances regarding the proposed change so that the firm can decide whether it would be appropriate to accept the engagement;
- > Apply safeguards when necessary.

If the firm is asked to undertake work that is complementary or additional to the work of the existing accountant, the firm shall evaluate the significance of any threats and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.

If the firm is asked to provide a second opinion, on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client the firm shall evaluate the significance of any threats to compliance with fundamental ethical principles and apply safeguards when necessary. If the company or entity seeking the opinion will not permit communication with the existing accountant, the firm shall determine whether, after taking all the circumstances into account, whether it is appropriate to provide the opinion sought.

The client acceptance or rejection decision will be made by the potential engagement partner (director) after determining that any threats to the fundamental ethical principles have been eliminated or reduced to an acceptable level.

Engagement letters

It is mandatory for an engagement letter to be in place for all audit engagements undertaken. The firm also recognises the advantages of engagement letters for other assurance engagements and significant non-assurance engagements.

Whenever a client experiences a change in circumstances, structure etc., or changes the level of services required a formal engagement letter should be created or the existing one refreshed.

Continuing engagements

Acceptance decisions for recurring client engagements shall be reviewed annually using the Client retention check list.

If a potential conflict of interest is identified in continuing an engagement, the firm shall evaluate the significance of the conflict of interest threats and apply safeguards when necessary. If a conflict of interest creates a threat to one or more of the fundamental ethical principles that cannot be eliminated or reduced to an acceptable level through the application of safeguards the firm will resign from one or more of the conflicting engagements.

The firm will not continue on an engagement or continue providing services to a client if it obtains information that would have caused it to decline the engagement had the information been available earlier. If the firm decides to withdraw from an engagement, the reasons and a record of all relevant discussions with the client will be documented.

If the firm has requested consent from a client to act for another party (which may or may not be an existing client) in respect of a matter where the respective interests are in conflict and that consent has been refused by the client, the firm shall not continue to act for one of the parties in the matter giving rise to the conflict of interest.

Ethical letter

(Date)

(Addressee)

(Company)

(Address)

Dear (Name),

Re: (insert name and address of prospective client)

We have been approached by the abovementioned to accept nomination as their auditors [amend as appropriate].

Please advise if there is any professional or ethical reason why we should not accept this appointment.

If no such reason exists, please forward to us the necessary documentation to ensure continuity of professional service, including:

- > Copies of last year's financial statements
- > *(Insert any other documents sought)*

If we can be of any further assistance to you, please contact our offices on *[insert phone number]* or via email at *[insert email address]*

Yours sincerely,

[Insert name]

[Insert job title]

New client acceptance checklist

Client: _____ Date: _____

Question	Comments
Client integrity has been considered and we do not have information that would lead us to conclude that the client lacks integrity?	
Competent to perform engagement?	
Resources to complete on time?	
Independence considerations Assurance engagement – independence checklist completed? Non-assurance engagement – no significant threats to independence?	
Is the firm free of any conflicts of interest with the client? If a conflict of interest does exist, how has it been dealt with?	
Fee level/collection issues?	
Genuine reason for leaving previous accountant?	
Any conflicts of interest considered and threat reduced to an acceptable level?	
Ethical letter response considered?	

Date: _____

Decision made to accept as client Y/N
 Engagement letter sent Y/N
 Add to team meeting agenda to inform staff Y/N

Prepared by: _____ Date: _____

Partner (Director) review: _____ Date: _____

Client/engagement information notification form

This form records details of :

- A new client A new engagement for an existing client
 A significant change to the structure of an existing client

Client code _____

Client name: _____

Address: _____

Type of Business: _____

Services to be provided:

- Audit of Annual Financial Statements Tax Services
 Review of Financial Statements Accounting
 Other assurance engagement (*Specify*) Other (*Specify*)

Type of Entity:

- Entity listed on Cambodian SE Other locally owned entity
 Subsidiary of overseas listed entity NGO
 Other Public interest entity Other (*Specify*)
 Other Foreign owned entity

Directors & Key Management:

Name	Position	Phone	Email

All related parties (Subsidiaries, affiliated companies): _____

Source of new client: _____

Previous Accountant: _____

Previous year profit USD: _____

Net Assets USD _____

Number of Employees: _____

Client retention checklist

Question	Comments
Client integrity has been considered and we do not have information that would lead us to conclude that the client lacks integrity?	
Competent to perform engagement?	
Resources to complete on time?	
Independence considerations > Assurance engagement – independence checklist completed? > Non-assurance engagement – no significant threats to independence?	
Is the firm free of any conflicts of interest with the client? If a conflict of interest does exist, how has it been dealt with?	
Fee level/collection issues?	
Record-keeping and accounting system accurate?	

Retain client

Yes

No

Prepared by: _____

Date: _____

Partner (Director) review: _____

Date: _____

Independence checklist

(Prospective) Client: _____

Financial Period: _____

Check list is completed in respect of:

Annual review of acceptance decision in respect of a continuing client / engagement that is an:

- Audit or review client / engagement (“audit client” or “audit engagement”).
- An other assurance client / engagement.

New client / engagement acceptance procedures for a:

- Prospective audit or review client / engagement.
- Prospective other assurance client / engagement.

No.		Yes	No	N/A
1.	Are you satisfied that neither the firm, a member of the (proposed) audit team , or a member of such an individual’s immediate family:			
	> Have a direct or a material indirect financial interest in the (prospective) client?			
	> Have a direct or material indirect financial interest in an entity that has a controlling interest in the (prospective) client?			
	> Have a financial interest in an entity in which the (prospective) client also has a financial interest and that interest is material to any party, and the (prospective) client can exercise significant influence over the other entity?			
	> hold a direct financial interest or a material indirect financial interest in the (prospective) client as a trustee?			
2.	Are you satisfied that no member of the audit team , or a member of that individual’s immediate family, or the firm, has a financial interest in an entity in which a director, officer or controlling owner of an audit client is also known to have a financial interest?			
	If you answered yes to the above has the significance of any threat been evaluated and safeguards applied when necessary?			
3.	Are you satisfied that no other partner (director) in the office in which the (proposed) engagement partner (director) practices in connection with the (proposed) audit or other assurance engagement , or that persons immediate family members:			
	> Hold a direct financial interest or a material indirect financial interest in the (proposed) audit client ?			
	> Hold a direct financial interest or a material indirect financial			

	interest in the (prospective) audit or other assurance engagement client as a trustee?			
4.	Are you satisfied that no other partners (directors) or managerial employees who provide non-assurance services to the (proposed) audit or other assurance client (except those whose involvement is minimal) or their immediate family members hold a direct financial interest or a material indirect financial interest in the (prospective) client as a trustee.			
	If you answered no to the above question, have you ensured:			
	> Neither the trustee, an immediate family member of the trustee, or the firm are beneficiaries of the trust			
	> The interest in the audit or other assurance client held by the trust is not material to the trust			
	> The trust is not able to exercise significant influence over the audit or assurance client			
	> The trustee, an immediate family member of the trustee, or the firm is not able to significantly influence any investment decision involving a financial interest in the audit or other assurance client .			
5.	Are you satisfied that no member of the (proposed) audit or other assurance team or a member of that individual's immediate family have a loan, or a guarantee of a loan from the prospective client?			
	If you answered no to the above question:			
	> Is the prospective client a bank or a similar institution and was such loan or guarantee made under normal lending procedures, terms and conditions?			
	> If the prospective client is not a bank or similar institution, is the loan or guarantee immaterial to both the firm or the (prospective) member of the audit team and the immediate family member and the (prospective) client?			
6.	Are you satisfied that neither the firm or a member of the (proposed) audit or other assurance team , or a member of that individual's immediate family, made or guaranteed a loan to the (prospective) audit or other assurance client ?			
	If you answered no to the above question is the loan or guarantee immaterial to both the firm or the (prospective) member of the audit or other assurance team and the immediate family member and the client?			
7.	Are you satisfied that neither the firm nor a (proposed) member of the audit or other assurance team has a close business relationship arising from a commercial relationship or common financial interest with the (prospective) audit or other assurance client or its management?			
	If you answered no to the above question is the financial interest immaterial and the business relationship insignificant to the firm or member of the (proposed) audit or other assurance team and the client or its management?			
8.	Are you satisfied that no close business relationship arising from a commercial relationship or common financial interest with the (prospective) audit or other assurance client or its management exists between an immediate family member of a (proposed) member of the audit or other assurance team and the (prospective) audit or other assurance client or its management?			

	If you answered no to the above question has the significance of any threat been evaluated and safeguards applied when necessary?			
9.	Are you satisfied that neither the firm, or a (proposed) member of the audit team , or a member of that individual's immediate family holds an interest in a closely-held entity in which the (prospective) audit client or a director or officer of the (prospective) client, or any group thereof, also holds an interest			
	If you answered no to the above question:			
	> Is the business relationship insignificant to the firm, the (prospective) member of the audit team and the immediate family member, and the client?			
	> Is the financial interest immaterial to the investor or group of investors?			
	> Are you satisfied the financial interest does not give the investor, or group of investors, the ability to control the closely-held entity?			
10.	Are you satisfied that an immediate family member of a (proposed) member of the audit team does act as a director or officer of the (prospective) audit client or as an employee in a position to exert significant influence over the preparation of the clients accounting records or financial statements on which the firm will express an opinion?			
11.	Are you satisfied that an immediate family member of a proposed member of the other assurance team is not a director or officer of the (proposed) assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement or occupied such a position during any period covered by the engagement or the subject matter information?			
12.	Are you satisfied that:			
	> An immediate family member of a (proposed) member of the audit team is not an employee in a position to exert significant influence over the (prospective) client's financial position, financial performance or cash flows?			
	> A close family member of a (proposed) member of the audit team is not a director or officer of the (prospective) audit client or an employee in a position to exert significant influence over the preparation of the (prospective) client's accounting records or the financial statements on which the firm will express an opinion?			
	> A close family member of a (proposed) member of the other assurance team is not a director or officer of the (prospective) assurance client or an employee in a position to exert significant influence over the subject matter information of the (prospective) assurance engagement ?			
	> A (proposed) member of the other assurance team does not have a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the			

	subject matter information of the (prospective) assurance engagement ?			
	> A (proposed) member of the audit team does not have a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the preparation of the (prospective) client's accounting records or the financial statements on which the firm will express an opinion?			
	> A personal or family relationship does not exist between a partner (director) or employee of the firm who is not a member of the (proposed) audit team and a director or officer of the (prospective) audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion?			
	> A partner (director) or employee of the firm does not have a close family or personal relationship with a director or officer or an employee in a position to exert significant influence over the subject matter information of the (prospective) other assurance engagement ?			
	If you answered no to any of the above has the significance of the threat(s) been evaluated and safeguards applied when necessary?			
13.	Are you satisfied that no former member of the audit team or partner (director) of the firm is a director or officer of the (prospective) audit client or an employee in a position to exert significant influence over the preparation of the audit client's accounting records or financial statements on which the firm will express an opinion?			
	If you answered no to the above question, are you satisfied that:			
	> The individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements, and any amount owed to the individual is not material to the firm?			
	> The individual does not continue to participate or appear to participate in the firm's business or professional activities?			
	If the firm accepts (or continues) an audit engagement according to the previous exceptions, have the significance of any threat to independence been evaluated and safeguards applied when necessary?			
14.	Are you satisfied that no former member of the other assurance team or partner (director) of the firm has joined the (prospective) other assurance client as a director or officer, or an employee who is in a position to exert significant influence over the subject matter information of the (prospective) assurance engagement ?			
	If you answered no to the above question:			
	> Are you satisfied the individual does not continue to participate in the firm's business or professional activities?			

	> Have the significance of any threats created been evaluated and safeguards applied when necessary?			
15.	If the (prospective) audit is an audit of a public interest entity are you satisfied that during the 12 months prior to the audit period no former key audit partner (director) or CEO or equivalent of the firm has been a director, officer or employee in a position to exert significant influence over the preparation of the (prospective) public interest audit client's accounting records or financial statements on which the firm will express an opinion?			
16.	Are you satisfied that no partner (director) or employee of the firm who is a (proposed) member of the audit team served as a director or officer of the (prospective) audit client , or was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion during the period covered by the audit report?			
17.	Are you satisfied that no (proposed) member of an other assurance team served as a director or officer of the (prospective) assurance client , or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement during the period covered by the assurance report?			
18.	Are you satisfied that no partner (director) or employee of the firm is a director or officer or Company Secretary of an audit or other assurance client ?			
19.	Have you satisfied yourself that no threat is created by any known financial interests in the (proposed) audit or other assurance client held by other individuals including: <ul style="list-style-type: none"> • Partners (Directors) and professional employees of the firm, other than those referred to previously, or their immediate family members; and • Individuals with a close personal relationship with a (proposed) member of the audit or assurance team? 			
	If you answered no to the above have you evaluated the significance of any such threat(s) identified and applied safeguards when necessary.			

A “no” answer to any question (other than in a shaded box) indicates non compliance with an independence requirement, in which case the firm must either decline / withdraw from the (prospective) client / engagement (or if it is possible to do so, take appropriate action to overcome the independence issue).

I am satisfied that independence requirements have been met for this (prospective) client / engagement:

(Proposed) Engagement Partner (Director): _____

Date: _____

Engagement Letter (Audit Client)

To [the board of directors, those charged with governance or the appropriate representative of senior management]:

Scope

You have requested that we audit the financial statements of [name of entity], which comprises the balance sheet as at 31 December 20XX, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

We will conduct our audit in accordance with Cambodian International Standards on Auditing. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of the financial reporting framework, accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we expect to provide you with a separate letter concerning any material weaknesses in the design or implementation of internal control over financial reporting that come to our attention during the audit of the financial statements.

We take this opportunity to remind you that the responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Cambodian Law on Corporate Accounts, their Audit and the Accounting profession is that of the directors. Our auditor's report will explain that the directors are responsible for the preparation and the fair presentation of the financial statements in accordance with the applicable financial reporting framework and this responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and

- Making accounting estimates that are reasonable in the circumstances.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Confidentiality

The conduct of our audit in accordance with Cambodian International Standards means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent. Our audit files may, however, be subject to review as part of the quality control review program of The Kampuchea Institute of Certified Public Accountants and Auditors which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this audit will be made available under this program. Should this occur, we will advise you. The same strict confidentiality requirements apply under this program as apply to us as your auditor.

Fees

We look forward to full cooperation from your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our audit.

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully,

(Signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by (signed)

.....

Name and Title

Date

Human resources

Human resources policy statement

On an ongoing basis, based on recurring reviews of the firm's workflow records the partners (directors) ascertain whether there are sufficient appropriate personnel to perform client engagements.

An appropriate partner (director) is allocated responsibility for all human resource issues.

Human resources are recognised as a critical success area for the firm. It is the largest expense of the practice. Partners (Directors) accept the ultimate responsibility for the quality of the work performed by the firm. Management of and communication with team members is one of the major roles of partners (directors).

The firm is committed to ethical principles. Accordingly, adherence to ethical principles is an important component of all human resources procedures, including performance evaluation, promotion and remuneration. Any personnel not adhering to the firm's ethical principles will be counselled and where appropriate may be subject to disciplinary action.

In order to implement this human resources policy, the firm will follow the procedures listed below:

Recruitment

- > Candidates are thoroughly screened and those best suited to the job are interviewed and evaluated.
- > A partner (director) approves the terms and conditions of any employment offer.
- > Comprehensive orientation is provided for all new team members.

Performance evaluation/promotion/remuneration

- > Six monthly (annual) interactive performance reviews are conducted and documented.
- > Promotion to complete more complex work occurs with appropriate supervision and review.
- > Remuneration is negotiated in accordance with industry standards based on level of experience, together with an assessment of the recoverability of the resultant charge out rate that is applied.

Capabilities/competence/career development

- > Partners (Directors) are required to meet KICPAA's training and development requirements.
- > All team members who are members of professional accounting bodies are encouraged and supported to meet the training and development requirements of their professional bodies.
- > Team members attend relevant external professional education courses.
- > Regular team meetings contain a strong element of training.
- > Coaching and on-the-job training occurs while gaining experience from completing work.
- > Independence updates are provided for team members required to be independent.

- > Practical issues identified while completing assignments are incorporated into internal regular training sessions.

Assignment to engagements

The Firm assigns responsibility for each engagement to an engagement partner (director) after consideration of the complexity of the work and the competence and capabilities of individual partners (directors) to perform the role.

The responsibilities of engagements partners (directors) in respect of each type of assignment undertaken by the firm are documented and partners (directors) are required to be conversant with those requirements applicable to the disciplines they operate in (e.g. audit, tax, accounting etc).

The identity and role of the engagement partner (director) must be communicated to key members of each client's management and those charged with governance of the client.

Professional staff are assigned to an engagement after consideration of the complexity of the work, the competence and capabilities of individual staff members to undertake roles required to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and enable the firm to issue reports that are appropriate in the circumstances.

Job descriptions

FIRM NAME: _____

SECTION: _____

TITLE/POSITION: _____

REPORTS TO: _____

FUNCTIONS:

 Primary: _____

 Secondary: _____

AUTHORITY: _____

ACCOUNTABILITIES: _____

QUALIFICATION: _____

REQUIRED SKILLS: (High, medium, low)

Level	Skill

Prepared by: _____

Approved by: _____

Date: _____

Amended: _____

Professional staff performance review

Name of Employee:	
Current Job Classification:	
Type of Evaluation:	<input type="checkbox"/> annual <input type="checkbox"/> semi annual <input type="checkbox"/> specific engagement <input type="checkbox"/> other

Rating Scale:	
O	= Outstanding – indicates extraordinarily high performance, well beyond that expected of someone at this level.
VG	= Very good – indicates performance that exceeds usual expectations of someone at this level.
G	= Good – indicates performance that meets that expected of someone at this level.
BN	= Below normal – indicates that assignments and responsibilities are not being met as expected.
U	= Unacceptable – indicates unacceptable performance in need of immediate improvement.
NA	= Not applicable – assignments during evaluation period did not call for evaluation of this attribute.

Evaluation of professional skills:

O VG G BN U NA

	O	VG	G	BN	U	NA	
<input type="checkbox"/>	Demonstrates a commitment to ethical principles.						
<input type="checkbox"/>	Ability to establish workload priorities.						
<input type="checkbox"/>	Ability to organise and plan individual jobs.						
<input type="checkbox"/>	Ability to supervise work of others including delegation, training and development.						
<input type="checkbox"/>	Ability to complete work accurately and in a timely manner.						
<input type="checkbox"/>	Understands assignments and follows instructions.						
<input type="checkbox"/>	Neatness and clarity of work.						
<input type="checkbox"/>	Ability to work independently.						
<input type="checkbox"/>	Ability to analyse complex matters.						
<input type="checkbox"/>	Ability to make decisions.						
<input type="checkbox"/>	Ability to distinguish between material items and immaterial items.						
<input type="checkbox"/>	Relations with client personnel and firm associates.						
<input type="checkbox"/>	Communication capabilities – written.						
<input type="checkbox"/>	Communication capabilities – oral.						
<input type="checkbox"/>	Displays enthusiasm for work, especially more advanced or technical projects.						

O VG G BN U NA

- Response to suggestions and guidance from supervisors.
- Demonstrates initiative.
- Delegation to other staff.
- Supervision and review of staff.
- On-the-job training and development of staff.

Technical skills:

O VG G BN U NA

- Ability to comprehend various clients' accounting systems and adapt work as required.
- Work paper preparation or review techniques (neat, accurate, comprehensive, and understandable).
- Knowledge of accounting theory.
- Ability in relation to:
- Tax returns
- Financial statements
- Monthly accounting
- Audit work papers and related reports
- Software
- Research techniques
- Tax planning ideas and techniques.

Personal characteristics:

O VG G BN U NA

- Responsibility (trustworthy and conscientious).
- Integrity (loyal, sincere, reliable and punctual).
- Attitude (co-operative, courteous, friendly and professional).
- Commitment (dedication, team spirit).

Strong areas of employee's performance:

Weaknesses of employee's performance and areas for improvement, if any:

Training and development:

Reviewer and staff member discuss the staff member's training and development record, and identify areas of future training and development:

Other comments:

Notes in meeting:

Topics/issues discussed during meeting:	Staff member response:
1. _____ _____ _____ _____	1. _____ _____ _____ _____
2. _____ _____ _____ _____	2. _____ _____ _____ _____
3. _____ _____ _____ _____	3. _____ _____ _____ _____

Name	Signature	Date
Evaluated by:		
Employee:		

Engagement performance

Engagement performance policy statement

Engagement performance

The firm aims to ensure that all engagements are consistently performed in accordance with professional standards and applicable legal and regulatory requirements and that the firm issues reports that are appropriate in the circumstances. To achieve this, the firm uses manuals, industry standard software, template documents and appropriate guidance material.

Team members are informed about the engagement and the objectives of their work. Work control and client information forms, structure diagrams, organisation charts, and permanent file documents help team members to know the client. Engagement letters (and checklists) identify what work is to be completed.

The progress of an engagement is tracked by the engagement partner (director) and manager against time budgets. Every team member has direct partner (director) contact. Job progress is formally reviewed during daily/weekly engagement team meetings.

The firm's requires that the work of less experienced team members is reviewed by more experienced engagement team members. Instructions are given to team members in writing, by email and in person. The level of supervision varies depending on the seniority of the team members assigned to the engagement.

A partner (director) reviews all work completed and raises significant matters to ensure compliance with professional standards, regulatory/legal requirements and completeness and accuracy of work performed.

Consultations and referrals

Our clients may require the services of other professionals. We should be able to assist them by consulting experts or providing referrals. Outside referrals should only be made to firms or individuals with partner (director) approval. For all formal consultations and referrals we document the consultation and implement the conclusions from the consultation.

The engagement partner (director) is responsible for determining whether a matter is difficult or contentious and consultation on the matter is required. The firm will commit the necessary resources when consultation with an external party is required. The nature and scope of, and conclusions resulting from, such consultations must be documented and agreed by both the individual seeking consultation and the individual consulted. Conclusions resulting from consultations are to be implemented

Engagement documentation

All engagement files are to be completed on a timely basis. At a maximum this must be within 60 days of the return/report etc. being issued.

All team members are responsible for safeguarding engagement documentation by implementing the following procedures:

- > All work papers are to clearly identify the preparer and reviewer;
- > Any changes to work papers must clearly indicate the changes and the team member who made the changes;
- > Engagement documentation must be filed in the designated area whenever it is not in use by a team member;
- > Care must be taken whilst transporting working papers to or from client's premises and to ensure that security over the confidentiality of work papers is maintained whilst they are at a client's premises. Work papers of one client should not be taken to the premises of another client;
- > Electronic work papers are password protected. Team members are not permitted to share their password with any other individual.

Our IT system includes the following security features: *[tailor to your firm, including policy on password protection of documents, controls over issuing of passwords and backup policy]*.

The firm does not destroy engagement documentation unless it has obtained legal advice that destruction is appropriate. In all instances the firm will retain client documentation for at least the following minimum periods:

Tax	any record pertaining to tax	__ years
Accounting	accounting records	__ years
Audit	working papers	__ years

Assurance practices only

Differences of opinion

Any difference of opinion that arises within the engagement team, with others consulted or between the engagement partner (director) and the engagement quality control reviewer should be dealt with and resolved in accordance with the processes undertaken to resolve differences and the details documented on a difference of opinion resolution form. The audit or other report will not be issued until the matter is resolved.

Engagement quality review

An engagement quality review (EQR) will be undertaken for all audits of financial statements of listed entities.

For all other audits and other assurance engagements the engagement partner (director) will consider the following criteria when determining whether an EQR should be performed:

- > Level of engagement audit risk – if the level of audit risk is considered to be high then it is more likely that an EQR is required;
- > Seniority of staff conducting the engagement – the need for an EQR should reduce with the higher levels audit team experience/proficiency;

- > Any EQR conducted on this engagement in prior years – if an EQR has been conducted in recent years the need for a current year review may be reduced;
- > Findings / recommendations of any previous EQR – if the EQR revealed few issues, the need for a current year EQR is reduced.

Where an EQR is required, the review must occur prior to the issue of the audit or other assurance report, which shall not be dated prior to the completion date of the EQR.

Individuals appointed to conduct the EQR of any engagement:

- > Must be a partner (director) of the firm with extensive experience in audit and assurance engagements and a sound knowledge of Cambodian international Standards on Auditing and ethical and quality requirements pertaining to audit and other assurance engagements. (*Where the size/structure of the firm renders this impractical replace partner (director) with consultant or partner (director) from another firm with which the firm has an arrangement to cover this requirement*);
- > Must not have been involved in the audit or other assurance engagement being reviewed (other than for any consultation that may have been instituted by the engagement partner (director) the nature of which would not compromise the reviewers objectivity);
- > Are subject to the same independence requirement as members of the engagement team.

The engagement quality control reviewer shall be replaced by another suitably qualified reviewer if any circumstances arise that may impair the reviewer's ability to perform an objective review of the particular engagement.

The EQR process must include:

- > Discussion of significant matters with the engagement partner (director);
- > Review of the financial statements or other subject matter information and the proposed report;
- > Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached;
- > Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate;
- > Documentation of the EQR including documentation that:
 - The procedures required by the firm's policies on engagement quality control review have been performed;
 - The engagement quality control review has been completed on or before the date of the report;
 - The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.
- > For audits of financial statements of listed entities, the engagement quality control review must also include consideration of:
 - The engagement team's evaluation of the firm's independence in relation to the specific engagement;

- Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations;
- Whether documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached.

Differences of opinion resolution –assurance practices only

Facts

Implication

Treatment/opinion #1

Treatment/opinion #2

Source of information used to resolve the matter

Recommended/agreed approach/resolution

Matter finalised with resolved action taken

Yes

No

Reviewed:

Partner (Director): _____

Date: _____

Monitoring

Monitoring policy statement

Monitoring

We are committed to the ongoing evaluation of our firm's system of quality control. The responsibility for this is taken on by all partners (directors).

All engagements are reviewed by the engagement partner (director) before the report/return etc. is issued to the client. This engagement review includes reviewing whether the firm's policies and procedures have been adhered to. When issues are identified or errors are uncovered during engagement reviews, the system, policies and relevant procedures are reviewed and practical changes that should reduce the risk of future similar errors are made. Where relevant training programs will address issues uncovered during monitoring procedures.

Monthly/Quarterly, the individual assigned responsibility for quality control conducts an informal assessment of the practice. This is discussed with all team members at team meetings, and when necessary appropriate follow-up action implemented.

Annually, the firm's systems including the quality control manual and all forms and procedures are reviewed by the quality control leader. This review includes a quality culture assessment, focusing on the firm's commitment to quality. The quality control leader, in conjunction with all partners (directors), is responsible for implementing enhancements of the system.

At least once every three years the quality control leader will conduct a review of an engagement file for each partner (director) to assess that the firm's policies and procedures are being followed and are operating effectively.

Periodically an independent quality assurance review is conducted by a reviewer appointed by KICPAA. The firm is supportive of this process.

The effect of deficiencies noted as a result of the monitoring process must be evaluated and a determination made as to whether they are either:

- > Instances that do not necessarily indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements, and that the reports issued by the firm or engagement partners (directors) are appropriate in the circumstances; or
- > Systemic, repetitive or other significant deficiencies that require prompt corrective action.

Deficiencies noted as a result of the monitoring process and recommendations for appropriate remedial action shall be communicate to relevant engagement partners (directors) and other appropriate personnel. Recommendations for appropriate remedial actions for deficiencies noted shall include one or more of the following:

- > Taking appropriate remedial action in relation to an individual engagement or member of personnel;
- > The communication of the findings to those responsible for training and professional development;
- > Changes to the quality control policies and procedures; and

- > Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

If the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of an engagement the firm shall:

- > Determine what further action is appropriate to comply with relevant professional standards and applicable legal and regulatory requirements;
- > Consider whether to obtain legal advice.

The results of the monitoring of the system of quality control shall be communicated at least annually to engagement partners (directors) and other appropriate individuals within the firm, including the firm's chief executive officer or, if appropriate, its managing board of partners (directors). The form of this communication shall be sufficient to enable the firm and these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities and shall include:

- > A description of the monitoring procedures performed;
- > The conclusions drawn from the monitoring procedures;
- > Where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies.

The firm is a member of (*insert name of network*) that operates under common monitoring policies and procedures designed to comply with ISQC1, which is consistent with CISQC1, and the firm places reliance on such a monitoring system. The network communicates the overall scope, extent and results of the monitoring process to the managing partner (director) and quality control leader at least annually and also promptly communicates any identified deficiencies in the system of quality control to these individuals so that the necessary action can be taken.

Complaints and allegations

Complaints and allegations that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements and allegations of non-compliance with the firm's system of quality control are taken seriously by the firm.

A record of complaint form is to be used initially to document all complaints received. A copy of this form is to be immediately forwarded to the managing partner (director), the quality control leader (and if necessary the engagement partner/director). This form will then be used to document the resolution of the matter.

Every formal complaint received is examined to determine if a weakness in the firm's system(s) exists which is in need of improvement. If during the investigations into complaints and allegations, deficiencies in the design or operation of the firm's quality control policies and procedures or non-compliance with the firm's system of quality control by an individual or individuals are identified, the firm shall take appropriate actions involving one or more of the following:

- > Taking appropriate remedial action in relation to an individual engagement or member of personnel;
- > The communication of the findings to those responsible for training and professional development;

- > Changes to the quality control policies and procedures; and
- > Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

If our firm receives a complaint from an audit or other assurance client, that complaint is investigated by a partner (director) not involved in the engagement (*as we are a small firm this investigation will be referred to a consultant or another firm in instances where the complaint is designated 'serious'*). The managing partner (director) has responsibility for designating complaints as 'serious'.

Insurers are notified regarding complaints or allegations, if necessary.

Staff are encouraged to raise any concerns they may have regarding quality policies and procedures and the application thereof with the engagement partner (director) and/or managing partner (director) without fear of reprisals.

Monitor’s Questionnaire

The Monitor’s Report will consist primarily of answers to the following questions.

For each of the questions with a “No” answer, please include your observations, conclusions, and recommendations (if appropriate) in your report to the partner(s)/director(s) responsible for quality control.

	Yes	No	N/A	Action Required
1. Is the management of the system of quality control in the firm assigned to a partner (director) or other person with sufficient and appropriate experience and authority?				
2. Does the firm have a written quality control manual (QCM) or policies?				
3. Does the content of the written QCM conform in all relevant respects with the requirements of CCEPA/CISQC 1?				
4. Have the results of the comparison of firm QCM with CCEPA/CISQC1 requirements been communicated to the person(s) responsible for the system of quality control in the firm (including details of missing or inappropriate, policies, procedures, and documentation)?				
5. Has at least one engagement been examined for each partner (director)?				
6. For engagements reviewed, did you (as monitor) ensure that you were neither a member of the engagement team, nor a Quality Control Reviewer (QCR) on the engagement?				
7. Were any deficiencies found that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action?				
8. Is there evidence that a report issued by the firm may have been inappropriate?				
9. Was there evidence of required engagement procedures not performed?				
10. Have all deficiencies been reported in writing to the partner(s)/director(s) responsible for the system of quality control within the firm?				
11. For files reviewed, have appropriate file inspection checklists been completed and retained in the documentation?				

12. Is there evidence that the partner(s) (director(s) responsible for the system of quality control in the firm have communicated at least annually to appropriate partners (directors) and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies?

Yes	No	N/A	Action Required

Monitor's Report

To: (Partner(s) (Director(s)) responsible for the system of quality control in the firm)

Review conducted between (beginning date) and (ending date)

Period Covered: From (beginning date) to (ending date)

Name of Partner(s)/Director(s) for whom files were reviewed:

I have been assigned/engaged to perform a monitoring inspection for the firm, including a review of the quality control policies and a review of engagements representing at least one per partner (director).

The management of the system of quality control in the firm appears to [*be/not to be*] assigned to a partner (director) or other person with sufficient and appropriate experience and authority.

(Insert explanation if the conclusion is negative.)

1. The firm [*does/does not*] have a written quality control manual (QCM) and/or quality control policies and procedures.

(Insert explanation offered by partner(s) / director(s) responsible for the system of quality control, if a written QCM is incomplete.)

2. In my opinion, the content of the written quality control manual (QCM) [*does/does not*] conform in all relevant respects with the requirements of CCEPA/CISQC1.

3. I [*found/did not find*] the following missing or inappropriate policies, procedures, and/or documentation in the firm's QCM.

4. I [*found/did not find*] evidence that the partner(s)/director(s) responsible for the system of quality control in the firm have communicated at least annually to appropriate partner(s)/director(s) and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies.

5. I have reviewed at least one engagement for each partner/director.

For engagements reviewed, I verified that I was neither a member of the engagement team, nor a quality reviewer on the engagement.

Insert details of each engagement selected (including partner/director name, engagement type, client name, and year-end date)

6. I [*found/did not find*] deficiencies within the file engagements that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action.

Insert details of each such deficiency found.

7. I [*found/did not find*] evidence indicating that a report issued by the firm may have been inappropriate.

Insert details of evidence indicating the possibility that an issued report may not have been appropriate.

8. I [*found/did not find*] evidence that engagement procedures required either by Cambodian International Standards on Auditing or the firm were not performed.

Insert details of evidence indicating that required procedures were not performed including a reference to the requirement.

9. I have reported all deficiencies found in the course of my review to the partner(s)/director(s) responsible for the system of quality control in the firm.

Record of complaint

Client Name: _____ Date: _____

Client engagement team: _____

Partner (Director) dealing with complaint: _____

Details of Complaint
Implications of the Client's concerns
Action Taken
Solution agreed with / Communicated to Client
Insurers to be advised y / n Reasons documented below.
Feedback to Team
System Weaknesses Identified - to be improved

Signed off as matter complete: _____ Date: _____