



## Empacta Quality Control Standards for Audits and Audit-Related Engagements

The General Assembly adopted the following standards:

### **Preamble**

These quality control standards are created and authorized by the General Assembly of EMPACTA and shall be mandatory to all EMPACTA members. The purpose of these standards is to guarantee minimum quality for audits and audit-related engagements that are performed by EMPACTA members.

If national regulations in a country, where a member is registered, or the internal regulations of a member are stricter than the rules in these standards, then these stricter regulations shall apply for the member.

If national regulations contradict the EMPACTA standards, these national regulations shall apply. In this case, the member should record the non-compliance with the EMPACTA standards. The invalidity of any EMPACTA standard, because of the reason described above, does not affect the validity of the other provisions of the EMPACTA standard.

### **Transnational Audit Perspective**

Transnational audits are audits in which an ordering party (a client), situated in one country, commissions audit services in another country. It is a distinguishing sign of EMPACTA that we address the particularities of these engagements. The following standards always include a Transnational Audit Perspective (TAP).

All members shall refrain from racial or national prejudice and avoid all behavior which could be interpreted as encouraging such attitudes. All members are obliged to show and to practice professional solidarity with members in other countries.



## 1. Ethical Requirements

1.1 The EMPACTA member complies with ethical requirements, established by the IFAC, when carrying out engagements. The fundamental principles of professional ethics include:

- (1) integrity
- (2) objectivity
- (3) professional competence and due care
- (4) confidentiality
- (5) professional behavior

1.2 The EMPACTA member and its personnel maintain objectivity and are free of conflicts of interest in discharging professional responsibilities. The member should be independent in fact and appearance when providing audit and other attestation services.

1.3 The EMPACTA member carries out professional engagements in conformity with the technical and ethical standards applicable in the country where the member is registered. The member is obliged to perform professional services to the best of its ability with concern for the best interest of those for whom these services are performed.

1.4 To avoid the familiarity threat the senior personnel responsible for an engagement should be rotated after a maximum period of five years.

1.5 The EMPACTA network offers an ethics hotline to its members. The hotline provides members with free assistance by telephone concerning ethical questions and problems. In case of conflict with clients, auditees or other institutions, EMPACTA advocates on members' behalf to ensure that the profession's voice is heard.

### *Transnational Audit Perspective*

EMPACTA members agree that all cultures try to comply with ethical principles. There might be differences in how certain values are interpreted. EMPACTA addresses these differences in its annual meetings in order to develop common ethical principles of the network.



## **2. Acceptance and Continuance of Client Relationships**

- 2.1 Before accepting or continuing client relationships the EMPACTA member will consider whether it
- (1) has the competence and capability, including time and resources, to perform the engagement;
  - (2) can comply with ethical requirements and
  - (3) has considered the integrity of the client.
- 2.2 The member will evaluate whether its personnel has the necessary know-how and experience of the client's industry and if sufficient personnel is available.
- 2.3 In case a potential conflict of interest is identified, the member will evaluate whether it is appropriate to accept or continue the engagement.
- 2.4 If the member has doubts about the integrity of the client, it will consider withdrawing from the engagement or from both the engagement and the client relationship.
- 2.5 In difficult questions the members may contact the EMPACTA ethics hotline to get consultation on acceptance of clients or withdrawal from engagements.

### *Transnational Audit Perspective*

If a member situated in one country (country A) receives an assignment that is to be performed or was commissioned in another country (country B), the member from country A shall contact the member registered in country B and include this member into the audit assignment in such a way that the audit could be performed in accordance to art. 4 of these standards. The member firm shall consult with the other member in order to assure that the engagement is acceptable.



### **3. Human Resources**

- 3.1 The EMPACTA member ensures that it has sufficient personnel with the competence, capabilities and commitment to ethical principles to perform engagements.
- 3.2 The EMPACTA member and its staff undergo continuous professional education in line with the requirements of the accounting body at the place of registration.
- 3.3 New staff members are made familiar with the EMPACTA statutes, mission statement, quality manual and other network regulations.
- 3.4 EMPACTA provides regular professional training in accounting, audit, financial management, ethics and communication skills. Participation in these trainings will be certified.

#### *Transnational Audit Perspective*

The EMPACTA voluntary exchange program provides young students and professionals with the opportunity to receive practical experience abroad. Members exercise due care when hosting trainees from other members.



#### **4. Engagement Performance**

- 4.1 The EMPACTA member performs engagements in accordance with professional standards, applicable legal and regulatory requirements and the EMPACTA mission statement.
- 4.2 The audit procedures and conclusions are documented in clear and understandable work papers, either in paper or in electronic format. The work papers include at least:
  - 1) an engagement letter or contract
  - 2) the audit program
  - 3) documentation of analytical procedures
  - 4) an assessment of the internal control system and risk assessment
  - 5) documentation of substantive testing
  - 6) a final Review
  - 7) a signed financial report
- 4.3 The final engagement file is prepared within 60 days after the date of the auditor's report. The member is obliged to maintain the confidentiality and safe custody of the documentation. The documentation is to be retained for a period of no less than 5 years.
- 4.4 EMPACTA offers a set of standard work papers to its members and provides training on how to apply the standard work papers.

#### *Transnational Audit Perspective*

In transnational audits, members consult each other on the legal implications of these engagements. Wherever possible, members sign the audit result together, taking undivided responsibility for the result.



## **5. Monitoring**

- 5.1 The EMPACTA member carries out regular internal quality control reviews. The reviews provide an evaluation of the significant judgments made by the engagement team and the conclusions reached. The quality control reviewer should not participate in the engagement team. The results of the review are documented in writing.
  
- 5.2 The EMPACTA member obliges itself to undergo an external peer review once every six years. The peer reviews are performed by professional peer auditors. The peer reviewer examines whether the member complied with the EMPACTA quality manual. The results of the peer review are outlined in a confidential peer review report provided to the member.

### *Transnational Audit Perspective*

EMPACTA will develop a guideline for peer reviews defining the tasks and responsibilities of the peer reviewer, which is applicable in all member countries.



## 6. Final Provisions

- 6.1 The EMPACTA quality control comes into force with a decision of the General Assembly of EMPACTA as of 13 November 2015.
- 6.2 The Secretary General is in charge of controlling compliance with the manual and reporting on non-compliance to the General Assembly.
- 6.3 The Secretary General is allowed to request corrections and may issue sanctions on non-compliance. Sanctions shall be approved by the Board.
- 6.4 The EMPACTA quality standards are reviewed and up-dated in intervals of no longer than three years.

Acknowledged:

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be "Sohail Hafeez".

Sohail Hafeez, Lahore – Pakistan.