



**Institute of Cost and Management
Accountants of Pakistan**

Quality Control Review Checklist

For Cost Audit Engagements

Issued By
Quality Assurance Board

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1. Pre Engagement Activities

Client Name:

Core Business areas:

Clients Year End..... Date of Audit Report

Engagement Partner.....

In charge/ Manager:

Qualification of Manager/ In charge:

Name of Reviewer:

Review Date.....

Please answer “YES” or “NO”. In case of “NO” please explain with reasons.

Sr. No	Description	Yes/ No	Reasons
1.1	Compliance to Pre-Rendezvous		
(a)	If case of new engagement, was communication with previous auditor followed properly?		
(b)	Was proper evaluation measures taken before signing the engagement?		
(c)	Did the auditor ponder need to reconsider the engagement acceptance criteria?		
(d)	Whether the auditor made appropriate effort that the non-audit services to be provided to the client would not impair independence and whether he has adopted the appropriate procedures to do so?		
(e)	Has proper information given to the professional individuals to observe independence and assertion of independence obtained from other firms engaged to perform the other segments of the engagement?		
(f)	Whether any incident was noted during the review which indicates lack of independence?		

1.2	Existence of Engagement Contract		
(a)	Whether any Engagement Contract available for the engagement?		
(b)	The contract must include:-		
(i)	Firm's identity.		
(ii)	Client's identity.		
(iii)	Description of deliverables.		
(iv)	Scope of engagement.		
(v)	Scheduled time.		
(vi)	Auditor's review.		
(vii)	Working papers by QCR Department of ICMAP.		
(viii)	Fees.		
(ix)	Acceptance by the contracting parties.		
(x)	Clients responsibilities		

2. Audit of Cost Statements

Sr. No	Description	Yes/ No	Reasons
2.1	Planning		
(a)	<i>Did the auditor properly considered following points before planning the audit engagement:</i>		
(i)	Matters, such as applicable cost accounting orders relevant to the industry, audit of cost account rules, cost accounting practices, economic situations, laws, government regulations, and technological vicissitudes, which affect the industry?		
(ii)	Matters having impact on entity's business such as organization, types of products and services?		
(iii)	Approve s suitable level of knowledge of clients business and accounting system by documenting into working papers.		
(iv)	Had an introductory meeting with the client key official to have detailed knowledge of the business and industry. And has the major issues, if any pointed out in the meeting were properly recorded and communicated to the client well before time?		
(v)	Implement the audit planned in planning the nature timing and extend other audit procedures?		
(vi)	Attained and documented proper understanding of the internal audit functions based upon the involvement and collaboration of the internal audit?		
(vii)	Acquire adequate knowledge of the internal control structure to plan the audit and reflect to place expected reliance on internal cost accounting controls and appraised the nature,		

	time and level of tests of controls to be performed.		
(viii)	In case of organization using CIS, whether the auditor studied and estimated internal controls over CIS?		
(ix)	In case the work papers showed client's information technological risks, the impact on audit and the engagement team's valuation of whether to include Information Technology Audit specialist?		
(x)	Assessed the quality of the performance of audit team in planning?		
(xi)	Signed all procedures called for in the cost audit programs?		
2.2	Audit Performance and Working Papers		
(a)	Analytical Procedures		
	Whether the engagement team followed and used the guidelines in ISAs, audit practice manual, developing, performing and evaluating the outcomes of analytical procedures used as substantive tests.		
(b)	Laws and Regulations		
(b)	Whether the engagement team obtained proper consideration about client's legal and regulatory framework applicable to the products, cost audit and cost records and its compliance with the same?		
(c)	Management Representations		
	Whether the engagement team attained and documented in working papers, appropriate representation from management (oral, written, formal or informal) and whether CEO or CFO of the company signed the representation letter?		

(d)	Significant Consultations and Discussions		
	In case it became necessary to have discussions to make significant decisions, whether the results of such discussions documented in the audit working papers?		
2.3	Audit Performance– Working Papers		
2.3.1	Inventories		
(i)	Where the physical inventory is taken at a date other than the balance sheet date, do the working papers indicate that attention was given to inventory transactions between the inventory date(s) and the balance sheet date?		
(ii)	In case the physical inventory was not taken, do the working papers include the documentation of inventory taken at the year-end by the client along with financial auditors?		
(iii)	Do the working papers comprise evidence that counts were appropriately made and recorded (i.e. was control over inventory tags or count sheet maintained and were test count quantities recorded with counts reflected in final inventory)?		
(iv)	Were physical inventories at all locations were taken where comparatively large amounts are located?		
(v)	Where the physical inventory in the hands of others was not observed, were inventory authorizations received (i.e. inventory in public warehouse, on consignment etc.)?		
(vi)	If perpetual inventory records at perpetual systems are maintained do the working paper show that difference disclosed by the clients physical inventory (or cycle counts) are correctly reflected in the cost records?		

(vii)	Do the working papers indicate that there were suitable tests of: - The clerical accuracy of the compilation of the inventory? - Costing methods and substantiation of cost used in pricing all elements (raw materials, work in process, finished goods) of the inventory?		
(ix)	Were the outcomes of inventory observations and other tests summarized and were suitable conclusions drawn?		
(x)	Do the working papers show that a lower of cost or market test (including consideration of obsolete or slow moving inventory) was accomplished?		
(xii)	Were investigations concerning purchase and sales commitments made, comprising consideration as to any possible adverse effects?		
(xiii)	Were suitable inventory cut-off tests completed?		
(xiv)	Where applicable, were gross profit percentage test employed to check total valuation of inventories?		
(xv)	Based on the estimation of internal accounting control, or based on the assessment of control risk, do the substantive tests of inventory appear satisfactory?		
2.3.2	Depreciation		
(i)	Was a summary schedule prepared (or attained) to show opening balances, changes during the period and ending balances for: i. Property, Plant and Equipment ii. Accumulated Depreciation		
(ii)	Do tests seem suitable and were proper decisions drawn with respect to: - Calculation of depreciation; - Apportionment and absorption of		

	<p>depreciation charge for the year;</p> <ul style="list-style-type: none"> - Status of idle resources; - Consistency of depreciation method used; and - Presence of fixed asset? 		
2.3.3	Cost of Sales		
(i)	Do the working papers indicate that the review of the costing and accounting methods in use for material?		
(ii)	Do working papers included documentation to determine that appropriate basis of allocations are used?		
(iii)	Were tests performed to verify the cost statement and data related to capacities and production?		
(iv)	Were tests performed in order to determine the costs accounting system applied is appropriate in the circumstances in relation to products and services?		
(v)	Were procedures, tests of controls and substantive tests, performed to determine the accuracy, completeness and valuation of material costs (both direct and indirect)?		
(vi)	Were tests of payrolls, including account distribution, made?		
(vii)	Concerning pension and gratuity plans do tests made of the expenses appear suitable?		
(viii)	Were cost for the period compared to the budget and the preceding period and reviewed for sensibleness, and were significant variances and fluctuations explained?		

(ix)	Were tests performed to determine the accuracy and appropriateness of basis of allocation of overhead costs and the absorption of variance?		
(x)	Based upon the estimation of internal control, or based on the assessment of control risk, did the substantive tests (reviews analysis, and testing) of cost of sales seem suitable?		
2.3.4	Provisions and impairment		
	Did the engagement team suitably reflect the key assumptions used by management for recognition and measurement of significant requirements and impairment of inventories and correctly document their resolution in the work papers?		

3. Cost Audit Report and Cost Statements

Sr. No	Description	Yes/ No	Reasons
(a)	Is the cost audit report of firm's is according with the requirements of standards, typed/ printed on Letterhead?		
(b)	Does the report sufficiently reveal all obligatory matters and does its linguistic conform to statutory necessities and professional standards?		
(c)	Has the report been dated and place declared?		
(d)	Are the cost statements appropriately titled?		
(e)	Does it seem that suitable attention was given to all passed alterations and to risk that the recent period's cost statements are substantially with likely errors rising in the recent period?		
(f)	Does the reviewed firm have an organized procedure for insuring the accuracy of the typed/ printed cost statements on which an audit opinion is based?		
(g)	Have all exceptions, questions, or notes posed in audit been followed up and resolved?		
(h)	For each important area of the cost audit (material, labour, overhead etc.), are decisions stated and engagement partner indicated concurrence with each		
(i)	Do the working papers comprehend signed copy of the cost statements duly cross-referred with the working papers?		

(j)	Did the firm's covering letter/board letter necessities had been complied with and it had been cross-referred with the working papers before signing of the auditor's report?		
(k)	Appraise the quality of the cost statement demonstrations and disclosures are suitable.		
(i)	The cost statements and annexures demonstration & disclosures are suitable.		
(ii)	There are material misstatements, errors or omissions in the statements.		
(iii)	Important and material disclosures are missing or improper.		
(vi)	Demonstration & disclosures differ materially from required format (e.g. applicable cost accounting orders).		
(v)	There are immaterial cross-referencing or cross-footing errors in the financial statements.		
(vi)	Others – (Please specify).		

4. Engagement Team

Sr. No	Description	Yes/ No	Reasons
4.1	Engagement staffing		
(a)	The engagement was the appropriately staffed with individuals who possess: <ul style="list-style-type: none"> - The knowledge, experience, skills; - Experience to perform the requirements of the engagement; - Were specialists involved where necessary? 		
(b)	Staffing and scheduling requirements are timely identified and approved by appropriate person?		
(c)	The person who is assigning the engagement are familiar with applicable professional requirements (ISAs, cost audit rules, cost accounting orders of the industry).		
4.2	Review of engagement team and supervision		
(a)	Has the firm policy, to conduct the pre-issuance review made of working papers, reports and statements by 2 nd person and partner?		
(b)	Was an IT Audit specialist involved on this engagement?		
(c)	Are there current suggestions to improve the next engagement?		
(d)	Did the Auditor communicate with internal auditor or others with equivalent responsibility & authority for reportable purpose?		
(e)	If the communication was oral, communication is properly documented?		

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(f)	Did the overall audit plan (including the audit program) as final planning step and convey approval or modifications to the engagement staff?		
(g)	Was the time of audit (audit time) are adequately recorded and corrected in budgeted time?		
(h)	Where the fees of prior year services are paid before the issuance of the report for current engagement?		

5. Audit Checklist and Other Areas

Sr. No	Description	Yes/ No	Reasons
(a)	Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where requires:		
(i)	Planning Checklist		
(ii)	Review of internal control structure		
(iii)	Manual system		
(iv)	CIS system		
(v)	Audit work programs		
(vi)	Applicable Cost Accounting Orders		
(vii)	Companies Act 2017 (including minutes of the meetings and statutory books required under the ordinance)		
(viii)	Cost statements and annexures		
(ix)	Working papers and cost statements reviews		
(b)	Is the adequate system place for documentation required for those areas in which the authorized forms are not used?		
(c)	Were the guidelines of the firm, for form and contents of the working papers, complied?		
(d)	Were the working papers initiated by the person who perform and reviews the tasks?		
(e)	Were all the permanent nature working papers filed in permanent files or appropriate place in current files?		
(f)	Were the proper references maintained for working papers files?		
(g)	Has the working papers filed in files includes the final trial balance?		
(h)	Has The engagement partner prepared and reviewed the summary of unadjusted audit differences, if any?		

6. Audit Completion – Overall Assessment

Sr. No	Description	Yes/ No	Reasons
(a)	In your opinion the overall quality of reporting phase of the audit is appropriate including the following:		
(i)	The appropriateness of cost accounting principles used in preparation of the cost statements.		
(ii)	The audit opinion issued.		
(iii)	The appropriateness of the cost statement presentations and disclosures		
(iv)	Has the audit team communicated on a timely basis with client management important issues identified during audit?		
(b)	In your opinion evidence obtained during the audit was sufficient, reliable, relevant and also documented properly to supports the opinion issued which may include the following:		
(i)	Documentation on this engagement support the firm's opinion on the cost statements?		
(ii)	Engagement was performed in all material respects in accordance with ISAs and guidelines issued by the ICMA Pakistan?		
(c)	In your opinion, can the review procedures performed on the engagement evaluate the adequacy and check the appropriateness of engagement which may include the following.		
(i)	Review procedure performed by the required partner.		
(ii)	Compliance of firm's own policies and procedures relating to quality of audit work.		
(iii)	Significant issues addressed and their resolution.		
(iv)	Engagement was adequately planned and controlled.		

(d)	In your assessment / overall evolution of quality of this engagement, was standard of work performed was in accordance with international Standards of Auditing and guidelines of ICMA Pakistan?		
(e)	On the opinion of the reviewer the reviewed files is:		
(i)	Satisfactory with no recommendations.		
(ii)	Satisfactory with recommendations.		
(iii)	Unsatisfactory.		

Explanation of “No” answers

All “No” answers must be thoroughly explained and reviewed with the engagement partner.