



LEGAL NOTICE NO.....

**THE ACCOUNTANTS ACT**

*(No.15 of 2008)*

**THE ACCOUNTANTS (QUALITY ASSURANCE REVIEW) REGULATIONS, 2021**

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**THE ACCOUNTANTS ACT**

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**THE ACCOUNTANTS (QUALITY ASSURANCE REVIEW) REGULATIONS, 2021**

**IN EXERCISE** of the powers conferred by section 13 (2) (c) of the Accountants Act, 2008 the Registration and Quality Assurance Committee makes the following Regulations to govern quality assurance programmes to ensure compliance with professional, quality assurance and other standards published by the Council for observance by the members of the Institute —

**THE ACCOUNTANTS (QUALITY ASSURANCE REVIEW) REGULATIONS, 2021**

**PART I - PRELIMINARY**

Citation.           **1.** These Regulations may be cited as the Accountants (Quality Assurance Review) Regulations, 2021.

Interpretation.   **2.** In these Regulations, unless the context otherwise requires —

“Act” means the Accountants Act, 2008;

“assurance services” means professional audit activities that provide an independent and objective assessment of financial statements or compliance efforts that assure stakeholders including management and staff, the Board, shareholders, investors, regulators and the public that financial or non-financial statements are reasonable, true and fair, and operations are done in accordance with applicable policies and regulations;

“Council” has the meaning assigned to it under section 2 of the Act;

“Continuous Professional Development Program” means the continuous maintenance, development and enhancement of the professional and personal skills, which Certified Public Accountants will require for the execution of professional and technical duties throughout their working lives;

“Disciplinary Committee” has the meaning assigned to it under section 2 of the Act;

“firm” has the meaning assigned to it under section 2 of the Act;

“Institute” has the meaning assigned to it under section 2 of the Act;

“member” means a person who is registered with the Institute in accordance with sections 4 and 24 of the Act;

"member in good standing," means a member of the Institute who has attained the requirements of the Institute’s continuous professional development program, paid

up the fees and subscriptions and has no pending disciplinary case before the Disciplinary Committee;

“non assurance work” means professional accountancy services rendered by a member or a firm whose primary purpose is to ensure compliance, generate recommendations, solutions or ideas to a client to enable them make an informed decision or explore alternatives or conclude a matter based on professional technical expertise and advice or deal with a situation or enhance its competitiveness in the market;

“Registration Committee” means the Registration and Quality Assurance Committee established under section 13 of the Act;

“reviewer” means a person deployed or engaged under Paragraph 10 of the Third Schedule to these Regulations; and

“work pack” means a combination of support documentation to a quality review that reflects work performed by a professional accountant and records inspected at the time of the review by the Institute.

Objects and purpose.

3. The objects and purpose of these Regulations shall be to provide for means of —
- (a) monitoring compliance with professional, quality assurance and other standards published by the Council for observance by the members of the Institute;
  - (b) undertaking investigations pursuant to section 13 (3) of the Act;
  - (c) reviewing compliance with professional, quality assurance and other standards and recommending to the Council that a member’s conduct be referred for inquiry under section 32 of the Act; and
  - (d) determining actions necessary for rectifying deviations from published standards.

## **PART II: QUALITY ASSURANCE FRAMEWORK**

Quality assurance framework.

4. Pursuant to section 13 (2) (b) of the Act, the Registration Committee shall undertake audit quality review for practising members undertaking-
- (a) composite;
  - (b) audit and assurance;
  - (c) taxation; and
  - (d) management consulting

to ensure compliance with international standards and pronouncements on quality assurance as issued from time to time.

Quality review procedure.

5. (1) Pursuant to section 13(7) of the Act, members of the Institute shall administer a self-review on adherence to quality assurance in line with the self-review practice monitoring tool set out in the First Schedule.
- (2) The Registration Committee shall conduct a pre-review of the quality assignment as set out in the Second Schedule.

(3) The Registration Committee shall conduct quality assurance reviews to assess the procedures, processes and controls established by firms to ensure that professional accountancy work complies with International standards and the firms meet the requirements of applicable laws in line with the procedures set out in the Third Schedule.

(4) The Registration Committee may revise the First, Second and Third Schedules with the approval of the Cabinet Secretary and gazettelement from time to time.

Actions to rectify deviations from published standards.

6. The Registration Committee shall —

- (a) subject to the review carried out under regulation 5(3), identify deficiencies in professional work, ensure follow up and specify remedial actions where necessary;
- (b) require a firm or member, who has deficiencies identified under sub-regulation (a), to submit a remedial action plan to the Registration Committee;
- (c) refer a firm or member who has not complied with the remedial action plan under sub-regulation (b) and within the timelines provided therein, to the Council for referral to the Disciplinary Committee for appropriate action; and
- (d) pursuant to section 13(4) and 13(5) of the Act, record information specified in the work pack set out in the Third Schedule for referral to Council and Disciplinary Committee for inquiry.

**PART III: INVESTIGATIONS BY THE REGISTRATION COMMITTEE**

Conduct of investigations by the Registration Committee.

7. (1) Where the Registration Committee deems it appropriate to undertake investigations in the performance of its functions under section 13(3) of the Act, such investigations shall be conducted as set out in the Fourth Schedule.

(2) The Registration Committee may revise the Fourth Schedule with the approval of the Cabinet Secretary and gazettelement from time to time.

**FIRST SCHEDULE (r.5(1))**

**SELF- REVIEW PRACTICE MONITORING TOOL**

**A. PART A: OVERVIEW OF THE SELF -REVIEW PRACTICE MONITORING TOOL**

- 1. As part of the measures the Institute has put in place to monitor compliance with professional standards and fulfill the requirements of Statement of Membership Obligation, the Institute shall roll out this self-review monitoring tool to ALL practitioners with effect from .....

2. This tool is geared towards enabling individual firms carry out a self-review based on the level of compliance with applicable standards. It gives a firm an opportunity to gauge the major areas of non-compliance and subsequently based on need, call upon the Institute to enhance the firm’s level of compliance.
3. Firms will be selected for reviews primarily based on their risk profiles identified from a desktop review of the information submitted in this tool. This process will analyse the units’ responses in the tool and other relevant information.
4. All firms shall complete the self-review monitoring tool every two years or when called upon to do so by the Institute. However, should a firm’s processes and any information submitted earlier significantly change before the two-year period, the firm should communicate such changes to the Institute;
5. This tool will collect the following information about a firm —
  - (a) organisation and management of the firm;
  - (b) quality control policies and procedures established by the firm;
  - (c) engagement review; and
  - (d) client profile of the firm.
6. The tool mostly contains questions of a “Yes / No” answer, but some questions such as those on the organization and management of the firm, and client profile information require quantitative data. Some questions also require narrative answers. In general, a “N/A” answer should not be selected unless in the circumstances specified in this questionnaire.
7. The tool provides the following benefits —
  - (a) enables a firm to pro-actively manage its own operations;
  - (b) gives a firm an opportunity to point out its own weaknesses and hence enhance its own capacity to address the weaknesses;
  - (c) gives an insight to the firm’s staffing needs as well as the need to address the gaps identified through training;
  - (d) provides a justification to the Institute on why a firm needs considerable support or no support hence the Institute can utilize its technical team to enhance compliance in a more deserving practice unit;
  - (e) prepares the firm for the Institute’s programme review;
  - (f) serves as a pointer for setting performance targets to member or staff of a firm in practice;
  - (g) guides the Institute in developing the annual training calendar; and,
  - (h) gives the Institute an overview of the governance structure of the firms.

**Note:**

1. Practitioners are advised to fill the tool with total honesty for it to achieve the intended objectives.
2. The firm should retain information and supporting documentation used in the completion of this tool and avail it for reference or review by the Institute Reviewer(s) during site visits.

**B. FIRM DETAILS**

Name of Firm/Practice: .....

Physical address .....  
Postal address.....  
Telephone Numbers.....  
Email address.....  
Number of staff employees (Attach a list of staff with their qualifications) .....

**Mode of Practice:**

A Sole Proprietorship

A Partnership

Partners Details: (Specify who the Managing Partner is)

Name.....Membership No.....Practising No.....

Name..... Membership No.....Practising No.....

Name..... Membership No.....Practising No.....

Has the firm or any of the partner's ever been banned from conducting assurance or non-assurance work for the last five (5) years by any regulator e.g. Capital market Authority (CMA), Central Bank of Kenya(CBK), Nairobi Stock exchange  (NSE) etc.?  Yes  
No

Has the firm or any of the partner's ever been banned from conducting assurance or non-assurance for the last ten (10) years audit by any regulator e.g. Capital market Authority (CMA), Central Bank of Kenya(CBK), Nairobi Stock exchange (NSE), SASRA etc.?  
Yes  No

If your answer above is yes, what were the reasons?  
.....

Does the firm have branches? Yes  No

If yes, give the following branch details. Attach a different sheet of paper if the branches are more than one.

County .....

Physical location.....

Telephone No.....Email.....

Name of Branch Manager.....ICPAK Membership No.....

Number of staff employees at the branch ..... (Attach a list of branch staff with their qualifications)

**C. FIRM REVIEW – ASSURANCE SERVICES**

This section seeks to get information about the firm's operational procedures as guided by the International Standards Quality Control (ISQC 1) and International Standards on Auditing (ISA) 220.



If the answer is “YES” for question 3.1.2(c), give a brief overview of how you accept or continue with client engagements, highlighting the main considerations, what you document and processes if any.

.....  
 .....

In case a client terminates your engagement relationship or you get a new client, do you give/ respond to letters of professional clearance to the incoming/ outgoing auditor?

If the answer to the above question is no, give reasons

.....  
 .....

**3.5 HUMAN RESOURCES**

If the answer is “YES” for question 3.1.2(d), briefly explain how the firm ensures it has sufficient personnel with the capabilities, competence and commitment to ethical standards necessary to perform its engagements in accordance with professional standards, regulatory and legal requirements and to enable the firm or engagement partners(s) to issue reports which are appropriate in the circumstances. Which personnel issues are addressed in the HR policy?

.....  
 .....

**3.6 ENGAGEMENT PERFORMANCE**

If the answer is “YES” for question 3.1.2(e), give a brief explanation of the audit methodology, procedures and minimum documentation, highlighting any special consideration for special audits.

.....  
 .....

Does the firm use an audit software?

If “YES”, please specify the name of the software.

.....  
 .....

Is the software developed by an international firm / practice of which the firm is a member?

If “YES”, please specify:

Name of software.....

Author.....

Publisher.....

Edition.....

Is the software developed internally by the firm?

If developed internally by the firm, is the firm willing to assist other firms develop their in-house audit software/tool?

If the answer to the above question is No, give reasons why the firm would not want to help other firms develop their own audit software /tool.

.....

Yes No

Yes No  
 N/A





<p>d) To record the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the evidence obtained?</p> <p>e) Did the firm communicate to those charged with governance significant findings from the audit? If yes, what was communicated and how was it communicated?</p> <p>.....</p> <p>.....</p> <p>Does the firm obtain written representation from management on matters material to the financial statements when other appropriate evidence is not reasonably expected to exist?</p> <p>If the answer is “YES”, what is contained in the letter of representation?</p> <p>.....</p> <p>.....</p> <p>If the answer to the former question is “NO”, explain why you do not get letters of representations from your clients.</p> <p>.....</p> <p>.....</p>	<p>Yes No</p> <p>N/A</p>
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**D. ENGAGEMENT REVIEW – ASSURANCE SERVICES**

This section seeks to get information about how a firm conducts and documents its engagements as per the applicable international Standards on Auditing (ISAs). It is geared towards checking the level of compliance and applicability of quality control policies in section three in carrying out engagements. This section is meant to give an appreciation of the audit process from pre-engagement stage to completion and review of the engagement before signing audit opinions.

Answers are expected to be as exhaustive as possible. Where the space provided is not sufficient, the firm may decide to attach additional write-ups and make reference to the specific sections.

*Please circle/ tick where applicable*

<p><u>1. PRE-ENGAGEMENT</u></p> <hr/> <p>Does the firm carry out pre-engagement procedures?</p> <p>If the above answer is YES, answer the following questions.</p> <p>What process do you follow in accepting and continuing client engagements?</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>Yes No</p>
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<p>In the pre-engagement section, what is included in the documentation?</p> <p>1.----- -----</p> <p>2.----- -----</p> <p>3.----- -----</p> <p>Do your clients give engagement letters? If the answer to the above question is Yes, what are the contents of the letter?</p> <p>----- -----</p> <hr/> <p>If the answer to the above question is No, explain why.</p> <p>----- ----- -----</p>	<p>Yes No</p>
<p><b>1. PLANNING</b></p> <hr/> <p>Does the firm carry out audit planning?</p> <p>If the answer to the above planning is Yes, who is involved in planning?</p> <p>----- ----- -----</p> <p>Does the firm develop and document an overall audit strategy?</p> <p>If yes, what main factors does the firm consider is developing the audit strategy?</p> <p>a.----- -----</p> <p>b.----- -----</p> <p>c.----- -----</p> <p>Does the firm develop and document an audit plan? If Yes, what does the audit plan include?</p> <p>a.----- -----</p> <p>b.----- -----</p> <p>c.----- -----</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p>



<p><b>4. INTERNAL AUDIT</b></p> <hr/> <p>Does the firm have clients with an internal audit function? If Yes, answer the following questions.</p> <p>Do you consider the work of the internal auditor</p> <p>Do you evaluate the competencies of the internal auditor?</p> <p>How do you assess whether the internal auditors work is effective and whether she/he is independent?</p> <p>----- ----- ----- -----</p>	<p>Yes No.</p> <p>Yes No</p> <p>Yes No</p>
<p><b>5. DOCUMENTATION AND AUDIT EVIDENCE</b></p> <hr/> <p>To the best of your understanding, does the auditor document all matters which are important in providing audit evidence to support the audit opinion?</p> <p>If Yes, list what you consider as adequate documentation. What must be documented as per the engagement performance policy of the firm?</p> <p>a. ----- -----</p> <p>b. ----- -----</p> <p>c. ----- -----</p> <p>What information must be documented in a standard working paper?</p> <p>a. ----- -----</p> <p>b. ----- -----</p> <p>c. ----- -----</p> <p>How is reviews of work done by junior staff conducted?</p> <p>----- ----- -----</p> <p>Where the client has related party transactions, what do you document?</p> <p>----- ----- -----briefly</p> <p>explain how you document the following.</p> <p>a. Fair value measurements</p>	<p>Yes No</p>

<p>----- ----- ----- ----- -----</p> <p>b. Segmental reporting</p> <p>----- ----- ----- -----</p> <p>c. Use of an experts work</p> <p>----- ----- -----</p>	
<p><b>6. AUDIT COMPLETION.</b></p> <hr/> <p>What activities/ procedures does the firm carry out at the completion stage.</p> <p>----- ----- -----</p> <p>Does the firm perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, are in accordance with the applicable financial reporting framework?</p> <p>If Yes, what procedures does the firm follow? Does the firm have guidelines for financial statements presentation and disclosure?</p> <hr/>	<p>Yes No</p>
<p><b>7. REPORTING</b></p> <hr/> <p>Does the auditor’s report contain the following basic elements:</p> <ul style="list-style-type: none"> <li>▪ title (700.21)</li> <li>▪ addressee (700.22)</li> <li>▪ introductory paragraph identifying the financial statements audited (700.23)</li> <li>▪ management’s responsibility for the financial statements (700.24-27)</li> <li>▪ auditor’s responsibility (700.28-33)</li> <li>▪ an auditor’s opinion paragraph containing reference to the financial framework used to prepare the financial statements (IFRS and the Kenyan Companies Act) (700.34-37)</li> <li>▪ other reporting responsibilities (700.38-39)</li> <li>▪ auditor’s signature? (700.40)</li> <li>▪ date of the auditor’s report (700.41)</li> <li>▪ auditor’s address (town or city) (700.42)</li> </ul>	<p>Yes No</p>

<p>How does the firm communicate audit matters of governance interest, including: deficiencies in internal control, fraud, indications that a fraud may exist or uncorrected misstatements to those charged with governance?</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>If the auditor identifies or suspects a fraud has been perpetuate, does he determine whether there exists a responsibility to report the occurrence or suspicion to a party outside the entity? The auditor’s legal responsibility may override the duty of confidentiality of client information; does the auditor consider this fact? Briefly explain.</p> <p>-----</p> <p>-----</p>	
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**NOTE:**

*Attached is a comprehensive summary of the most applicable ISAs for clients of SME nature. The checklist is tailored to cover each section of an audit and the required minimum documentation and evidence.*

**E. CLIENT PROFILE INFORMATION**

**5.1 REGULATED CLIENTS**

Sector	Total for The Practice	Per Engagement Partner	Practising Certificate Number
Banks			
Building Societies			
Insurance companies			
Savings & Credit Cooperative Organizations i.e. SACCOS			
Retirement Benefit Schemes and Pension Funds			
Total number of regulated clients			

**5.2 LISTED CLIENTS AND OTHER CLIENTS OF SIGNIFICANT PUBLIC INTEREST**

Sector	Total For The Practice	Per Engagement Partner	Practising Certificate Number
Banking I sector			

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Agricultural sector			
Investment sector			
Any other sector			
Total number of clients			

5.3 OTHER CLIENTS

<i>Sector</i>	<i>Total For The Practice</i>	<i>Per Engagement Partner</i>	<i>Practising Certificate Number</i>
Private companies			
Non-Governmental Organizations			
Insurance companies/agencies and brokers			
Mutual Funds			
Total number of other clients			



**SECOND SCHEDULE (r.5(2))**

**PRE-REVIEW FORM**

**QUALITY  
REVIEW**

**PRE-REVIEW INFORMATION FORM**

REVIEW

CODE

In order to protect the anonymity of your practice you do not need to reveal the name of your practitioner who has completed this form.

1. Type of practice: -

**SOLE PRACTITIONER**

Full-time

No. of offices

Part-time

No. of Professional Staff

**PARTNERSHIP**

No of Partners

No. of offices

No of Professional Staff

2. Do you have documented quality control procedures in respect of all engagements where the attest function is performed?

 Y N

3. Do you have an Internal Quality Review Programme?

Give a brief description thereof.

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4. Can the Quality Review be conducted at your offices?

 Y  N

5. Where are your offices situated (Physical location)?

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6. Rough estimate of annual hours spent performing attest function assignments (practitioner and staff) as a percentage of the firm’s annual time.

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7. Client list is to be furnished in respect of all clients of the practice unit. This list should reflect at least the client’s name, the practitioner responsible for the assignment, the type of industry in which the client operates, the fee, and the hours taken to perform the fieldwork and the date latest report was signed for each of the audit clients. Every client where the attest function is performed must appear on the list in order for the committee to make a selection from the entire population.

Type of industry in which each client operates must be provided in order for the Professional Standards Committee to engage a suitable reviewer. Examples of

types of industry are:

- Banking /Financial Services
- Construction
- Technology, Communications
- Engineering
- Insurance
- Manufacturing
- Mining
- Professional (e.g. Architects, lawyers, medical practitioners)
- Property
- Retail

**CLIENTS LIST**

8. In order to protect the anonymity of your practice you do not need to reveal the name of your practice or the name of the practitioner who has completed this form. This table provides the Standard format for presenting information in respect of the firm’s clients. If the number of clients exceed what is provided for in the table the firm should adopt the same format in providing client information on an additional sheet(s) of paper.

No.	Name of Client	Industry	Practitioner responsible	Hours taken in fieldwork	Date the latest audit report was signed	Fees charged Kshs
1						
2						
3						

NB: Please attach a comprehensive client list if the space provided above is inadequate.

**INTERNAL QUALITY CONTROL**

Identify your firm’s policies and procedures in respect of quality control, as envisaged in ISQC 1 – Quality Control for Firms That Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements. The Standard requires that such policies and procedures be documented and communicated to the firm’s personnel. Please identify in the box below the manuals, documents or databases that contain such policies and procedures (e.g. audit manual, quality control manual, risk management manual, human resources manual, staff handbook, etc)

In addition, please provide the following information:

	Question	ISQC	Response
1	Identify the person assigned operational responsibility for the firm's quality control system.	9	
2	Please provide a CV of that person.	12	
3	Does your firm obtain, at least annually, written confirmation of compliance with its policies and procedures on independence from all personnel required to be independent by the IFAC Code (ISQC 1, paragraph 23)?	23	
4	Has a periodic inspection of a selection of completed engagements by partners or staff independent of the engagement teams been carried out within the last three years?	78	
5	If the answer to the question 4 is yes, please state: <ul style="list-style-type: none"> <li>• The date of the inspection</li> <li>• Was a report on the inspection produced?</li> <li>• Will that report be available for inspection by the quality reviewers?</li> </ul>		

**Completed by:**

**Name:** ..... **Registration** .....  
..... **Number:** .....  
**Designation:** ..... **Signature:** .....  
.....  
**Date:** .....  
.....

**THIRD SCHEDULE (r.5(3),(4), 6(d))**

**QUALITY REVIEW PROCEDURE**

**PART I: PREAMBLE**

1. This Schedule shall guide the quality review team when conducting quality assurance reviews in accordance with section 13 (2) (b) of the Act.
2. A quality assurance review shall focus on the procedures, processes and controls established by firms to ensure that non assurance work and audits comply with professional standards and meets the requirements of existing applicable laws and regulations.
3. Work carried out during the course of a quality assurance review will assess and comment on the quality of assurance or non-assurance work performed by a firm.
4. A quality assurance review shall identify any deficiency in assurance or non-assurance work, to:
  - (a) ensure adequate follow-up;
  - (b) maximise the value for practitioners and firms by giving them constructive and practical advice; and
  - (c) conduct a cost-effective review.
5. A quality assurance review shall contain as part of documentation a work pack which includes copies of the electronic or other forms, work done and checklists, as a proof of the review of a member or firm, as shall be determined by the Registration Committee from time to time.
6. This Schedule is designed to help quality reviewers reach key decisions on: -
  - (a) the extent and detail of work to be carried out;
  - (b) the quality of assurance or non-assurance work reviewed; and
  - (c) the degree of compliance shown by a member or firm.
7. A quality assurance review shall be designed to allow a quality reviewer to exercise his professional judgement, objectivity, conclusions reached in an assignment and completion of a work pack.

**PART II: OBJECTIVE OF MONITORING**

8. The objective of the monitoring process shall be to:
  - (a) promote compliance with professional accountancy standards;
  - (b) support a member or a firm, providing professional accountancy services to enhance their capacity to provide quality services to their clients;
  - (c) enhance user confidence in the reliability of audited financial statements and non-assurance services by a member or firm by ensuring compliance with accountancy professional standards;
  - (d) enhance the status and image of professional accountants while providing quality accountancy services;

- (e) monitor compliance by a member or firm with the Act and these regulations while discharging his professional accountancy services;
- (f) ensure constructive and value adding quality review process to members, firms and other stakeholders;
- (g) ensure that members and firms in practice have put in place measures to ensure competence and independence is maintained;
- (h) provide a mechanism of monitoring the continuous quality improvement in professional practice within a self-regulatory framework is working;
- (i) enhance the regulation of a member or firm in practice; and
- (j) ascertain the quality of audit work or non-assurance work carried out by a member or a firm.

### **PART III: SCOPE**

9. This schedule shall cover work carried out by a member or firm in practice and shall involve: -

- (a) all assurance work including public interest entity audits;
- (b) all non- assurance work and services related thereto;
- (c) framework for review of audit and non-assurance work by a member or a firm;
- or
- (d) any other work as may be determined by the Registration Committee from time to time.

### **PART IV: QUALITY REVIEW TEAM**

#### **A. Appointment of review staff**

10. The Registration Committee shall deploy or engage reviewers who shall be: -

- (a) staff of the Institute; or
- (b) a person contracted by Registration Committee to carry out monitoring work.

11. Notwithstanding the provisions under paragraph 10 above, the Registration Committee shall have overall responsibility for competence and professional conduct of a reviewer.

12. A reviewer engaged or deployed in paragraph 10 above shall meet the following requirements: -

- (a) be a member in good standing of the Institute, a recognized professional accountancy organization or a recognized professional organization;
- (b) possess at least 5 years' experience in accountancy;
- (c) demonstrate knowledge of professional standards;
- (d) demonstrate knowledge and experience in the industry of engagement selected for review;

- (e) be an expert or possess specialized skills in non-accountancy work to assist in a review; or
- (f) any other qualifications as may be determined by the Registration Committee from time to time.

**B. Professional and Ethical Standards**

13. A reviewer shall comply with the provisions of the Accountants Act, relevant standards in accountancy and attendant regulations.

14. Pursuant to paragraph 13 above, a reviewer shall adhere to the following: -

- (a) maintain an acceptable standard of professional conduct in all matters pertaining to the review;
- (b) be free from conflict of interest as pertains to the accountancy practice under review;
- (c) sign a declaration of independence as shall be determined by the Registration Committee from time to time;
- (d) inform the Registration Committee of any instance where his independence may be compromised;
- (e) maintain confidentiality in regard to any matter within their knowledge when undertaking the review; and
- (f) sign a statement of confidentiality as shall be determined by the Registration Committee, to ensure that at any time no other person has access to the records, documents or any other material in any form which is in their possession or under their control by virtue of their being or having been appointed or having performed or having assisted any other persons in the performance of the review.

15. The Registration Committee shall put in place mechanisms to ensure that confidentiality is maintained with respect to a reviewed member or firm, its clients and records under the custody of the Registration Committee.

16. Notwithstanding the provisions of paragraph 15, Registration Committee shall publicize the outcome of a reviewed member or firm as shall be determined from time to time by the Registration Committee.

17. Pursuant to paragraph 15 the Registration Committee shall ensure that:

- (a) a reviewer that acts contrary to the Act and these Regulations, shall be withdrawn from current and future reviews and be subjected to disciplinary action, if he is a member or firm of the Institute or be debarred if he is a member of a recognized institution, as shall be communicated by the Registration Committee;

- (b) all the review working papers shall be retained for a period of seven years or for such a time as shall be provided in any statutes or where the matter is under review by the Disciplinary Committee or a Court of Law following the conclusion of the review; and
- (c) a reviewer shall sign a service level agreement with the Registration Committee on each assignment to be undertaken.

**C. Competence**

18. The Registration Committee shall provide induction course to a reviewer and any other person involved in a review in the form of, but not limited to:

- (a) induction training to orient reviewers on relevant legislation, policies and procedures governing reviews;
- (b) exposure to relevant publications, journals, periodicals and other relevant documents on quality review; and
- (c) any other form of training deemed necessary as may be determined by the Registration Committee from time to time.

**PART IV: CONDUCT OF REVIEWS**

19. A member or a firm in practice shall be subjected to a three-year review cycle and such reviews shall be designated as routine visits.

20. The Registration Committee shall develop an annual review schedule for review of a member or firm in practice or as shall be determined from time to time by the committee.

21. Pursuant to paragraph (20) the Registration Committee shall develop operational manuals to guide the review process.

22. The Registration Committee shall determine the annual review schedule taking into account among others the following: -

- (a) the whole population of members or firms in practice
- (b) the size, previous reviews and the geographical spread of members or firms
- (c) key risk indicators identified from self-review form as set out in the First Schedule of this regulation

23. Notwithstanding the provisions of paragraph 19, a firm or member will be designated for an annual review, if the profile and self-review as set out in First Schedule indicate that the firm is conducting audits or non-assurance work that poses greater risk to the public due to the nature of the clients or if work performed is below standard.

24. Pursuant to paragraph 23 above, a member or firm providing assurance or non-assurance services to the following shall be reviewed annually:

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- (a) companies as defined by the Companies Act, 2015 or listed companies;
- (b) all companies or entities with a gross revenue of over Kenya Shillings five million;
- (c) regulated entities; and
- (d) outsourced work by the Auditor General in line with the Public Audit Act, 2015.

25. All follow-up visits to address identified deficiencies shall not form part of the annual review cycle and the scope of such reviews shall be as determined by Registration Committee with all attendant costs met by the member or firm under review.

26. A member or firm under review shall inform the client, in the engagement letter to the effect that the working papers in connection with the audit or non-assurance work shall be subject to review by the Registration Committee.

27. A member or firm in practice selected for review shall be required to:

- (a) provide the reviewer with unlimited access to records as may be deemed necessary for the purpose of the review;
- (b) provide any information in connection to the review; and
- (c) provide any information relating to the client, which may be required for the purpose of the review.

28. Pursuant to section 2 of the Act and this Schedule, the Registration Committee shall request a member or firm to provide the following:

- (a) a filled information questionnaire which shall be returned two weeks before the visit;
- (b) a copy of the opening meeting aide memoire; and
- (c) a list of documents and records which shall be requested at the visit.

29. Pursuant to paragraph (28) the Registration Committee shall: -

- (a) have an entry meeting with the member or firm and provide a brief outline of the review process from which minutes shall be kept;
- (b) identify weaknesses in the assurance and non-assurance process to recommend the required technical assistance and professional development to be undertaken by a member or firm in practice; and
- (c) have an exit meeting with the member or firm to discuss among others the initial report subject to the following:
  - i. the initial report as shall be determined by the Registration Committee from time to time provided to the member or firm fourteen days prior to the exit meeting;



- ii. minutes of the exit meeting be taken to the Registration Committee signed by both parties; and
- iii. a member or firm will be required to respond in writing, to any matter in the initial report within twenty-one days from the date of the exit meeting to the reviewer;
- (d) be required to submit the documents under (c) to the Registration Committee;
- (e) determine the completion of the assignment and issue a review report within thirty working days on finalisation of the review in a manner as shall be determined by the Registration Committee from time to time;
- (f) design and communicate appropriate remedial actions where necessary; and
- (g) rate the firms or members in accordance with a criterion as shall be determined from time to time.

30. Pursuant to paragraph (29) (g), the Registration Committee shall in accordance with section (13) (2) (d) of the Act determine the implication of the rating to the member or firm and the remedial action required or; refer the matter to Council for further inquiry under section 32 of the Act.

**FOURTH SCHEDULE (r.7(1))**

**CONDUCT OF INVESTIGATIONS BY THE REGISTRATION COMMITTEE**

1. (1) Pursuant to Section 13(3) of the Act, the Registration Committee may undertake such investigations as it deems appropriate in order to enforce compliance with the provisions of the Act.
- (2) Notwithstanding (1) above, the Registration Committee shall undertake investigation where, it has reasonable cause to believe, either on its own motion or as a result of a quality review, that –
  - a) an individual or firm’s operational practices have violated international Standards on Quality Management and other relevant local or International Standards in accountancy;
  - b) an individual or firm is operating under a registered name without due approval and or scope of the licence; and
  - c) an individual or firm has been involved in malpractice and such information is in public domain or occasioned by a public complaint.
- (3) Pursuant to subparagraph (1) above, where the Registration Committee has reasonable cause to believe, either on its own motion or as a result of a complaint received from any person, that –
  - a) an offence has been committed under this Act; or
  - b) a licensed or approved person may have engaged in embezzlement, fraud, misfeasance or other misconduct in connection with its regulated activity; or
  - c) the manner in which a licensed or approved person has engaged or is engaging in the regulated activity is not in the interest of the person’s clients or in the public interest, the Secretary to the Registration Committee may in writing depute a suitably qualified person to conduct investigations into the matter on behalf of the Registration Committee.
- (4) In conducting investigations under any circumstance in (1) or (2) above, the Registration Committee shall
  - a) appoint an investigator in liaison with other law enforcement agencies;
  - b) requisition evidence, examine records and documents prepared or held by, or likely to be availed to, the individual or firm under investigation; and
  - c) present such evidence for proper determination and compilation of the case for adjudication in the Disciplinary Committee, in Court or to other law enforcement agencies as the case may be.
2. The Registration Committee may require any person or firm under investigation to provide:
  - a) any record or document which contains, or which is likely to contain information relevant to the investigation under this Schedule;
  - b) to produce to the investigator, within such time as shall be prescribed and at such place as the investigator may require in writing, any record or document specified by the investigator which is, or may be, relevant to the investigation, and which is in the possession or under the control of that person;
  - c) to give an explanation or further particulars in respect of any record or document produced under paragraph 2(a) and 2(b) above;
  - d) to attend before the investigator at the time and place specified in writing by the investigator, and to the best of his ability under oath or affirmation answer any question relating to the matters under investigation as the investigator may put to him; and

- e) to assist the investigator with the investigation to the best of the person's ability.
3. The Registration Committee may obtain such official information as it considers necessary to fulfil its functions, duties and powers from a person who is not a member, employee or office holder of the entity or firm or company, within fourteen days and in doing so, the Registration Committee may —
- a) advise the person in writing of the nature of the information and why it is needed;
  - b) state that the information is required under the Act;
  - c) ask for further information where necessary; and
  - d) summon the person, if necessary.
4. For the purposes of obtaining full information, the Registration Committee shall issue directions to—
- a) a company where a professional accountant has provided services;
  - b) a subsidiary of the company where a professional accountant has provided services;
  - c) a company which is substantially under the control of the same person as the company where a professional accountant has provided services;
  - d) any originator, servicer, trustee, manager, director, auditor or any other party associated with a records and books of accounts, financial statements and annual financial reports where a professional accountant has provided services; or
  - e) any party associated with the issue of financial statements and annual financial reports or as prescribed by any other law, where a professional accountant has provided services.
5. (1) For the purposes of exercising or performing the functions under this Schedule, the Registration Committee shall require a firm or company or any person employed by firm or company where a professional accountant has provided services —
- a) to produce any official document in the firm's or company's or person's custody, care or control; and
  - b) to provide the Institute with information or an explanation about any official information, system or asset.
- (2) The Institute or the Registration Committee may obtain such official information as it considers necessary to fulfil its functions, duties and powers from a person who is not a member, employee or office holder of the firm or company, within fourteen days and in doing so, the Institute may —
- a) advise the person in writing of the nature of the information and why it is needed;
  - b) state that the information is required under the Act;
  - c) ask for further information where necessary;
  - d) summon the person, if necessary;
- (3) Where the information required is not official, then the Registration Committee will have to apply to the courts to obtain such information.
- (4) In cases where the Registration Committee suspects fraud or corruption, it may invite the relevant organs for their appropriate action.
- (5) Pursuant to Section 13(3) of the Act, production of information shall have effect notwithstanding—
- a) any law relating to privilege or the public interest with respect to the giving of information or the production of any accounts, documents, or records (including in electronic format); or
  - b) any contractual duty of confidentiality.

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6. Where the information required is not official but requisite for the conduct of its investigations, then the Registration Committee shall apply to the courts to obtain such information.
7. Pursuant to Section 13(2)(f) of the Act, in cases where the Registration Committee suspects fraud or corruption, it may invite the relevant state organs for their appropriate action.
8. Pursuant to Section 13(4) of the Act, upon conclusion of an investigation, the Registration Committee may make recommendations to Council and refer a matter for disciplinary inquiry under Section 32 of the Act.

Made on the....., 2021.

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**Chairperson Registration and  
Quality Assurance Committee.**