

## INSPECTION COMMITTEE (INSCOM) RISK RATING GUIDELINES

1 APRIL 2015 – 30 MARCH 2018

This document is for information purposes only and is not exhaustive.

### Ratings for firm inspections:

6 <sup>th</sup> cycle Rating	6 <sup>th</sup> Cycle Criteria*	6 <sup>th</sup> Cycle Result and action guideline
<b>Low Risk</b>	Low risk non-compliance with ISQC 1 or applicable standards, codes or applicable legislation.	Satisfactory result - Inspection in next cycle/s. Action by RA and follow up still required.
<b>Medium Risk</b>	Medium risk non-compliance with ISQC 1 or applicable standards, codes or applicable legislation.	<p style="text-align: center;">Unsatisfactory result –</p> Re-inspection after 12-18 months from the Inscom decision letter date.  Root Cause Analysis and Remedial Action Plan required and assessed.  An Unsatisfactory re-inspection will be viewed in a serious light.
<b>High Risk</b>	High risk or ongoing non-compliance with ISQC 1 or applicable standards, codes or applicable legislation.	<p style="text-align: center;">Referred for investigation with a re-inspection after 12-18 months once case is finalised.</p> Root Cause Analysis and Remedial Action Plan required and assessed.  An Unsatisfactory re-inspection will be viewed in a serious light.

*\* Findings related to either the design and implementation of the firm's system of quality control considering pervasive/systemic instances of non-compliance with ethical, auditing, or legal/regulatory requirements, including firm's policy requirements and if they potentially affect the quality of the audit performance and/or the responsibility of the firm.*

Ratings for engagement inspections:

6 <sup>th</sup> cycle Rating	6 <sup>th</sup> Cycle Criteria	6 <sup>th</sup> Cycle Result and action guideline
<b>Low Risk</b>	Any other less significant deficiencies.	Satisfactory result - Inspection in next cycle/s. Action by RA and Follow up still required.
<b>Medium Risk</b>	Breach of the standards, codes or applicable legislation. I.e. Failure to obtain and/or document sufficient appropriate audit evidence to support the opinion/report.	<p style="text-align: center;">Unsatisfactory result –</p> Re-inspection after 12-18 months from the Inscom decision letter date. Root Cause Analysis and Remedial Action Plan required and assessed An Unsatisfactory re-inspection will be viewed in a serious light.
<b>High Risk</b>	Fundamental or ongoing breach of the standards, codes or applicable legislation.	Referred for investigation with a re-inspection after 12-18 months once case is finalised.  Root Cause Analysis and Remedial Action Plan required and assessed. An Unsatisfactory re-inspection will be viewed in a serious light.