

6.4 QA Project – Progress Report

Prepared by Chief Executive

1. Introduction

The purpose of this paper is to provide a status update.

2. Commentary

In September 2014, the CAPA Board approved involvement in a capacity building project as described in a draft ADB Technical Assistance Report, supported by an Aide Memoire. CAPA's involvement is limited to Output 1 (there are four outputs in total under this TA) - Piloting Quality Assurance Systems for Professional Accounting Organisations.

Four selected PAOs from the following countries - Nepal, Samoa, (CAPA members), and importantly non-CAPA members - Cambodia and Myanmar, agreed involvement in the project. These PAOs are in different stages in developing their QA system. Given the nature of the project, involvement of these PAOs was deemed appropriate.

The project is under the Regional Capacity Development Technical Assistance (TA), titled "Strengthening Financial Management in Asia and the Pacific". The final TA received ADB approval in late October 2014.

Throughout the project, CAPA's role is one of facilitator and advisor, and since the first half of 2015, we have been active in this respect.

A Memorandum of Understanding was issued by the ADB for PAOs to acknowledge their conditions for receiving assistance. This includes the PAOs committing to provide an annual status update to CAPA for a minimum of 3 years from project completion. Using the updates, CAPA will be responsible for providing additional feedback to the PAOs to encourage successful achievement of the desired outcomes and keep the ADB informed of these monitoring activities.

Consultant selection occurred through 2015, with ICAEW, an Affiliate member of CAPA, being appointed by the ADB in October 2015.

The project has progressed well since that time, and the attached newsletters, produced for the benefit of key stakeholders, provide details regarding activities and progress.

The Consultant has already produced a first draft of the QA Guide and the Chief Executive has provided comments. Should a further draft become available prior to the meeting, and should the Consultant want a review from a broader audience, this may be provided to the PAODC either before or at the meeting, for subsequent review and comment.

CAPA is not aware of any delays or significant issues. The project is expected to conclude in the first half of 2017. An ICAEW representative will be at the KL Board meeting.

3. Action

For noting.



Strengthening Financial Management in Asia and the Pacific: Piloting Audit Quality Assurance Systems for Professional Accountancy Organizations



Introduction

The Institute of Chartered Accountants in England and Wales (ICAEW) has signed a contract with the Asian Development Bank (ADB) for *Strengthening Financial Management in Asia and the Pacific: Piloting Audit Quality Assurance Systems for Professional Accountancy Organizations* (PAOs).

The project involves advisory and technical assistance to enhance the quality assurance (QA) systems of professional accountancy organizations (PAOs) in the selected pilot countries of Cambodia, Myanmar, Nepal and Samoa. (For full details of the project deliverables, upcoming activities and the journey, see: **Page 2**)

ICAEW has longstanding experience of working alongside the professional accountancy organizations in Bangladesh, Cambodia, Myanmar, Nepal, Philippines, Sri Lanka and Thailand to strengthen the local profession, improve quality assurance systems, establish an effective audit regulation framework, implement a strong audit oversight function and, aid with adoption of international accounting standards and benchmarks.

Working together

The project's success relies on cohesive working with all four PAOs - the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA), Myanmar Institute of Certified Public Accountants (MICPA), Institute of Chartered Accountants of Nepal (ICAN) and Samoa Institute of Accountants (SIA) - throughout the project lifecycle.

We will also engage with national audit regulators, the Office of the Auditor General and Ministries of Finance in each country (where applicable).

We aim to develop a productive relationship that will enable us to deliver enhanced audit quality assurance systems in all four of the pilot countries.

Your guidance and support is greatly appreciated and we look forward to the opportunity to work with you during the course of the project. If you have any questions, please do not hesitate to contact: Mark Campbell, ICAEW Head of International Capacity Building.

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Project term:

**Oct 2015 –
Mar 2017**

Donor agency:

**Asian
Development
Bank (ADB)**



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Accountants



ICAEW promotes, develops and supports more than 144,000 Chartered Accountants working in over 160 countries worldwide. It works with professional bodies and government institutions on the practical steps involved in the adoption of regulations, standards and benchmarks. The institute also contributes technical expertise and practical advice on projects to strengthen the accountancy profession globally.



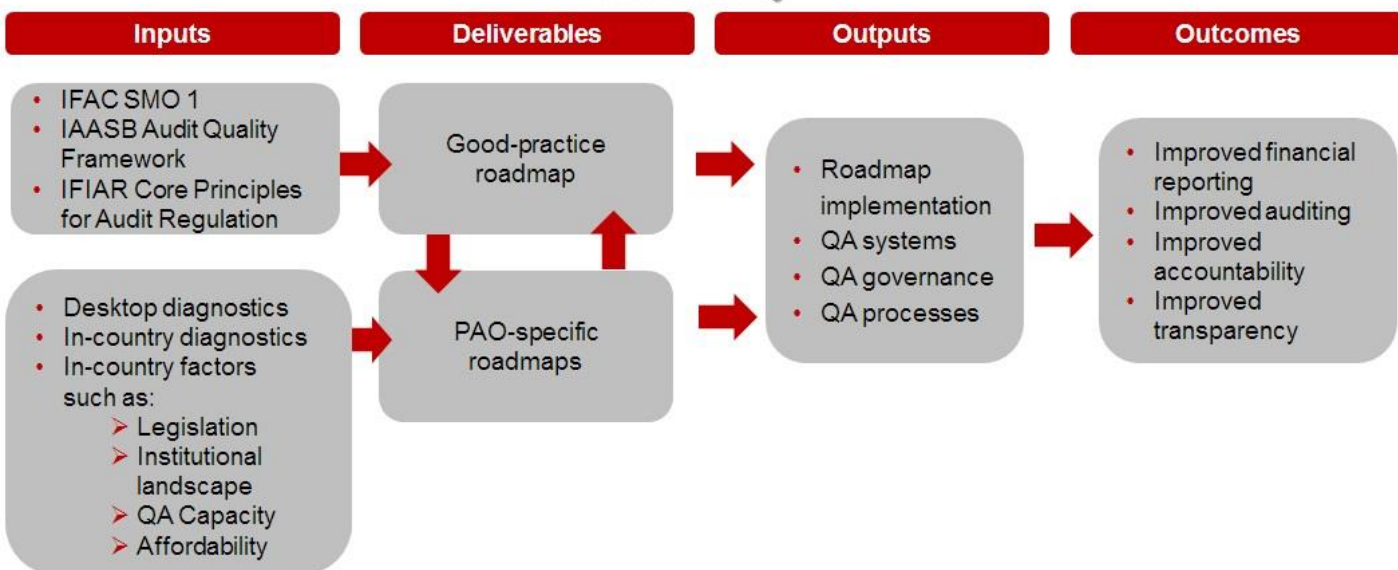
Project deliverables

- Delivery of a detailed review of the current landscape.
- Development of a general good-practice roadmap - to include recommendations on compliance with IFAC SMOs and international standards on quality control.
- PAO-specific audit QA roadmaps - to include gap analysis, recommendations for improving audit quality assurance systems, roles and responsibilities as well as step-by-step implementation plans.
- National workshops conducted to launch the PAO-specific audit QA roadmaps (including any training required).

Upcoming activities

- **February 2016:** Visits to meet stakeholders in Cambodia and Nepal.
- **March 2016:** Circulation of the good-practice roadmap draft.
- **May 2016:** Workshop to precede CAPA Board meeting and Asia public sector Forum (non-CAPA members welcome) (Kuala Lumpur, Malaysia).

The Journey





Strengthening Audit Quality in Asia and the Pacific



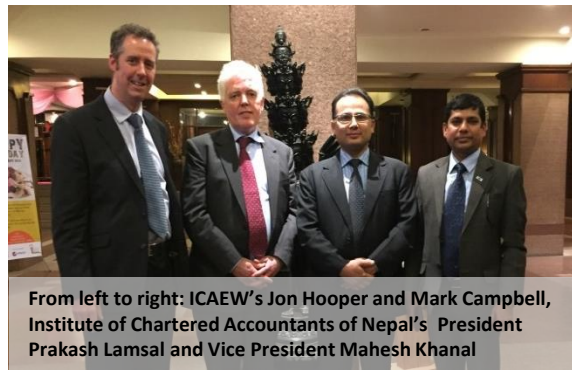
AQA underway in Cambodia and Nepal

In ICAEW's February visits, both Cambodia and Nepal outlined their plans for establishing audit quality assurance (AQA) in the future.

This confirms how timely the project is in being able to give an international best practice perspective. In both countries there is consensus on the need to regulate audit firms through AQA.

The project is now looking at how best it can inform policy makers so that the AQA systems will be affordable, fair, proportionate, transparent and sustainable.

We met a wide range of stakeholders, including banking,



From left to right: ICAEW's Jon Hooper and Mark Campbell, Institute of Chartered Accountants of Nepal's President Prakash Lamsal and Vice President Mahesh Khanal

insurance and securities regulators, professional accounting organisations (PAOs) and auditors. All supported these initiatives as part of a wider programme of improving financial information in both countries.

It was widely held that AQA must go together with efforts to enforce and improve compliance by companies with their reporting and auditing requirements. Only then will efforts lead to improved financial information, in turn leading to improved business and investment climate.

Donor agency:

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Cambodia: Legislation is passed

Legislation to support the regulation of audit firms has passed and is awaiting Royal assent. The underlying regulations are being drafted by the National Accounting Council (NAC) with a view to the completion of these on or before Q4 2016.

Division of responsibilities between NAC and KICPAA has yet to be determined. There was clear stakeholder consensus for AQA to be undertaken by a KICPAA team rather than through audit firm peer review. Our team will shortly calculate the likely costs and further discussions with stakeholders will be held on potential funding sources.

Nepal: Independent AQA Board launched

An independent AQA Board has been set up, that will be administratively supported by ICA Nepal, and convened for the first time in late February 2016.

During the past 5-6 years, an audit firm peer review approach was attempted in Nepal. However, it only worked on several occasions and has now been abandoned.

There is a clear consensus a more robust operational framework of AQA needs to be implemented. As in Cambodia, our team will shortly calculate the likely costs and further discussions with stakeholders will be held on potential funding sources.

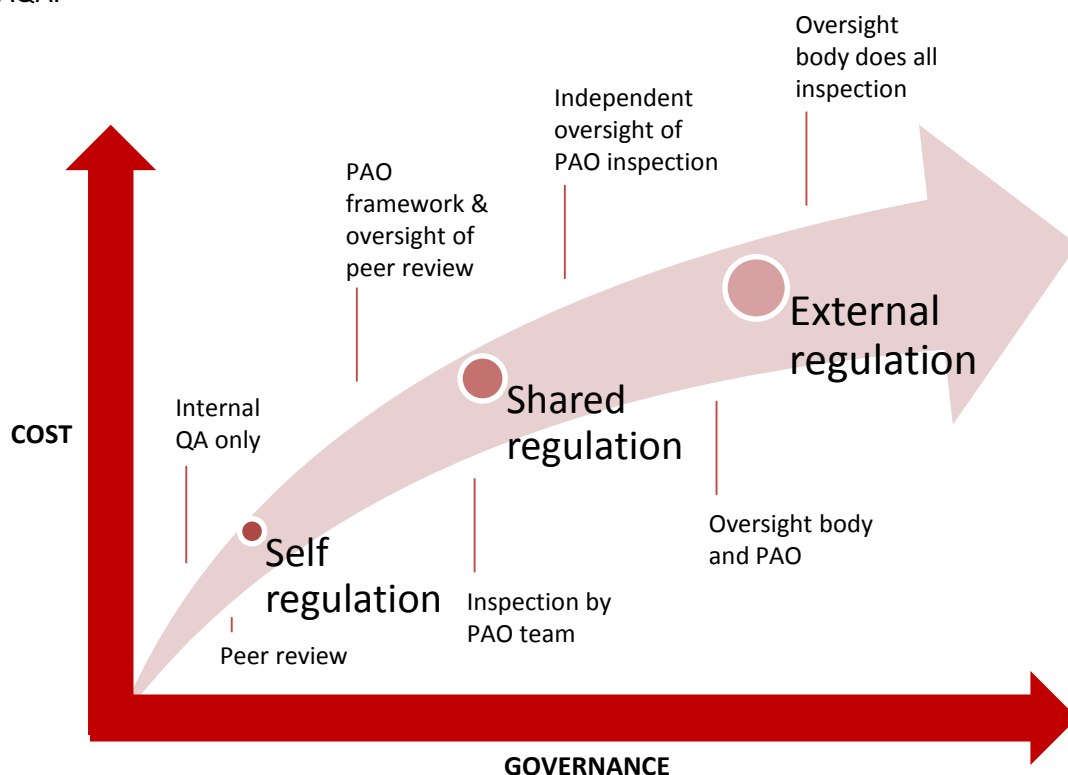
This newsletter is published by **ICAEW** as part of the ADB funded project to enhance the quality assurance (QA) systems of professional accountancy organizations (PAOs) in the selected pilot countries of Cambodia, Myanmar, Nepal and Samoa. Our aim is to build community throughout the project lifecycle helping to promote cohesive working and successful delivery.

Different models of AQA discussed

A range of different models for audit quality assurance (AQA) which are used around the world were discussed in our recent visit to Nepal and Cambodia.

These models range from self-regulation through shared regulation to external regulation, though most combine one or more model in shared regulation.

The table below provides an overview of the different models of AQA:



Project deliverables: October 2015-March 2017

- Detailed review of the current landscape.
- General good-practice roadmap - to include recommendations on compliance with IFAC SMOs and international standards on quality control.
- PAO-specific AQA roadmaps - to include gap analysis, recommendations for improving audit quality assurance systems, roles and responsibilities as well as step-by-step implementation plans.
- National workshops conducted to launch the PAO-specific AQA roadmaps (including any training required).

Upcoming activities

- **March 2016:** Delivery of draft good-practice roadmap.
- **April 2016:** *Samoa* in-country visit by ICAEW consultant Bill Palmer, to engage with key stakeholders.
- **May 2016:** *Myanmar* in-country visits by ICAEW consultants, Alan Hind and Mark Campbell to consult with key stakeholders.
- **May-June 2016:** *Cambodia* and *Nepal* in-country visits by ICAEW consultants, Alan Hind, Jon Hooper and Mark Campbell.

For more information:

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