



# QUALITY MANAGEMENT TOOLKIT

for Small- and Medium-Sized Firms



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This quality management toolkit is based on the following standards that are effective for periods beginning on or after 15 December 2022:

<b>International Standards</b>
International Standard on Quality Management 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (ISQM 1)
International Standard on Quality Management 2 <i>Engagement Quality Reviews</i> (ISQM 2)
International Standards on Auditing 220 (Revised) <i>Quality Management for an Audit of Financial Statements</i> (ISA 220 (Revised))
International Code of Ethics for Professional Accountants (Including International Independence Standards)

Practitioners should also consider whether they are required to comply with additional jurisdiction specific additions to the local versions of these International Standards.




# PREFACE

- The purpose of this toolkit is to provide a suite of illustrative documentation (i.e. policies, checklists, sample letters and forms) to assist non-network firms when designing and implementing responses to address and mitigate quality risks identified, as required by “The firm’s risk assessment process” component of the International Auditing and Assurance Standards Board’s (IAASB) **ISQM 1**.
- This toolkit can be used in conjunction with the [First-time Implementation Guide](#) prepared by the IAASB to obtain a better understanding of the Quality Management Standards and their requirements.
- Reading the material in this toolkit is not a substitute for reading the Quality Management Standards. Practitioners should utilize the toolkit using their professional judgment. **The toolkit needs to be tailored to the nature and circumstances of your firm and the engagements it performs.**
- IFAC disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of this toolkit.

## How to use this toolkit

1. Read and obtain an understanding of the Quality Management Standards.
2. Read and obtain an understanding of any jurisdiction specific additions to the quality management standards.
3. Review the quality objectives outlined in the Quality Management Standards and consider which of these are relevant to your firm. Additionally, firm-wide conversations will be needed to understand whether there are any additional quality objectives that would be relevant taking the nature and circumstances of your firm into account.
4. Identify quality risks to achieving the quality objectives identified, ensuring firm-wide discussions are held taking the nature and circumstances of your firm into account. The following resources can be used to assist you with the risk assessment process:
  - *Illustrative risk matrix: Audit quality management – Small and medium sized firms*
  - IAASB’s [First-time implementation Guide](#)
  - IFAC’s [Quality Management Series: Small Firm Implementation](#)
5. Use the Illustrative documents within this toolkit to assist with developing responses to mitigate and address the quality risks identified. **The illustrative documents should be adapted to your firm based on the nature and circumstances of the firm and its engagements.** Note in some instances, current procedures performed by firms may already address many quality risks that will be identified, so documentation relating to these will likely still be relevant and therefore could be leveraged.
6. Use the Illustrative documents within this toolkit to assist with meeting the documentation requirements of the Quality Management Standards. There are instructions at the top of each illustrative document to assist you, once read and understood they should be deleted if you do decide to use any of the illustrative documents in your own System of Quality Management.

## Specific guidance

	<p>Paragraph 17 of <b>ISQM 1</b> acknowledges that firms are not expected to comply with requirements which may not be relevant because of the nature and circumstances of the firm or its engagements.</p> <p>This icon is used throughout the illustrative quality management toolkit to highlight guidance specifically relevant to sole practitioners not employing any staff.</p>
	<p>Bold text has been used throughout the illustrative quality management toolkit to highlight references to the international standards stated above. You will need to adapt/update references based on the jurisdiction of your firm.</p>
	<p>This icon has been used throughout the illustrative quality management toolkit to highlight any references which need to be adapted/updated to your firm based on its nature, circumstances and/or jurisdiction.</p>

# 1 DOCUMENTATION

## 1.1 Documentation policy statement

### Instructions

Your firm is required to document the retention period it has established for all documentation relating to the system of quality management to comply with paragraph 60 of **ISQM 1**.

You will need to adapt this policy statement to your firm's nature and circumstances.

The firm requires that appropriate documentation be in place to provide evidence of the operation of each component of its system of quality management.

The firm's quality management toolkit, containing all policies and procedures, is made available to all team members (in soft copy and hard copy) and feedback on the system of quality management is encouraged. The quality objectives, quality risks and responses are not static, and all team members can contribute to ensuring these are kept up to date and relevant.

All team members have a responsibility for quality in the firm and are expected to comply with all policies and procedures. Any changes to the quality management toolkit and/or the firm's policies and procedures will be explained to members at the regular team meetings.



Documents relating to the system of quality management will be retained for at least **[insert number]** years.

## 1.2 System of Quality Management ‘hub’ document

### Instructions

Documenting a basic understanding of your firm and its operations is a valuable starting point in establishing and documenting your system of quality management. It may crystallize your firm’s objectives and is a useful communication tool with staff and clients.


You will need to adapt this hub document to your firm’s nature and circumstances.

[INSERT NAME OF FIRM HERE]

### Philosophy of the firm

Our philosophy represents the beliefs of the firm and our understanding of how we work and provide services to our clients.

### Membership of *[insert name of professional accountancy organization]*

 We value our membership of *[insert name of professional accountancy organization]* and strive to be active members. As the conduct of individual members reflects upon the whole profession, we endeavor to refrain from any conduct which might bring discredit to our profession.

### Client relationships

We seek to add value to all client relationships through our skills, knowledge and efforts.


Our clients are carefully selected to ensure they have appropriate levels of integrity and will benefit from our relationship. We try to help clients define and achieve their personal goals and consider these in establishing the goals of the business they currently own and operate.

The firm has served different clients for many years, and we take comfort from and appreciate their continued trust. We seek to be a trusted service provider to our clients. To achieve this aim, we provide a high level of service that complies with professional and ethical standards.

### Relationship with the team

We see our employees as more than human resources. We aim to attract employees with integrity and the ‘right’ attitude. Communication, direction and training play important roles in our interaction with the team.

### Background of the firm

 The firm was established in *[insert year]* and provides assurance, compilation and advisory services *[adapt as required]* to clients in a broad range of industry areas *[Useful to identify types of clients and experience in particular industries]*.

### Firm structure

Refer to the firm structure diagram [\[1.3\]](#). The firm is not part of a network.

The organization structure is designed to ensure that clients have confident, easy access to more than just one person in the firm, but a partner is appropriately involved in all outward correspondence and reports.

Copies of emails to/from clients are copied to the relevant partner. A partner signs all audit, assurance and agreed-upon procedures reports and almost all (covering) letters.


Occasionally, key correspondences are signed by the team member. Partners normally view these before they are sent and both a soft and hard copy is retained.

## Firm goals

As a firm, we acknowledge that we have an obligation to serve our clients and our profession. The primary goal of our firm is to fulfil these obligations and deliver high quality work:

- To provide excellent service to our clients in all areas appropriate for the auditing and assurance profession.
- To assure excellence in client service through maintaining the highest level of competence, independence and integrity within the firm.
- To be involved in and contribute to the advancement of the accountancy profession and our community.
- To provide within the firm the opportunity for personal and professional advancement, growth in skills and personal interrelationships, and rewarding work experiences.
- To maintain our scope of service and circle of clientele by developing and improving special skills and expertise.

## Firm size

 The firm currently has **[insert number]** partners and **[insert number]** professional employees and **[state what other staff e.g., an administration manager]**. The level of fees raised annually by the firm reflects this structure according to available industry benchmarks. Graduates or undergraduates are hired and receive appropriate training.

## Client service approach


Superior client service is our primary objective and operating guideline, within the confines of law and professional standards. We seek to provide this service by making the full extent of our professional capabilities available to each client, ensuring their varying needs are met on a timely basis.

Professional work that is outside of our areas of experience and expertise is not accepted. Often the client or potential client is referred to other professionals with appropriate skills and experience.

In seeking to provide excellent professional service to each client, we approach each engagement, large or small, with the following objectives:


- Obtain thorough knowledge of the client and their industry, in order to properly evaluate the risks, events and conditions affecting it and its financial position and progress.
- Accurately evaluate the strengths and weaknesses of the client's internal accounting and administrative controls, its accounting and administrative information systems and its other features, in order to effectively advise the client and fulfil the engagement objectives.
- Identify and communicate situations and potential actions that appear to be opportunities for improving the client's operations and conditions.
- Be alert to areas of personal assistance to the owner–manager of client firms, so that our services may be of maximum benefit to the client.

## Professional services


 We offer professional services in audit and review of financial statements, other assurance engagements, and agreed-upon procedures engagements. Our clients are diverse and span many industries, including **[give examples of key industries such as agriculture, construction, finance, manufacturing, health care]**. We seek to continue our service to these industries and to develop additional industry competence over time. We provide a structure for interpersonal relationships that creates an atmosphere conducive to promoting planning, to servicing client needs and to responding effectively to opportunities and problems.

Our firm does not accept Public Interest Entity (PIE), nor large or high-profile listed entity audit engagements but will consider smaller listed entity audit engagements, including start-up ventures.

## Geographic details

 The firm's clients are largely located **[refer to geographic spread of clients, and also where their economic activity takes place]**. We do not actively seek clients outside of this area **[this must be considered/updated as relevant for the firm]**.

### 1.3 Firm structure

<b>Instructions</b>	<p>The firm structure diagram is a useful way to illustrate the structure of the firm and is used to support the hub document.</p> <p>You will need to adapt this structure diagram to your firm's nature and circumstances.</p> <p>If the firm uses resources from a service provider in the system of quality management or in the performance of engagements this should be reflected in the diagram.</p>
	<p>This structure diagram may not be needed by sole practitioners.</p>

As at [insert date]

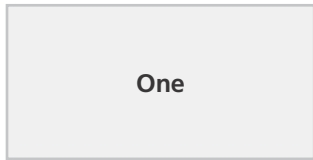
Partners



Audit team



Administrators





## 2 RISK ASSESSMENT PROCESS

### 2.1 Risk assessment process policy statement

#### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

The firm applies a risk-based approach in designing, implementing and operating the components of the system of quality management in an interconnected and coordinated manner such that the firm proactively manages the quality of engagements it performs.

The firm designs and implements a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks.

#### Quality objectives

Quality objectives are the desired outcomes in relation to the components of the system of quality management to be achieved by the firm.

The firm has established the quality objectives specified in paragraphs 28—33 of **ISQM 1**. The firm has not identified any additional quality objectives considered necessary to achieve the objectives of the system of quality management (**please consider if this is accurate for your firm**). The quality objectives the firm has established are kept under regular review to ensure they reflect any relevant changes.

#### Quality risks

A quality risk is a risk that has a reasonable possibility of:

- (a) Occurring; and
- (b) Individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.

The firm identifies and assesses quality risks to provide a basis for the design and implementation of responses. In doing so, the firm:

- (a) Obtains an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, including:
  - (i) With respect to the nature and circumstances of the firm, those relating to:
    - The complexity and operating characteristics of the firm;
    - The strategic and operational decisions and actions, business processes and business model of the firm;
    - The characteristics and management style of leadership;
    - The resources of the firm, including the resources provided by service providers; and
    - Law, regulation, auditing and assurance standards and the environment in which the firm operates.
  - (ii) With respect to the nature and circumstances of the engagements performed by the firm, those relating to:
    - The types of engagements performed by the firm and the reports to be issued; and
    - The types of entities for which such engagements are undertaken.
- (b) Taking into account how, and the degree to which, these conditions, events, circumstances, actions or inactions may adversely affect the achievement of the quality objectives.

## Responses

Responses (in relation to a system of quality management) are policies or procedures that are designed and implemented by the firm to address one or more quality risk(s):

- (a) Policies are statements of what should, or should not, be done to address a quality risk(s). Such statements may be documented, explicitly stated in communications or implied through actions and decisions.
- (b) Procedures are actions to implement policies.

The firm designs and implements responses to address identified and assessed quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to those quality risks. The firm's responses include the responses specified in paragraph 34 of **ISQM 1**.


## Iterative approach

The firm's system of quality management operates in a continual and non-linear manner and is responsive to changes in the nature and circumstances of the firm and its engagements.

The results of monitoring and remediation activities, results of external inspections and other relevant information (e.g., complaints and allegations) may identify information that indicates additional quality objectives, or additional or modified quality risks or responses, are needed due to changes in the nature and circumstances of the firm or its engagements. If such information is identified, the firm considers the information and when appropriate:

- (a) Establishes additional quality objectives or modifies additional quality objectives already established by the firm;
- (b) Identifies and assesses additional quality risks, modifies the quality risks or reassesses the quality risks; or
- (c) Designs and implements additional responses or modifies the existing responses.

## 2.2 Risk assessment matrix

<b>Instructions</b>	<p>This matrix could be used to perform your firm’s risk assessment process.</p> <p>The quality objectives and risk responses specified here are mandatory.</p> <p>You will need to adapt this matrix to your firm’s situation, an illustrative matrix has been prepared which shows examples of quality risks that may arise from quality objectives, but this assessment must be carried out taking the nature and circumstances of your firm and its clients, and any relevant events or conditions, into account. If any information from the illustrative matrix is used, this must be recorded and maintained on the matrix drawn up for your firm, it is essential that your own documentation is complete.</p>
	<p>Firms should consider whether the quality objectives, or aspects thereof, are relevant depending on the nature and circumstances of the firm and its engagements/clients. For example, the quality objective under Engagement Performance 31(b) addressing direction, supervision and review may not be relevant for a sole practitioner. Similarly, there may be additional quality objectives needed that must be documented, for example if the firm provides legal services.</p>

Quality Objectives	Quality Risks	Risk Responses
<b>Governance and Leadership</b>		
(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: <ul style="list-style-type: none"> <li>(i) The firm’s role in serving the public interest by consistently performing quality engagements;</li> <li>(ii) The importance of professional ethics, values and attitudes;</li> <li>(iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior; and</li> <li>(iv) The importance of quality in the firm’s strategic decisions and actions, including the firm’s financial and operational priorities.</li> </ul>		
(b) Leadership is responsible and accountable for quality.		
(c) Leadership demonstrates a commitment to quality through their actions and behaviors.		
(d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm’s system of quality management.		

Quality Objectives	Quality Risks	Risk Responses
(e) Resource needs, including financial resources, are planned for and resources are obtained, allocated or assigned in a manner that is consistent with the firm's commitment to quality.		
<b><i>[Insert additional quality objectives if applicable]</i></b>		
Relevant Ethical Requirements		
<p>(a) The firm and its personnel:</p> <ul style="list-style-type: none"> <li>(i) Understand the relevant ethical requirements to which the firm and the firm's engagements are subject; and</li> <li>(ii) Fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.</li> </ul>		<p>The firm establishes policies or procedures for:</p> <ul style="list-style-type: none"> <li>(i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and <a href="#">[4.1 Relevant ethical requirements policy statement]</a></li> <li>(ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. <a href="#">[4.3 Independence resolution memorandum]</a></li> </ul> <p>The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent. <a href="#">[4.2 Annual independence confirmation]</a></p> <p>The firm establishes policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with ISQM 1. <a href="#">[9.5 Client complaint record]</a></p>
<p>(b) Others, including service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject:</p> <ul style="list-style-type: none"> <li>(i) Understand the relevant ethical requirements that apply to them; and</li> <li>(ii) Fulfill their responsibilities in relation to the relevant ethical requirements that apply to them.</li> </ul>		
<b><i>[Insert additional quality objectives if applicable]</i></b>		

Quality Objectives	Quality Risks	Risk Responses
<b>Acceptance and Continuance of Client Relationships and Specific Engagements</b>		
<p>(a) Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on:</p> <ul style="list-style-type: none"> <li>(i) Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments; and</li> <li>(ii) The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</li> </ul>		<p>The firm establishes policies or procedures that address circumstances when:</p> <ul style="list-style-type: none"> <li>(i) The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or</li> <li>(ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement.</li> </ul> <p><a href="#">[5.1 Acceptance and continuance of client relationships and specific engagements policy statement]</a></p>
<p>(b) The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.</p>		
<p><b><i>[Insert additional quality objectives if applicable]</i></b></p>		
<b>Engagement Performance</b>		
<p>(a) Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.</p>		
<p>(b) The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members.</p>		<p>The firm establishes policies or procedures that address engagement quality reviews in accordance with <b>ISQM 2</b>, and require an engagement quality review for:</p> <ul style="list-style-type: none"> <li>(i) Audits of financial reports of listed entities;</li> <li>(ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and</li> <li>(iii) Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s).</li> </ul> <p><a href="#">[6.1 Engagement performance policy statement]</a></p>
<p>(c) Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, professional skepticism.</p>		

Quality Objectives	Quality Risks	Risk Responses
(d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented.		
(e) Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm’s system of quality management are brought to the attention of the firm and resolved.		
(f) Engagement documentation is assembled on a timely basis after the date of the engagement report, and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.		
<b>[Insert additional quality objectives if applicable]</b>		
<b>Resources</b>		
<b>Human Resources</b>		
(a) Personnel are hired, developed and retained and have the competence and capabilities to: <ul style="list-style-type: none"> <li>(i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; or</li> </ul> Perform activities or carry out responsibilities in relation to the operation of the firm’s system of quality management.		
(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.		
(c) Individuals are obtained from external sources (e.g., a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm’s system of quality management or performance of engagements.		
(d) Engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.		

Quality Objectives	Quality Risks	Risk Responses
(e) Individuals are assigned to perform activities within the system of quality management who have appropriate competence and capabilities, including sufficient time, to perform such activities.		
<p><b>Technological Resources</b></p> <p>(f) Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm’s system of quality management and the performance of engagements.</p>		
<p><b>Intellectual Resources</b></p> <p>(g) Appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm’s system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.</p>		
<p><b>Service Providers</b></p> <p>(h) Human, technological or intellectual resources from service providers are appropriate for use in the firm’s system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 32 (d), (e),(f) and (g).</p>		
<p><b>[Insert additional quality objectives if applicable]</b></p>		
(a) The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.		
(b) The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.		

Quality Objectives	Quality Risks	Risk Responses
<p>(c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including:</p> <ul style="list-style-type: none"> <li>(i) Information is communicated to personnel and engagement teams, and the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements; and</li> <li>(ii) Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.</li> </ul>		
<p>(d) Relevant and reliable information is communicated to external parties, including:</p> <ul style="list-style-type: none"> <li>(i) Information is communicated by the firm to or within the firm’s network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them; and</li> <li>(ii) Information is communicated externally when required by law, regulation or professional standards, or to support external parties’ understanding of the system of quality management.</li> </ul>		<p>The firm establishes policies or procedures that:</p> <ul style="list-style-type: none"> <li>(i) Require communication with those charged with governance when performing an audit of a financial report of listed entities about how the system of quality management supports the consistent performance of quality audit engagements;</li> <li>(ii) Address when it is otherwise appropriate to communicate with external parties about the firm’s system of quality management; and</li> <li>(iii) Address the information to be provided when communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication.</li> </ul> <p><a href="#">[8.1 Information and communication policy statement]</a></p>
<p><b><i>[Insert additional quality objectives if applicable]</i></b></p>		



## 3 GOVERNANCE AND LEADERSHIP

### 3.1 Governance and leadership policy statement

#### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

Ultimate responsibility and accountability for the firm's system of quality management and operational responsibility for the firm's system of quality management has been assigned to an appropriately experienced and qualified person, specified in the assignment of responsibilities [3.2].



If the firm is operated by a sole practitioner, the practitioner assumes ultimate responsibility and accountability for the firm's system of quality management and operational responsibility for the firm's system of quality management.


We have an overriding commitment to quality. The firm recognizes the importance of quality in performing all client engagements and understands that if its work is not of a sufficient quality then the reputation of the firm and the profession suffers. The mandatory status of **ISQM 1**, is acknowledged and the firm intends to operate in a climate of quality, complying with **ISQM 1**:

- All team members are expected to maintain a high level of quality in all assigned tasks.
- Quality will not be compromised by commercial considerations on assignments.
- Adopted procedures will be consistently followed by all team members.
- Team members' annual performance reviews will include an appraisal of their demonstrated commitment to quality.
- Partner's remuneration reviews will include an appraisal of their demonstrated commitment to quality.
- Training is recognized as a key component to ensuring quality is maintained, and the firm will ensure required training needs are identified and training is made available to all staff and partners.
- Team members are required to attend training relevant to their roles.
- The firm devotes sufficient resources for the development, documentation and support of its system of quality management.

We have documented a system of quality management that reflects what the firm does. The requirements of **ISQM 1** and other standards relevant to services offered by the firm, are appropriately addressed by this system of quality management. To ensure quality management is consistently performed, this must be embedded into the way we perform our work.

The partners are committed to quality and the managing partner [**check if accurate for your firm**] is assigned ultimate responsibility and accountability for the system of quality management. This system is evaluated at least annually to ensure it is kept relevant.

### 3.2 Assignment of responsibilities

<b>Instructions</b>	<p>Your firm is required to assign ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management to an individual, and this assignment must be documented to comply with paragraph 58(a) of <b>ISQM 1</b>.</p> <p>You will need to adapt this form to your firm’s nature and circumstances.</p>
	<p>This resource may not be needed by sole practitioners.</p>

The firm recognizes the need for the individual who has been assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the firm’s system of quality management to have the appropriate experience, competence, knowledge, influence and authority within the firm. They also need sufficient time, to fulfil their assigned responsibility and to understand their assigned roles and that they are accountable for fulfilling them.

The firm also recognizes the need for the individual who has been assigned operational responsibility for the system of quality management, compliance with independence requirements and the monitoring and remediation process to have the required competence and knowledge to discharge their duties. This individual also has a direct line of communication to the individual assigned ultimate responsibility and accountability for the system of quality management.

Given the above and having considered the team members as listed on the firm’s structure, it has been decided to assign ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management to:

#### Ultimate responsibility and accountability for the system of quality management

[insert name here]	
Signed: (Partner)	Accepted by: (Managing Partner)
Date:	Date:

#### Operational responsibility for the system of quality management


[insert name here]	
Signed: (Partner)	Accepted by:
Date:	Date:

# 4 RELEVANT ETHICAL REQUIREMENTS

## 4.1 Relevant ethical requirements policy statement

### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.


 All team members are expected to adhere to the fundamental principles of professional ethics as outlined in the [International Code of Ethics for Professional Accountants \(Including International Independence Standards\)](#) and other mandatory ethical pronouncements. We require all team members to maintain a high standard of personal conduct to avoid any possible damage to their reputation, the firm's reputation or that of **[insert name of professional accountancy organization]**.

### Public interest

The partners and team members acknowledge their responsibility to act in the public interest.

### Integrity, objectivity and independence

The engagement partner must be informed where a team member has a connection with any client. This includes situations where the client employs relatives or friends.

 No team member can invest in client entities or be involved in loans to/from clients. **[Explain the processes undertaken to ensure this does not happen or is identified and resolved if it has happened]**

Where the firm begins to act for a new client and any team member has any interest in the client's affairs, including those mentioned above, the team member must immediately, upon becoming aware that the firm is acting, notify the engagement partner of their interest.

Where a team member is offered a gift or benefit of any kind, approval from the engagement partner must be sought before accepting. Similarly, where team members intend to buy goods (or use services) from a client at a discount, approval from the engagement partner must also be sought in advance. Such gifts and discounts may be prohibited and may also be subject to tax so need to be considered carefully. Any social contact that team members may have with clients must be disclosed to the engagement partner concerned. The interaction may be completely appropriate, but the partner must be aware of the circumstances to ensure the integrity and objectivity of the firm are maintained.

The engagement partner is responsible for evaluating any threats to independence and ensuring any threats that clearly are not insignificant are documented, and eliminated or reduced to an acceptable level.

The firm will provide appropriate education to all team members required to be independent.

### Confidentiality

Team members have access to clients' confidential information, and it is a critical condition of employment that this information is treated as strictly confidential. Inappropriate use of client's confidential information would be grounds for dismissal.

Examples of inappropriate actions regarding client information are:

- Imparting information to anyone other than to a member of this firm, other than to other parties where such disclosure is normal and client-approved.
- Imparting information to clients' employees.
- Imparting to anyone the names of clients for whom the firm acts, except where such disclosures are normal and necessary or client-approved.
- Disclosing any information to anyone where such disclosure might be to the detriment of the client.
- Discussing with relatives or friends any matters relating to the firm's clients or their affairs.

Team members should be aware that:

- Care must be taken to ensure details relating to a client cannot be heard or seen at reception or in other public areas.
- Confidential information can be disclosed inadvertently on a mobile device, for example when in the proximity of another person.
- Telephone calls should not be taken when team members are engaged with other clients, nor should they be taken in any public place.
- Client files, emails or other information must not be left unattended or visible at reception, or in interview areas or other public areas.
- Great care should be taken to ensure the correct books and papers etc. are forwarded to or handed to a client.
- Unused draft client reports must be disposed of securely.
- IT equipment, such as laptops, should be stored securely when not in use and devices should be screen-locked when momentarily away. If the device is not being used for a longer period, this should be logged out and stored securely.
- IT passwords should be kept secure and never shared, even with colleagues.
- IT equipment should not be left unattended or unsecured when not in use. For example, laptops should not be left in cars when you are not present.

### Compliance with ethical pronouncements



Team members should refer to and be conversant with the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* and other mandatory ethical pronouncements.

All team members are responsible for the firm's adherence to the ethical principles. If any team members are concerned about any issue in relation to ethical principles, they are empowered to communicate these concerns to the engagement partner, audit quality leader or senior partner as the team member believes is appropriate. In addition, it may be advisable to obtain legal advice on any specific legal requirements.

### Responsibility for independence issues

The individual assigned operational responsibility for the system of quality management is assigned operational responsibility for independence. This individual is referred to as our 'audit quality leader'.

When an engagement partner has been notified of a potential threat to independence and has taken action to reduce the threat to an acceptable level, the engagement partner must notify the audit quality leader of the threat and action taken. The audit quality leader will review the action taken to ensure the firm is in compliance with all professional and legislative independence requirements.

The audit quality leader will ensure any threats to independence and the action taken are documented appropriately.

### Independence confirmations

All team members (including partners) will complete an annual independence confirmation. This is to be completed during the orientation of any new employees and at the time of the annual performance review for existing employees. Partners will complete the checklist annually.

The audit quality leader will ensure a list of clients and the scope of services is available to enable team members to evaluate any impact on their independence status. During regular team meetings the details of any new assurance clients and additional services offered to existing assurance clients are tabled for the information and consideration of team members. Quarterly, a list of all clients broken down into assurance clients and non-assurance clients is circulated to team members.

## Partner rotation

The firm requires that for audit clients that are public interest entities the engagement partner, individual responsible for the engagement quality review and other key audit partners are rotated after seven years.

For all other assurance engagements, if the same engagement partner has been conducting the audit for more than **[insert number]** years the firm recognizes that this situation creates a familiarity threat to independence. The engagement partner will document this threat and how it has been reduced to an acceptable level prior to commencing the audit. The quality management leader will review this documentation. The firm will consider rotating the engagement partner or requiring an engagement quality review where appropriate. **[Please note in some jurisdictions there may be a requirement to rotate or requirements may otherwise be tighter. Please ensure wording reflects local requirements]**

## Independence



The client acceptance and continuance forms/audit strategy and planning documents address independence issues relating to assurance engagements. **[Firms should identify the specific documents and forms that they use and replace the descriptions with the naming conventions used]**

To determine whether it is possible and permissible to provide non-assurance services without impairing the firm's independence in providing assurance services, the firm complies with the requirements of the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* and applies its fundamental principles to make the decision. The engagement partner will document how any threats to independence of conducting non-assurance services has been reduced to an acceptable level. The audit quality leader shall monitor for any non-compliance with the firm's policy.

Where any other threats to independence are identified, the engagement partner is responsible for ensuring these threats are reduced to an acceptable level prior to commencing the engagement. The threats, and action taken, must be documented **[firm should explain how and where documented]** and notified to the audit quality leader.

## Fee dependence



The audit quality leader is responsible for monitoring the reliance on revenue received from a single client **[the process for how this monitoring takes place should be explained briefly]**. If more than **[insert relevant percentage e.g., 15%]** of the firm's revenue comes from a single client, the firm will consider whether there are adequate safeguards in place to reduce the potential threat to an acceptable level.

## Communication with clients

The engagement partner is responsible for communicating to the client's board or audit committee any matters that may bear on independence.

The form of this communication will depend on the type of assurance engagement and will be determined by the engagement partner.

## 4.2 Annual independence confirmation

### Instructions

Your firm is required to obtain, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent to comply with paragraph 34(b) of **ISQM 1**.


You will need to adapt this form to your firm’s nature and circumstances.

Name of partner/employee:

Yes No

Yes	No	
		Do you have a direct or indirect material financial interest in a client or its subsidiaries/affiliates?
		Do you have a financial interest in any major competitors, investors in or affiliates of a client?
		Do you have any outside business relationship with a client or an officer, director or principal shareholder having the objective of financial gain?
		Do you owe any client any amount (except as a normal customer, or in respect of a home loan under normal lending conditions)?
		Do you have the authority to authorize payments for a client?
		Are you connected with a client as a promoter, underwriter or voting trustee, director, officer or in any capacity equivalent to a member of management or an employee?
		Do you serve as a director, trustee, officer or employee of a client?
		Has your spouse or dependent child been employed by a client?
		Has anyone in your family been employed in any managerial position by a client?
		Are any billings overdue for clients that are your responsibility?

If you answered Yes to any of these questions, you must detail the reason for this threat to independence on the Independence resolution memorandum [\[4.3\]](#), together with an explanation of how the action taken or safeguard applied (if applicable) has eliminated or reduced the threat to independence to an acceptable level.

 I have read the independence policy of the firm, and the *International Code of Ethics for Professional Accountants (Including International Independence Standards)*, and I believe I understand them. I am in compliance except for the matters listed on the independence resolution memorandum.

Signature of employee/[partner]:	Date:
Signature of partner/[managing partner]:	Date:

### 4.3 Independence resolution memorandum

<b>Instructions</b>	<p>This form should be completed whenever there is a potential threat to independence.</p> <p>You will need to adapt this form to your firm’s nature and circumstances.</p>
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**Independence issue relates to:**

Date:	
Client:	
Employee/partner:	

**Describe the issue and the potential threat to independence:**


**Sources/persons consulted (attach copy of applicable material):**


**What are the findings?**


**How has the action taken, or safeguard applied (if applicable) eliminated or reduced the threat to an acceptable level?**


Resolved by:	Date:
Resolution acknowledged by employee:	Date:

# 5 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

## 5.1 Acceptance and continuance of client relationships and specific engagements policy statement

### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

The firm believes that client integrity, and the ability of the firm to conduct the engagement competently and ethically are essential components of the firm's system of quality management.

### Acceptance of new clients

The firm will only tender for or accept new clients after completing the appropriate documentation, including sending an ethical letter to the existing or predecessor auditor, and assessing the acceptability of the client. The factors the firm will consider include:

- The perceived integrity of the client
- The capability of the firm to complete the engagement competently and in the required timeframe
- Ethical issues, with particular reference to any perceived independence and conflict of interest threats.

The client acceptance or rejection decision will be made by the potential engagement partner after determining that any threats to the fundamental ethical principles have been eliminated or reduced to an acceptable level.

The firm may, in some rare circumstances, be legally required to accept a client relationship or specific engagement. In such circumstances, the firm will endeavor to manage the requirements of its system of quality management as it would for any other client relationship.

### Engagement letters

Engagement letters are a very effective risk management tool.

The firm recognizes that **ISA 210 *Agreeing the Terms of Audit Engagements*** makes it mandatory for an engagement letter to be in place for all audit engagements undertaken. Reviews, other assurance and agreed-upon procedures engagements also require engagement letters in accordance with the relevant engagement standards.

Planning documentation for audits, reviews other assurance and related services engagements includes consideration of whether an engagement letter is in place and whether it needs to be updated. Whenever a client experiences a change in circumstances, structure etc., or changes the level of services required, this is taken as an opportunity to create or refresh a formal engagement letter.

### Continuing engagements

The firm will not continue an engagement or providing services to a client in circumstances where it becomes aware of information, and it would not have accepted the engagement had that information been available at the time of acceptance. If the firm decides to withdraw from an engagement, the reasons and a record of all relevant discussions with the client will be documented.

The firm may, in some rare circumstances, be legally required to continue with a client relationship or specific engagement. Accordingly, the firm will manage its system of quality management as it would for any other client relationship.



## 5.2 Client screening questions

### Instructions

This form could be used to prompt appropriate questions at the initial interview with a new client.

You will need to adapt this form to your firm’s nature and circumstances.

**Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, when considering their integrity.**

Date:	Completed by:
Entity name:	Industry:
Background/AML checks completed?:	Reviewed by: (Partner)

The following areas need to be covered	Notes	Comments
<ul style="list-style-type: none"> <li>Tell me about your business</li> </ul>	Watch for proven track record.	
<ul style="list-style-type: none"> <li>Who is your previous audit and assurance service provider?</li> <li>Why have you found it necessary to change?</li> <li>Explain you will need the client’s permission to contact their previous auditor [mandatory for audit engagements, recommended for all engagements]</li> </ul>	Watch for history of frequently changing accountants, as this indicates both a lack of loyalty and an inability to regard the professional relationship between client and accountant as long term, and possibly a lack of integrity by the client.	
<ul style="list-style-type: none"> <li>What made you approach this firm for audit and assurance services?</li> </ul>	Be wary of flippant responses, and referrals from problematic clients.  A referral from clients with which you have had positive experiences may be an indication that this person has potential.	
<ul style="list-style-type: none"> <li>What are the issues that concern you the most in your business right now?</li> </ul>	Watch for responses that indicate lack of business competence. Also watch for a high degree of sensitivity to taxation.	
<ul style="list-style-type: none"> <li>Are you up to date with all taxation returns and payments?</li> </ul>	Be wary of responses that indicate multiple years and payments outstanding.	
<ul style="list-style-type: none"> <li>What audit and assurance services do you require?</li> </ul>	Be wary of responses that indicate that this person seeks a minimum service, at minimum cost.	
<ul style="list-style-type: none"> <li><i>Discuss the way we do things at this firm, including the firm’s system of quality management. The engagement partner will have management responsibilities and achieving quality audit.</i></li> </ul>	Explain areas of operation, also our strong desire to ensure accurate financial reports. Fixed Price Agreement or likely scale of fees.  Explain quality audits require application of auditing standards, and compliance with relevant ethical requirements.	
<ul style="list-style-type: none"> <li>To assess your record keeping, internal controls and accounting system, we need to gather information through visiting your premises and this may be supplemented through requesting documents virtually. <i>Are the firm’s policies and procedures for acceptance of client followed?</i></li> </ul>	Explain likely cost of this first session, as well as the information that your potential client will need to provide at that meeting.  Watch for indications that this person has unreasonable fee expectations.	

Intuition and “gut feelings” are relevant in this process, but the partner needs to take into account information obtained to plan and perform the engagement. Consider the responses given and if unfavorable then you need to consider declining the engagement.

Will the firm potentially accept this new client?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
Referred from:			
Appointment made:	Date and Time:		
Summary and observations (including any considerations from meeting with potential client):			
Are there any issues raised which create a need to consult further?			

If the client is potentially accepted, complete the following checklist:

	Date	Signature
Client details recorded on New client form <a href="#">[5.3]</a> .		
Ethical letter sent <a href="#">[5.4]</a> .		
New client acceptance checklist completed <a href="#">[5.5]</a> .		

### 5.3 New client form

**Instructions**

This form could be used to collect information about a new client.  
 You will need to adapt this form to your firm’s nature and circumstances.

Entity name:	
Key contact:	
Type of business/industry:	
Postal address:	
Physical address:	
Mobile phone:	Other phone:
Email:	Web address:
Company number:	Source of new client:
Previous auditor:	

Major Assets/Liabilities:	
Key Management (Names and Functions):	
All related parties (Subsidiaries, affiliated companies):	
Number of Employees:	
Supplied copy of recent financials:      Yes <input type="checkbox"/>	
Prepared by:	Date:
Reviewed by:	Date:

## 5.4 Ethical letter

### Instructions

For potential audit clients your firm must, after receiving permission from the potential client, communicate in writing with the previous auditor before accepting a new client. It is recommended your firm communicates in writing with the existing or predecessor firm for all engagements. We have called this letter the 'ethical letter'. You will need to adapt this sample letter to your firm's nature and circumstances and take into account any jurisdictional legislative and professional requirements including codes of conduct and ethical codes (IESBA and any relevant local codes).

(Date)

(Addressee)

(Client name)

(Client address)

Dear (Name)

### Ethical letter

We have been approached by **[insert client name]** to accept nomination as auditor **[amend as appropriate]**.

Please advise if there is any professional or ethical reason why we should not accept this appointment.

If no such reason exists, please forward to us the necessary documentation to ensure continuity of professional service, including:

- Copies of last year's signed financial statements and auditors' report
- Copies of any fixed asset registers or other business schedules
- Copies of last year's tax assessment notices
- Any other relevant information you may have in relation to their business and legal affairs

Additionally, we would like to review last year's audit workpapers including basis for audit opinion, summary of audit differences /unadjusted misstatements, matters discussed with senior management or the board (management letter), and management representation letter

If we can be of any further assistance to you, please contact our offices on **[insert phone number]** or via email at **[insert email address]**

Yours sincerely

[insert name]

[insert job title]

**Client Name**

**Client Signature**

## 5.5 New client acceptance checklist

<b>Instructions</b>	<p>Your firm is required to obtain information about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgements by the firm about whether to accept a client relationship or specific engagement to comply with paragraph 30(a)(i) of <b>ISQM 1</b>.</p> <p>You will need to adapt this checklist to your firm's nature and circumstances.</p> <p><b>Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, when considering their integrity.</b></p>
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Client:	Date:
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Question	Comments
Consideration of client integrity undertaken? Are we aware of any information that may suggest the client lacks integrity from our background checks and other procedures?	
Do we have the required competencies to perform this engagement? Has the firm performed audit of entities of similar size and in the same industry?	
Are there sufficient resources to meet deadlines? Do the timings of the engagement complement staff availability or increase competition for resources? Is obtaining additional resources when needed feasible?	
Has the Independence checklist been completed? <a href="#">[4.2 Annual independence confirmation]</a>	
Is the firm free of any conflicts of interest with the client?	
If a conflict of interest does exist, how has it been dealt with?	
Are there any fee level or collection issues we are aware of? Could any such issues impact our independence?	
Have client screening questions been considered?	
Have the reasons for the change in auditor been considered and do they raise any questions?	
Has the response to the ethical letter raised any new issues?	

	Yes	No	
Record-keeping, internal controls and accounting system review visit scheduled	<input type="checkbox"/>	<input type="checkbox"/>	Date:
Decision made to accept as client	<input type="checkbox"/>	<input type="checkbox"/>	
Engagement letter sent	<input type="checkbox"/>	<input type="checkbox"/>	
Add to team meeting agenda to inform staff	<input type="checkbox"/>	<input type="checkbox"/>	

Prepared by:	Date:
Reviewed by: (Partner)	Date:

## 5.6 Client retention checklist

### Instructions

Your firm is required to obtain information about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgements by the firm about whether to continue a client relationship or specific engagement to comply with paragraph 30(a)(i) of **ISQM 1**. This form can be completed at the end of every engagement so that we are able to give notice if we decide not to continue with a client. If this has not been completed at the end of the prior engagement, this must be completed at the planning stage of the engagement each year, as a prompt to consider whether the client is still appropriate for the firm.

You will need to adapt this checklist to your firm's nature and circumstances.

**Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, when considering their integrity.**

Question	Comments
Are we aware of anything that may suggest the client lacks integrity?	
Do we remain competent to perform the engagement? Are there any significant changes or planned developments that may change this position which need to be considered for the next engagement? Have any changes in the firm's personnel affected our competency to deliver?	
Do we have the resources to deliver this engagement in line with expected deadlines?	
Has the Independence checklist been completed? <a href="#">[4.2 Annual independence confirmation]</a>	
Is the firm free of any conflicts of interest with the client? If a conflict of interest does exist, how has the firm managed the threat to independence?	
Are there any known fee level or collection issues?	
Have the client screening questions been considered?	
Are we aware of any issues with record-keeping, internal controls or the accounting system?	
Are there any new services we are providing the client this year, and if so, have any independence threats arising been considered and mitigated as appropriate?	

	Yes	No	N/A
Decision made to retain client	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lost client form completed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Prepared by:	Date:
Reviewed by: (Partner)	Date:

## 5.7 Client Exit form

### Instructions

This form could be used to document the loss or rejection of a client, and as a checklist that appropriate matters have been dealt with.

You will need to adapt this form to your firm’s nature and circumstances.

Matter	Comment/how done	Cleared
<b>Contact from client</b> or Decision not to continue documented Letter to client – where appropriate		
Consider the <b>impact</b> of this client leaving on other client relationships and workload		
<b>Response to ethical letter</b> Access to audit workpapers request received?		
<b>Examine work in progress and debtors</b> Take appropriate action if there are any balances. For example, contact client, send debtor statement, raise final fee account, write-off remaining WIP.		
<b>Update firm database</b> <ul style="list-style-type: none"> <li>• mark as non-client</li> <li>• enter new auditor’s contacts</li> <li>• mark as non-client</li> </ul>		
<b>Regulatory requirements</b> Resignation as auditor/other process requirements		
<b>Add to agenda</b> for next team meeting to inform all team members of lost client		
<b>Archive</b> remaining correspondence and work paper files		

Prepared by:

Date:

Reviewed by: (Partner)

Date:

## 5.8 Client Exit Letter

### Instructions

Where the engagement with a client is ended, it is best practice to summarize the situation in writing to the client. This will help avoid any confusion as to your firm's responsibility for completion of outstanding matters and make it an easier transition for the new firm.

You will need to adapt this sample letter to your firm's nature and circumstances.

(Date)

(Addressee)

(Client name)

(Client address)

Dear (Name)

### Ceasing to act as auditor

We wish to clarify matters connected with your decision to replace us as your auditor [note this may not be the only reason for exit, so may need to be tailored]. This letter replaces our previous letter of engagement dated **[insert date]**.

### Authority to provide information and documents

For audits or reviews of financial statements and financial information, should you wish access to working papers to be provided to the incoming auditor, we shall be guided by our professional obligations.

Your written request in a specific format is required.

### Record retention

Attached we return source documentation that should be retained by you. Documentation such as our working paper file will be retained by us for the appropriate statutory time period, with continued confidentiality assured.

### Fees

Attached is a final invoice for our services to date, together with a statement also showing prior fees outstanding. By way of acknowledgement, please sign and return the attached copy of this letter, along with settlement of these amounts at your earliest convenience.

Yours sincerely

**[FIRM NAME]**

Partner:

Date:

### Acknowledgement

We acknowledge this letter which records the agreement between us on your resignation as our auditor.

We authorize you to supply information and documentation to \_\_\_\_\_ whom we have appointed as our auditor.

Client name(s):



# 6 ENGAGEMENT PERFORMANCE

## 6.1 Engagement performance policy statement


### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

### Engagement performance

Audit, assurance and related services engagements are performed in accordance with the requirements of the applicable auditing and assurance, quality management, and professional and ethical standards and are planned and performed with professional skepticism and using professional judgment. The firm aims for consistent quality by using toolkits, industry standard software, template documents and appropriate guidance material.

Team members are informed about the engagement and the objectives of their work. Engagement teams include experienced team members with the necessary competencies and experience to match the requirements of the engagement, and the allocated resources are balanced and sufficient to perform the audit and achieve high quality work. This aim is also achieved with an experienced team leader who delegates yet consistently exercises balanced professional judgment and professional skepticism. Work control and client information forms, structure diagrams, organization charts, and permanent file documents (such as information about the legal and organizational framework, significant long-term arrangements) contribute to our understanding of our clients. Engagement letters identify what work is to be completed.

 *Supervision* – engagement progress is tracked using **[identify method used e.g., the workflow management module of our professional services software and time budgets]**. The workflow management module provides indicators to report to the leadership about the reasonableness of the preliminary budget and whether the budget should be revised **[revise as appropriate if no workflow management model]**. Every team member has regular direct partner contact. Job progress is formally reviewed during regular team meetings. Instructions are given to team members on the work control form and in person. The level of supervision varies depending on the nature and circumstances of the engagement, the composition of the engagement team and the progress of the engagement.

*Review* – Partners or managers will review all work completed. The Partner will ensure all significant matters are raised to ensure compliance with professional standards, regulatory/legal requirements and completeness and accuracy of work performed.

*Training and coaching* – partner reviews are viewed as part of on-the-job mentoring of staff members. Partners are accessible to assist and clear queries.

### Use of experts

We consult with experts with specialist skills where appropriate. Internally, we have identified people with specialist knowledge, who are qualified to consult through their experience, expertise and training and we maintain a list of such individuals. In some instances, we may need to consult with experts outside of our firm. For all formal consultations, we document the consultation, monitor the progress, review the findings and implement the conclusions from the consultation.

The engagement partner is responsible for determining when an expert is required for the engagement, the nature, timing and extent of audit procedures, evaluating the expertise, capabilities and objectivity of the expert, and evaluating the adequacy of the expert's work.

Consultations are properly resourced, encouraged and documented, and the conclusions implemented. Documentation of any consultation on client files enables clear understanding of the matters considered, conclusions reached and implementation details. The individual consulted will also document their conclusion around any difficult or contentious matters. The engagement partner is responsible for determining whether a matter is difficult or contentious.

## Engagement documentation

All engagement files are finalized on a timely basis. At a maximum this must be within 60 days of the audit/assurance report etc. being issued. Once finalized, no modification to the documentation is permitted. Existing audit documentation may, however, need to be clarified following comments received during monitoring inspections performed by internal or external parties.

All team members are responsible for safeguarding engagement documentation by implementing the following procedures:

- All workpapers clearly identify the preparer and reviewer.
- Any changes to workpapers must clearly indicate the changes and the team member who made the changes.
- Engagement documentation must be filed in the designated area whenever it is not in use by a team member.
- Electronic workpapers are password protected. Team members are not permitted to share their password with any other individual.

Our IT system includes the following security features:

***[Tailor to your firm, including policy on password protection of documents, controls over issuing of passwords and backup policy].***



The firm does not destroy engagement documentation unless it has obtained legal advice that destruction is appropriate. In all instances the firm will retain engagement documentation for at least ***[insert number]*** years.

## Differences of opinion

Any difference of opinion should be identified at an early stage and each step of the processes undertaken to resolve the difference should be documented. An example form is provided to document differences of opinion and their resolution at [\[6.5\]](#).

The audit or other report will not be issued until the matter is resolved and team members will be supported by the engagement partner in communicating this to the client.

## Engagement quality review

An engagement quality review (EQR) must be undertaken for:

- Audits of financial reports of listed entities;
- Audits or other engagements for which an engagement quality review is required by law or regulation; and
- Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s).

For all other assurance engagements the engagement partner will consider the following criteria when determining whether an EQR should be performed:

- Level of engagement audit risk – if the level of audit risk is considered to be high then it is more likely that an EQR is required.
- Seniority of staff conducting the engagement – the need for an EQR might reduce with the higher levels audit team experience/proficiency.
- Any EQR conducted on this engagement in prior years – if an EQR has been conducted in recent years the need for a current year review may be reduced in some cases, depending upon the reason for an EQR in prior years.
- Findings/recommendations of any previous EQR – if the EQR revealed few issues, the need for a current year EQR may be reduced. The EQR may recommend the frequency of subsequent EQRs but the results of internal monitoring should also be considered (e.g., risk areas or for specific partners).

The responsibility for the appointment of engagement quality reviewers must be assigned to an individual with the competence, capabilities and appropriate authority within the firm to fulfill the responsibility. Therefore, this responsibility has been assigned to the audit quality leader.

The criteria for an individual to be eligible to be appointed as an engagement quality reviewer are:

- Not a member of the engagement team;
- Has the competence and capabilities, including sufficient time, and the appropriate authority to perform the EQR;
- Complies with relevant ethical requirements, including in relation to threats to their objectivity and independence; and
- Complies with provisions of law and regulation, if any, that are relevant to their eligibility.

There must be a cooling-off period of at least two years before an individual can be appointed as an engagement quality reviewer after previously serving as the engagement partner.

The criteria for an individual to be eligible to assist the engagement quality reviewer are:

- Shall not be a member of the engagement team;
- Has the competence and capabilities, including sufficient time, to perform the duties assigned to them; and
- Complies with relevant ethical requirements, including in relation to threats to their objectivity and independence and, if applicable, the provisions of law and regulation.

The engagement quality reviewer takes overall responsibility for the performance of the EQR.

The engagement quality reviewer is responsible for performing procedures at appropriate points in time during the engagement to provide an appropriate basis for an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon.

The engagement quality reviewer is responsible for determining the nature, timing and extent of the direction and supervision of the individuals assisting in the review, and the review of their work.

When the engagement quality reviewer becomes aware of circumstances that impair their eligibility they shall notify the audit quality leader, and:

- If the engagement quality review has not commenced, decline the appointment to perform the EQR; or
- If the engagement quality review has commenced, discontinue the performance of the EQR.

In circumstances in which the engagement quality reviewer's eligibility to perform the engagement quality review is impaired, the audit quality leader will identify and appoint a replacement who meets the eligibility criteria.

In circumstances when the nature and extent of discussions between the engagement quality reviewer and the engagement team about a significant judgement give rise to a threat to the objectivity of the engagement quality reviewer, the engagement quality reviewer shall notify the audit quality leader. The audit quality leader shall evaluate whether such a threat is at an acceptable level. If the audit quality leader determines that the identified threat to the objectivity of the engagement quality reviewer is not at an acceptable level, the audit quality leader shall apply safeguards, where available and capable of being applied, to reduce the threats to an acceptable level. In circumstances in which the threat to objectivity of the engagement quality reviewer cannot be reduced to an acceptable level through the application of safeguards, the audit quality leader will identify and appoint a replacement who meets the eligibility criteria.

The engagement quality reviewer takes responsibility for documentation of the EQR, and such documentation shall be included with the engagement documentation.

The engagement quality reviewer must complete the engagement quality review form [\[6.6\]](#).

The engagement quality reviewer shall notify the engagement partner if they have concerns that the significant judgements made by the engagement team, or the conclusions reached thereon, are not appropriate. If such concerns are not resolved to their satisfaction, they shall notify the audit quality leader that the EQR cannot be completed.

The engagement partner is precluded from dating the engagement report until notification has been received from the engagement quality reviewer that the EQR is complete.

## 6.2 Work control form

### Instructions

You will need to adapt this form to your firm's nature and circumstances, to be supplemented by engagement specific work papers and checklists.

Client name(s):	Client code:
Period/year end:	Engagement partner:

### Work required

Interim to:	OR Final year ended:
Budgeted hours:	
Proposed engagement team:	
Timeframe and resource priority: H/M/L	

### Interview checklist

- |  |   |  |  |
|--|---|--|--|
| <input type="checkbox"/> Engagement letter | <input type="checkbox"/> Key concerns/challenges in your business | <input type="checkbox"/> IT systems and security | <input type="checkbox"/> Risk management           |
| <input type="checkbox"/> Budget analysis   | <input type="checkbox"/> Business plan and strategy/goals         | <input type="checkbox"/> Tax records             | <input type="checkbox"/> Client retention decision |

Interviewed by:	on:
Work mailed in/delivered on:	
Description of records provided by client:	

Job plan:	Person	Time budget	Time spent	Notes
Planning				
Internal controls				
Fieldwork (testing)				
Finalization (reporting)				
Other				
Partner time (review/supervision)				

Last year fee:	Last year write off:
This year budget:	Fixed fee quoted:

Office costing summary (detailed WIP printout attached)

Actual WIP	Write-off/(up)	Final fee	Date	Comments

Prepared by:	Date:
Reviewed by:	Date:

### 6.3 Using the work of experts

**Instructions**

Having a pre-prepared list of specialists is an efficient and effective tool when experts are required. These experts could be in-house specialists, or external to your firm.

You will need to adapt this form to your firm’s nature and circumstances.

	Name	Contact details
Company formation services		
Discretionary/unit trust deed preparation/amendment		
Financial planning		
Risk insurances		
General insurance		
PI insurance		
Mortgage broker		
Finance broker – lease, chattel mortgage		
Stockbroker		
Pension		
Insolvency – voluntary administration – bankruptcy		
Sustainability/climate		
Independent valuations		
Complex income tax matters		
Complex indirect tax matters		
Income tax planning/structuring		
Company strike-off		
Solicitor/lawyer		
Actuary		

## 6.4 Checklist for use of outside experts

### Instructions

You will need to adapt this checklist to your firm's nature and circumstances.

Before engaging an expert, consider if the audit evidence requires expertise outside the field of auditing and accounting. Such examples may include valuations, legal judgments or geologist's estimates. If an expert is required, then the firm shall consider the expert's competence, capabilities and objectivity, and field of expertise.

It is also necessary to agree with the expert the scope and objective of the work, nature, timing, roles and responsibilities, report format and confidentiality requirements.

When the work is completed, the adequacy of the expert's work, and whether further work is required, needs to be evaluated. The expert's work must be adequately documented in the audit file working papers.

Client name(s):	Client code:
Date:	Prepared by:

Outside expert's name/firm:
Reasons for use:

	Yes	No
Client advised of use	<input type="checkbox"/>	<input type="checkbox"/>
Written brief forwarded to expert	<input type="checkbox"/>	<input type="checkbox"/>
Quote received for estimated cost for expert	<input type="checkbox"/>	<input type="checkbox"/>
Written report received from expert	<input type="checkbox"/>	<input type="checkbox"/>

Prepared by:	Date:
Reviewed by: (Partner)	Date:

## 6.5 Differences of opinion resolution

### Instructions

The firm must document how it has resolved differences of opinion to comply with paragraphs 37—38 of **ISA 220 (Revised)**.

You will need to adapt this form to your firm’s nature and circumstances.

Facts:

Implication:

Treatment/opinion #1:

Treatment/opinion #2:

Source of information used to resolve the matter (may include consultation with external expert):

Yes      No

Differences of opinion resolved in accordance with the firm’s policies and procedures

Recommended/agreed approach/resolution:

Yes      No

Matter finalized with resolved action taken

Prepared by:

Date:

Reviewed by:

Date:

## 6.6 Engagement quality review form

### Instructions

The firm must document these matters to comply with paragraph 30 of **ISQM 2**.  
You will need to adapt this form to your firm’s nature and circumstances.

Name of the engagement quality reviewer:

Client file(s) reviewed:

Year/period ended:

Name of engagement partner:

Name(s) of individual(s) who assisted with the EQR:

Procedures performed:		Done	N/A
(a)	Read, and obtain an understanding of, information communicated by: (i) The engagement team regarding the nature and circumstances of the engagement and the entity; and (ii) The firm related to the firm’s monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgements made by the engagement team.		
(b)	Discuss with the engagement partner and, if applicable, other members of the engagement team, significant matters and significant judgements made in planning, performing, and reporting on the engagement.		
(c)	Based on the information obtained in (a) and (b), review selected engagement documentation relating to the significant judgements made by the engagement team and evaluate: (i) The basis for making those significant judgments, including, when applicable to the type of engagement, the exercise of professional skepticism by the engagement team (ii) Whether the engagement documentation supports the conclusions reached; and (iii) Whether the conclusions reached are appropriate.		
(d)	For audits of financial reports, evaluate the basis for the engagement partner’s determination that relevant ethical requirements relating to independence have been fulfilled.		
(e)	Evaluate whether appropriate consultation has taken place on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations.		
(f)	For audits of financial reports, evaluate the basis for the engagement partner’s determination that the engagement partner’s involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgements made, and the conclusions reached are appropriate given the nature and circumstances of the engagement.		
(g)	Review: (i) For audits of financial reports, the financial reports and the auditor’s report thereon, including, if applicable, the description of the key audit matters; (ii) For review engagements, the financial report or financial information and the engagement report thereon; or (iii) For other assurance and related services engagements, the engagement report, and when applicable, the subject matter information.		



Details of any concerns that the significant judgements made by the engagement team, or the conclusions reached thereon, are not appropriate?


How were concerns resolved? (N/A if no concerns)


	Yes	No
<b>ISQM 2</b> requirements have been fulfilled and EQR is complete	<input type="checkbox"/>	<input type="checkbox"/>

Basis for the above determination


Date of completion:
---------------------

# 7 RESOURCES

## 7.1 Resources policy statement

### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

### General philosophy

We do not perceive team members to be a 'cost'. Instead, a team member is a form of human (intellectual) capital; someone who generates more for the firm than their salary cost plus share of overhead. Therefore, we must invest heavily in training and improving our human capital, to obtain the best possible return on it. The returns, typically, will be in the form of fees, but also from the generation of ideas that improve our efficiencies, and from the introduction of new clients and their retention.

Best practice for employees includes written and oral communications skills, thoroughness, diligence, attention to detail, technical proficiency, proactivity, forward thinking, and being a fast learner. A focus on quality is essential.

### Human resources policy

On an ongoing basis, based on recurring reviews of the firm's workflow records, and aged work in progress records, the partners ascertain whether there are sufficient personnel to perform client engagements.

An appropriate partner is allocated responsibility for all human resource issues.

Human resources is recognized as a critical success area for the firm. Partners accept responsibility for the quality of the work performed by the firm. Management of, and communication with, team members is one of the major roles of partners.

The firm is committed to ethical principles which are an important component of all human resources procedures, including performance evaluation, promotion, and remuneration. Any personnel not meeting the firm's ethical principles will be counselled and where appropriate may be subject to disciplinary action.

In order to implement this human resources policy, the firm follows the procedures listed below:


### Recruitment

- Job descriptions are maintained for all positions.
- Candidates best suited to the job descriptions are interviewed and evaluated, and sections 1 and 2 of the candidate interview and evaluation checklist are completed.
- References are thoroughly checked and documented in section 3 of the candidate interview and evaluation checklist.
- A partner approves the offer/no offer decision, which is documented in section 4 of the candidate interview and evaluation checklist.
- A statutory three-month probationary period is part of the employment agreement.
- Comprehensive orientation is provided for the new team member, firstly by the partner and then using a 'buddy' system with an experienced team member.

### Performance evaluation/promotion/remuneration

- Close supervision and feedback occurs during the probation period.
- Six monthly interactive performance reviews are documented.
- Appropriate recognition and feedback aids career development.
- Promotion to complete more complex work occurs with appropriate supervision and review.
- Remuneration is negotiated in accordance with industry standards based on level of experience, together with an assessment of the recoverability of the resultant charge out rate that is applied.

## Capabilities/competence/career development

- 
 • Partners are required to meet **[insert name of professional accountancy organization]** continuing professional development (CPD) requirements.
  - All team members who are members of professional accountancy organizations are required to meet the CPD requirements of their professional bodies.
  - Team members attend relevant external professional education courses.
  - All professional staff members are required to maintain a training and development record. A copy of this record will be obtained and put on the staff member's personnel file at the time of staff member's annual review.
  - Regular team meetings contain a strong element of training.
  - Coaching and on-the-job training occurs while gaining experience from completing work.
  - Independence updates are provided for team members required to be independent.
  - Practical issues identified while completing assignments are incorporated into internal weekly training sessions.

## Assignment to engagements

Client jobs are assigned to a partner and to team members having given consideration to the complexity of the work and the competence capacity and experience of the available personnel.

Where team members have less experience, partners provide more assistance with the handover and job planning and then supervision through the job milestones.

In order to implement this assignment policy, the firm has implemented the following procedures:

- Partners accept work from clients and enter all details into the firm's workflow management system.
- Key members of the client management are notified of the engagement partner, if not already aware.
- The partner and staff assigned to each job are recorded on the job planning documentation.
- The level and aging of work-in-progress held by each team member is monitored at the regular firm team meeting.

## Technological resources policy

Not all of the firm's technological resources fall within the scope of **ISQM 1** as they serve multiple purposes. The following technological resources are relevant for the purposes of **ISQM 1**:

- Technological resources used in designing, implementing or operating the system of quality management; e.g. IT applications for independence monitoring and client acceptance and continuance.
- Technological resources used by engagement teams in the performance of engagements; e.g. IT applications used to prepare and compile engagement documentation, audit tools, data analytics tools, internally developed spreadsheets that have been reviewed and approved for use.
- Technological resources essential to enabling the effective operation of IT applications; e.g. the operating systems and databases supporting the IT applications used in operating the system of quality management or performance of engagements.

Staff may use the firm's approved technological resources in the performance of engagements. The use of other technological resources is prohibited until such time that it has been determined that they operate appropriately and have been approved for use by the firm [\[7.8\]](#).

Use of the firm's technological resources shall be for legitimate purposes in accordance with privacy laws and any applicable legislation. In all circumstances, staff must be careful against all cyber-security risks and take necessary precautions. The firm will continue to maintain proper support and provide latest information to assist staff with this responsibility, but it is incumbent on staff to remain vigilant and suspicious of any potential threats. Private use of technology resources shall be limited, and prohibited websites must not be accessed.

Staff are not permitted to add unauthorized application software. Staff must protect against malware and virus threats including not opening attachments from unusual sources or accessing inappropriate links. It is also prohibited to circumvent any security controls set up for the technology.

Systems access shall be password-secured to prevent unauthorized use and the protection of confidential information. It is necessary to be aware of your surroundings and risks including at client venues and while working from home. Passwords must not be shared and shall be revised/adapted in accordance with the firm's policy requirements at the time.

Technological resources from service providers have been evaluated for their fitness for purpose for which it is to be used **[this will depend on nature and circumstances of the firm and resources used]**. Information has been provided and reviewed relating [for example] to the service provider's experience in the industry, reputation in the market, as well as data confidentiality and frequency of updates. This evaluation is undertaken annually.

### Intellectual resources policy

Intellectual resources include the information the firm uses to enable the operation of the system of quality management and promote consistency in the performance of engagements. These resources are carefully prepared and have been through rigorous review processes. Common examples of firm's intellectual resources are written policies or procedures, audit methodology or technical updates, training materials and user guides.

The firm's intellectual resources are intended for the operations of the firm, primarily the provision of assurance services. Access is limited to permitted users of the resources and, unless intended for a broader audience, should not be shared with other parties. Permitted users must undertake to protect the resources, and any request for access to or reproduction of the intellectual resources must be approved by the engagement partner or equivalent.

The firm's intellectual resources include all work developed by staff in the course of their employment. The firm has copyright ownership for work undertaken by staff. This policy will also be reinforced in individual employment agreements. However, any work developed by employees outside the scope of employment will be excluded. This may include professional technical updates for a professional accountancy organization.

The firm protects its intellectual resources by reporting to the firm's leadership the range, utilization and state of such resources. The existing resources will be managed as seen fit by the firm's leadership.

### Service providers policy

The firm may choose or be required to use resources that are provided by service providers (individuals and organizations external to the firm), but the firm remains responsible for the system of quality management at all times.

When using resources provided by service providers, the firm is responsible for ensuring that the resources are appropriate for use in the system of quality management or performance of engagements. A service provider may be engaged by the firm, or a third party. The use of service providers is prohibited until such time that it has been determined that sufficient due diligence has been conducted and they have been approved for use by the firm [\[7.9\]](#).

Matters to consider when looking to engage a service provider include:

- Obtaining written quotations from several potential service providers.
- Reputation of the service provider (e.g., existence of any negative media coverage) and whether reference checks should be conducted to ensure quality.
- Location of service provider, where the firm's data goes and whether it is secure.
- The potential for any threats to independence to arise.
- If a confidentiality agreement is needed to protect the exchange of personal information.
- In the event of a disaster, does the service provider have resources and facilities to restore operations for business continuity.

## 7.2 Job descriptions

### Instructions

Formalizing job descriptions is a useful tool to assist with recruiting and evaluating team members. Sample job descriptions are provided for an auditor but must be tailored to your firm's nature and circumstances.



This resource may not be needed by sole practitioners.

### Position description – Auditor

JOB TITLE:	Auditor
GENERAL DESCRIPTION:	Responsible for assisting partners to provide clients with assurance and related services to clients.
REPORTS TO:	Partners
RESPONSIBLE FOR:	Timely completion of assigned tasks, keeping track of tasks, clear communication to other team members.

### Qualifications and experience:

- Aiming to complete professional studies to secure a professional accountancy qualification
- A working knowledge of *[insert relevant software]*
- Please refer to our website *[insert firm's website address]*

### Accountable for:

- Delivering high quality work
- Ensuring you are consistently asking yourself — 'Am I doing the most important thing that I should be doing?' ... and 'If not, why not?' [time is a valuable resource to be spent wisely and with a sense of balance in mind]
- Being aware of existing standards, legislation, current developments and technical updates that may impact on the work you are performing for clients
- Discussing with the partners every week your priorities for the week, and reporting on the progress of all jobs allocated
- Communicating and working with clients and team members in a professional manner, including critical thinking and the ability to consider other viewpoints
- Following the firm's current system of work practices and when unclear on the best approach being sure to ask questions in the most appropriate manner
- For the jobs you are allocated, being aware of the opening time WIP and accumulation of WIP and examining the final WIP when the job is completed
- Drafting the fee from the work in progress report and make recommendations to partners on the proposed amounts to raise as fees to clients
- Enjoying your role with self-confidence and maintaining an enquiring mind with professional skepticism
- Supporting other team members and promoting a positive team environment as all team members have a strong desire to work in a harmonious workplace

**Technical abilities and other professional skills:**

- Resolves all queries raised
- Continues to improve knowledge of auditing and accounting standards, corporation law and other relevant legislation applicable to clients
- Undertakes training and understands the long-term benefit this will provide
- Becomes proficient with the firm's audit methodology
- Drafts engagement documentation for review
- Holds the confidence of clients, both over the telephone and in person
- Trains and supervises a trainee auditor, evidenced by the quality of work produced and efficiency with which the work is performed
- Develops analytical skills and business acumen e.g., using common sense and logic, can spot areas of concern and errors made by client
- Develops an understanding of corporate structure e.g., understanding of roles and responsibilities
- Works to a deadline and can handle pressure
- Understands the theory of valuing assets
- In reporting to a partner, or the client, significantly adds value to the relationship
- In the second year in this position, shows that proficiency in all technical areas is progressing on schedule
- Learns from mistakes – repeated similar mistakes are rare

**Position description – new position**

FIRM NAME:
SECTION:
TITLE/POSITION:
REPORTS TO:


PURPOSE:
Primary:
Secondary:
RESPONSIBILITIES:
AUTHORITY:
ACCOUNTABILITIES:
QUALIFICATION:

SKILLS: (High, medium, low)

Level	Skill

Prepared by:
Approved by:
Date:
Amended:

## 7.3 Candidate interview and evaluation checklist

<b>Instructions</b>	<p>Planning interview questions and documenting the answers is a useful way of making the interviewing and selection process efficient.</p> <ul style="list-style-type: none"> <li>• The interviewer completes sections 1, 2 and 3</li> <li>• The partner completes sections 4 and 5.</li> </ul> <p>You will need to adapt this checklist to your firm's nature and circumstances.</p>
	<p>This checklist may not be needed by sole practitioners.</p>

### Section 1 – Initial interview

Name of applicant:
Position applied for:
Date of initial interview:
Interviewer:

List any important questions you plan to ask the interviewee during the interview:

Your question:	Interviewee's answer:
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

At some time during the interview, discuss the relevant firm policies on:

- |   |                                   |  |
|---|-----------------------------------|--|
| <input type="checkbox"/> Quality                  | <input type="checkbox"/> Travel   | <input type="checkbox"/> Holidays & Benefits |
| <input type="checkbox"/> Training and development | <input type="checkbox"/> Overtime | <input type="checkbox"/> Career Progression  |



**Rate the applicant on each of the items below, according to the following scale**

<b>1</b>	<b>=</b>	<b>outstanding</b>
<b>2</b>	<b>=</b>	<b>above average</b>
<b>3</b>	<b>=</b>	<b>average</b>
<b>4</b>	<b>=</b>	<b>below average</b>
<b>5</b>	<b>=</b>	<b>not acceptable</b>
<b>6</b>	<b>=</b>	<b>unable to evaluate</b>

1	2	3	4	5	6	
						Education: Does the candidate's educational background/experience appear adequate for the position?
						Work experience: Does prior work experience appear to indicate the ability to assume responsibility and work well with other people?
						Personality: Did the candidate display a personality conducive to the values and objectives of the firm?
						Maturity and judgement: Did the candidate appear to possess maturity and sound judgement?
						Communication: Did the candidate express his or her ideas and thoughts in a concise, articulate manner?
						Attitude and enthusiasm: Was an appropriate attitude and level of enthusiasm displayed?
						Employment objectives: Did the candidate appear to be compatible with the position sought?
						Quality of responses: Were the responses to questions indicative of careful thought and sincerity?

Comments:

Recommendation:

- Arrange second interview
- Terminate application

**Section 2 – Other information**

Attach the following additional information from the candidate:

	Employment application
	Academic record
	Résumé
	References, recommendation letter
	Other – please specify

**Section 3 – Reference check**

**[Please ensure you comply with own jurisdiction HR laws and regs and try to ensure there is a focus on quality]**

**Section 4 – Summary**


	No offer made
	Employment offer made

Date of offer:	Planned starting date:
Starting salary:	
Benefits:	
Approved by:	

**Section 5 – Follow up if offer is made**

	Offer is accepted (file form in personnel file)
	Offer is rejected (file form in 'not hired' file)

## 7.4 New staff orientation checklist


<b>Instructions</b>	<p>Orienting new staff in the ways of the office usually means a more efficient and effective introduction to your firm for new staff members.</p> <ul style="list-style-type: none"> <li>This form is to be completed by the person responsible for welcoming new staff on their first day of work.</li> <li>The form should be filed in the employee’s personnel file.</li> </ul> <p>You will need to adapt this checklist to your firm’s nature and circumstances.</p>
	<p>This checklist may not be needed by sole practitioners.</p>

Name of employee:
Starting date:
Checklist completed by:


Done	N/A	Establish a personnel file to include the following:
		Candidate interview and evaluation checklist
		Résumé and other application forms
		Personnel information including insurance, superannuation, banking, etc.
		Independence checklist [4.2 Annual independence confirmation]
		Contract of employment
		Other:

Done	N/A	Tour of office and introductions:
		Tour of office – diagram showing team names, emails, and phone numbers
		Filing, photocopying, mail, air conditioning
		Library
		Introduction to other personnel in the firm
		Arrange a first-week lunch, if appropriate
		Security, access hours, keys
		Other:

Done	N/A	Office or workstation:
		Take new staff member to their office or workstation
		Computer systems
		Explain the telephone system and the firm’s answering policies
		Explain the importance of adhering to the firm’s system of quality management and explain the key office policies and procedures
		Explain other less formal, but observed customs (e.g., dress codes etc.)
		Other:

Done	N/A	Explain location of or provide copy of (if applicable):
		Quality management toolkit
		Auditing methodology and software used by the firm
		Personnel manual. If the firm does not have a personnel manual explain overtime policy, vacation, office hours, sick pay policy, insurance, etc.
		 <b>[Insert name of professional accountancy organization]</b> Members’ Handbook or equivalent including independence and confidentiality rules of the profession, technical and professional standards (refer to website: <b>[insert website]</b> )
		Other:

## 7.5 Professional staff performance review

<b>Instructions</b>	<p>This form can be used for annual or half yearly reviews, or in relation to specific engagements.</p> <p>The form should be discussed by the reviewer and the staff member and signed by both.</p> <p>You will need to adapt this form to your firm’s nature and circumstances.</p>
	 <p>This form may not be needed by sole practitioners.</p>

Name of Employee:	
Current Job Classification:	
Type of Evaluation:	<input type="checkbox"/> annual <input type="checkbox"/> specific engagement <input type="checkbox"/> semi annual <input type="checkbox"/> other

Rating Scale:	
<b>O</b>	= outstanding – indicates extraordinarily high performance, well beyond that expected of someone at this level.
<b>VG</b>	= very good – indicates performance that exceeds usual expectations of someone at this level.
<b>G</b>	= good – indicates performance that meets that expected of someone at this level.
<b>BN</b>	= below normal – indicates that assignments and responsibilities are not being met as expected.
<b>U</b>	= unacceptable – indicates unacceptable performance in need of immediate improvement.
<b>NA</b>	= not applicable – assignments during evaluation period did not call for evaluation of this attribute.

### Evaluation of professional skills and quality:

O	VG	G	BN	U	NA	
						Demonstrates a commitment to ethical principles.
						Ability to establish workload priorities.
						Ability to organize and plan individual jobs.
						Ability to supervise work of others including delegation, training and development.
						Ability to complete work accurately and in a timely manner.
						Understands assignments and follows instructions.
						Clarity of work.
						Ability to work independently.
						Ability to analyze complex matters.
						Ability to make decisions.
						Ability to distinguish between material items and immaterial items.
						Relations with client personnel and firm associates.
						Communication capabilities – written.
						Communication capabilities – oral.
						Displays enthusiasm for work, especially more advanced or technical projects.
						Response to suggestions and guidance from supervisors.
						Demonstrates initiative.
						Delegation to other staff.
						Supervision and review of staff.
						On-the-job training and development of staff.

**Technical skills:**

O	VG	G	BN	U	NAI	
						Ability to comprehend various clients' accounting systems and adapt work as required.
						Work paper preparation or review techniques (neat, accurate, comprehensive, and understandable).
						Knowledge of accounting theory.
						Ability in relation to:
						• Financial reporting
						• Auditing
						• Software
						• Research techniques
						• Legislative framework

**Personal characteristics:**

O	VG	G	BN	U	NAI	
						Responsibility (trustworthy and conscientious).
						Integrity (loyal, sincere, reliable and punctual).
						Attitude (co-operative, courteous, friendly and professional).
						Commitment (dedication, team spirit).

**Strong areas of employee's performance:**


**Weaknesses of employee's performance and areas for improvement, if any:**


**Training and development:**

Reviewer and staff member discuss the staff member's training and development record, and identify areas of future training and development:



**Other comments:**


**Notes in meeting:**

Topics/issues discussed during meeting:	Staff member response:
<b>1.</b>	<b>1.</b>
<b>2.</b>	<b>2.</b>
<b>3.</b>	<b>3.</b>

Name	Signature	Date
Evaluated by:		
Employee:		

## 7.6 Administrative staff performance review

<b>Instructions</b>	<p>This form can be used for annual or half yearly reviews, or in relation to specific engagements.</p> <p>The form should be discussed by the reviewer and the staff member and signed by both.</p> <p>You will need to adapt this form to your firm’s nature and circumstances.</p>
	<p>This form may not be needed by sole practitioners.</p>

Name of Employee:	Position:
Evaluated by:	Date of Evaluation:

Rating Scale:	
<b>O</b>	= outstanding – indicates extraordinarily high performance, well beyond that expected of someone at this level.
<b>VG</b>	= very good – indicates performance that exceeds usual expectations of someone at this level.
<b>G</b>	= good – indicates performance that meets that expected of someone at this level.
<b>BN</b>	= below normal – indicates that assignments and responsibilities are not being met as expected.
<b>U</b>	= unacceptable – indicates unacceptable performance in need of immediate improvement.
<b>NA</b>	= not applicable – assignments during evaluation period did not call for evaluation of this attribute.

### Evaluation of professional skills and quality:

O	VG	G	BN	U	NA	
						<b>Personal characteristics reflect a high degree of:</b>
						• Integrity
						• Maturity
						• dependability
						• enthusiasm
						Exercises good work habits to effectively perform assigned duties
						Is well organized, capable of placing priorities and is conscious of the importance of time management
						<b>Keeps partner/immediate supervisor informed as to:</b>
						• status of projects
						• problems that arise in routine duties
						Readily accepts responsibility and exerts effort beyond demands
						Respects confidentiality of client information and administrative information as appropriate
						<b>Understands and adheres to:</b>
						• firm policy and procedures
						• internal office routines
						Is courteous, tactful and co-operative with others in the firm, recognizing the importance of teamwork
						Maintains a positive attitude
						Is loyal and projects a good image of the firm
						Responds positively to constructive criticism
						Is sensitive to appearance of the office
						Uses software effectively
						Communicates effectively



**Strong areas of employee’s performance:**


**Weaknesses of employee’s performance and areas for improvement, if any:**


**Other comments:**


**Notes in meeting:**

Topics/issues discussed during meeting:	Staff member response:
1.	1.
2.	2.
3.	3.

Name	Signature	Date
Evaluated by:		
Employee:		

## 7.7 Training and development record

### Instructions

Each professional staff member is required to maintain a training and development record. This will be discussed at the staff member’s annual review, and a copy placed on the personnel file.

You will need to adapt this record to your firm’s nature and circumstances.

### Section 1 – Personal details

Name of Employee:

Current Job Classification:

Type of Evaluation:

### Section 2 – Training and development record details

Training and development record for (dates)

1 / 7 / to 30 / 6 /

Date	Identified Training need and source (e.g., appraisal, regulatory scrutiny area, monitoring, personal development)	Learning objectives/intended outcomes	Description of activity, method of learning (e.g., workshop, e-learning, on the job, technical reading) and hours	Reflection and evaluation of learning objectives/intended outcomes
		<b>Total hours</b>		

### Section 3 – Acknowledgement

*I hereby confirm that this information is a true record of my training and development activity for the period stated.*

Signature:

Date:

## 7.8 Technology acquisition request form

### Instructions

You will need to adapt this form to your firm's nature and circumstances.



This form may not be needed by sole practitioners.

Supplier details:

Product details:

Hardware/software/service

Describe the need for the resource requested:

Alternatives considered and reasons for choosing:

Compatibility with existing technology infrastructure:

Yes/No

Impact if resource is not acquired:

Method of acquisition:

Cash/credit purchase

Rental/lease

Lease-purchase

Cost of acquisition:

Prepared by:

Date:

Reviewed by: (Partner)

Date:

## 7.9 New service provider request form

**Instructions**

You will need to adapt this form to your firm’s nature and circumstances.



This form may not be needed by sole practitioners.

Entity/payee name:

Type of business:

Reasons for use:

Details of due diligence conducted (please attach):

[For third party service providers of assurance related services consideration should include leadership and governance of service provider, quality of technical content (e.g., methodologies, controls, presentation materials), competence and capability, compliance with laws and regulations and feedback monitoring & complaints. For other more routine service providers appropriate diligence may be different]

Postal address:

Physical address:

Mobile phone:

Other phone:

Email:

Web address:

Company reference:

Contract cost:

Payment terms:

Bank account number:

Prepared by:

Date:

Reviewed by:

Date:

# 8 INFORMATION AND COMMUNICATION

## 8.1 Information and communication policy statement

### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.



This policy statement may not be needed by sole practitioners.

### Information systems

We are committed to investing in information systems which meet the needs of our present circumstances and anticipated future changes. Our information systems support our system of quality management. Our information systems may include both information technology such as hardware and software as well as manual or analog processes. The firm will ensure that significant outlays on information systems are undertaken when the leadership reaches an acceptable level of consensus. This is done through a working group or project committee to ensure the future operational requirements are met.

Continuous development, maintenance and upgrade will provide users with information that is current and useful therefore our information system is maintained and updated to respond to changes in our professional environment and available technologies. Changes to the information systems are required to be managed and documented. The firm remains committed to the system's security to ensure that the risks of cyber-security breaches and unauthorized access are managed and minimized. Staff are trained and reviewed based on their contributions to the system's security. Breaches of policies will be investigated and the appropriate action will be taken.

To develop users' confidence in the information system we prioritize ongoing training of existing and new elements of the information systems. The firm also seeks staff feedback on the effectiveness of information systems and technology. A review is undertaken to ensure that the quality of the technology services meets the needs of the firm and represents value-for-money investment.

### Culture

To facilitate the system of quality management the firm also supports and encourages a responsible culture to exchange information with one another. The firm encourages the use of its resources including the information systems, to achieve this aim. This cultural quality is essential to the firm's goals and strategies, and annual performance reviews, including consideration of the individual's support for the firm's culture.

### Communication

The firm is committed to a positive and informative communication process with internal and external stakeholders. The firm recognizes that clear and succinct communication in a professional environment requires development over time. Communication training is an important development goal, and where identified as an area for improvement, staff will be encouraged to undertake such training in their performance development plan.

The firm will communicate through various methods, for example, direct oral communication, manuals of policies or procedures, newsletters, alerts, emails, intranet or other web-based applications, training, presentations, social media, or webcasts. In determining the most appropriate method(s) and frequency of communication, the firm may consider factors, including:

- The audience to whom the communication is targeted; and
- The nature and urgency of the information being communicated.

In some circumstances, the firm may determine it necessary to communicate the same information through different methods to achieve the objective of the communication. In such cases, the consistency of the information communicated is important.

When performing an audit of a financial report of a listed entity, the engagement partner will communicate with those charged with governance about how the system of quality management supports the consistent performance of quality audit engagements. This shall be achieved through meetings with those charged with governance at the commencement of the engagement.

The firm may communicate with various other external parties about the firm's system of quality management. The nature, timing and extent and appropriate form of communication will be determined by the audit quality leader and depend on the circumstances.

External communication related to the firm's system of quality management may include a transparency report or audit quality report, direct conversations with external parties, including direct conversations with regulators, or management and those charged with governance of clients, and information on the firm's website or provided through social media.

The firm aims to promote the exchange of valuable and insightful information about the firm's system of quality management with stakeholders, in the most appropriate manner. When there are no requirements in law, regulation or professional standards to communicate externally, the firm will commit to proactively work with external parties to better understand how its system of quality management meets its professional requirements and deliver outcomes to stakeholders. The firm will likely reach out to those parties with a business or operational relationship to communicate about the system of quality management to seek feedback.

We recognize the relevance and reliability of information requires proactive management. The responsibility also includes developing the firm's culture to share and exchange information. Personnel are also rewarded and recognized for their commitment to the responsibility.

## 8.2 Culture assessment – quality

### Instructions

Culture is the way things are done and the attitudes of the people doing them.

You may choose to use this form to measure your firm’s culture for quality management and to evaluate how conducive your firm is to participation by staff. It should be completed at the same time as the annual evaluation of the system of quality management.

You will need to adapt this assessment to your firm’s nature and circumstances.



This assessment may not be needed by sole practitioners.

		A Agree	B Somewhat Agree	C Somewhat Disagree	D Disagree
1	New ideas are encouraged and are welcome				
2	Appropriate flexibility can be adopted when completing work procedures				
3	Management often tries new methods and techniques				
4	People really enjoy trying to come up with better ways to do things				
5	It is safe to speak up and tell it like it is				
6	The firm are open and transparent with staff				
7	Important information is communicated in a timely manner				
8	Management communication is usually frank and honest				
9	Supervisors are interested in listening to the opinions of employees				
10	The responsibility for controlling costs is shared by all staff and partners				
11	Each employee has an important impact on costs, quality and productivity				
12	There are many opportunities to improve product (or services) quality				
13	Ensuring quality work is performed is important to supervisors				
14	Employees are truly interested in performing quality work				
15	People frequently work together in teams or groups				
16	Information is shared with trust and confidence				
17	Supervisors often involve employees when making decisions				
18	Departments generally work well together				
19	People are friendly and helpful				
20	The relationship between management and employees is good				
21	Most senior employees try to help newer employees get adjusted				
22	People seem to work well together				
23	Work goals or standards of performance are clear and understandable				
24	Supervisors explain clearly what is expected of you				
25	Most work goals or standards are realistic and attainable				
26	Employees are told how well they are doing on their job				
27	Performance measurement information is fairly accurate				
28	Motivation is not based on reward and punishment				
29	Employees are recognized when they do good work				

		A Agree	B Somewhat Agree	C Somewhat Disagree	D Disagree
30	Supervisors help employees gain satisfaction from their work				
31	People are motivated to achieve above average performance				
32	Management embrace change				
33	Useful new ideas are accepted readily				
34	People are free to challenge ways of working				
35	Most employees are eager and willing to try new methods				
36	Change is an accepted way of life				
37	The causes of problems are identified before solutions are considered				
38	If we put our minds to it, we can solve our operational problems				
39	Management uses effective problem-solving methods				
40	Accountability and responsibility for decisions made is clear				

Scoring Instructions: 'A' responses are scored at 4 points, 'B' responses at 3 points, 'C' responses at 2 points and 'D' at 1 point. A culture conducive to employee participation/involvement is indicated by a TOTAL CULTURE COUNT of 120 or more. If the average score for the results in any category (e.g., Creative Climate, Communication) is below 3, this suggests weaknesses in that dimension.

Creative Climate (Questions 1-4)	
Category Score	

Communication (Questions 5-9)	
Category Score	

Productivity Consciousness (Questions 10-14)	
Category Score	

Participative Climate (Questions 15-17)	
Category Score	

Interpersonal Relationships (Questions 18-22)	
Category Score	

Goals and Standards (Questions 23-27)	
Category Score	

Motivation (Questions 28-31)	
Category Score	

Change (Questions 32-36)	
Category Score	

Problem Solving (Questions 36-40)	
Category Score	

Category	Score
Creative Climate	
Communication	
Productivity Consciousness	
Participative Climate	
Interpersonal Relationships	
Goals and Standards	
Motivation	
Change	
Problem Solving	
<b>TOTAL CULTURE COUNT</b>	





Action required:





# 9 MONITORING AND REMEDIATION PROCESS

## 9.1 Monitoring and remediation process guide

<b>Instructions</b>	<p>Use the following to assist your firm in documenting monitoring and remediation policies, processes, and procedures to comply with paragraph 35 of <b>ISQM 1</b>:</p> <ul style="list-style-type: none"> <li>Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management, and</li> <li>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely manner.</li> </ul>
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	<p><b>Step 1: Use monitoring and remediation templates to implement activities tailored to your firm</b></p> <p>The Monitoring and remediation policy statement <a href="#">[9.2]</a> assists in documenting the design and implementation of your firms' monitoring and remediation activities, including activities to monitor the monitoring and remediation process.</p> <p>The following illustrative documents gather information around the design, implementation, and effectiveness of the firm's system of quality management which can help in identifying any findings and/or deficiencies:</p> <ul style="list-style-type: none"> <li><a href="#">9.3 Engagement review form</a></li> <li><a href="#">9.4 System evaluation</a></li> <li><a href="#">9.5 Client complaint record</a></li> <li><a href="#">6.6 Engagement quality review form (required to be performed)</a></li> </ul> <p>Paragraph 37 of <b>ISQM 1</b> provides several factors which may impact the nature, timing, and extent of monitoring activities required for your firm.</p>
	<p><b>Step 2: Evaluate findings to determine if a deficiency exists</b></p> <p>The Findings register <a href="#">[9.6]</a> can be utilized to compile findings from each of the monitoring activities your firm undertakes in one place. Evaluate the impact on the system of quality management to determine if a deficiency exists (you may find that the same deficiency relates to multiple findings).</p> <p>Use your professional judgment when evaluating the findings and consider the impact on:</p> <ul style="list-style-type: none"> <li>Quality objectives</li> <li>Quality risks</li> <li>Risk responses</li> <li>Other aspects of the system of quality management</li> </ul>
	<p><b>Step 3: Evaluate severity and pervasiveness of identified deficiencies</b></p> <p>The Deficiency evaluation worksheet <a href="#">[9.7]</a> assists firms to undertake a:</p> <ul style="list-style-type: none"> <li>Root cause analysis of the deficiency; and</li> <li>Impact assessment of the deficiency on the system of quality management.</li> </ul>
	<p><b>Step 4: Document remediation response to evaluated deficiency</b></p> <p>Determine the appropriate action to be undertaken to remediate the deficiency which addresses the root cause identified in Step 3</p>

	<p><b>Step 5: Draft and distribute appropriate communications</b></p> <p>To comply with paragraph 46 of ISQM 1 the individual(s) assigned operational responsibility for the monitoring and remediation process is required to communicate:</p> <ul style="list-style-type: none"> <li>• A description of the monitoring activities performed;</li> <li>• Identified deficiencies, including the severity and pervasiveness of such deficiencies; and</li> <li>• Remedial actions</li> </ul> <p>to engagement teams and other individuals assigned activities within the system of quality management to enable them to take prompt and appropriate action in accordance with their responsibilities (paragraph 47 of <b>ISQM 1</b>).</p>
	<p><b>Step 6: Evaluate the effectiveness of remedial actions and determine if further action required</b></p> <p>The individual(s) assigned operational responsibility for the monitoring and remediation process are required to evaluate the effectiveness of the implementation of remedial actions and take appropriate actions to respond to the evaluation.</p> <p>Use the Evaluation of effectiveness of remedial action section in the Deficiency evaluation worksheet <a href="#">[9.7]</a> to document the evaluation of the design, implementation and effectiveness of the remedial action implemented once the action has been operating for enough time in the system of quality management. As such, this section may be completed at different times for every remedial action implemented.</p> <p>Paragraph 44 of <b>ISQM 1</b> notes that additional actions may be required to be implemented if it is determined that the remedial action does not appropriately address the root cause of the identified deficiency.</p>

## 9.2 Monitoring and remediation policy statement

### Instructions

You will need to adapt this policy statement to your firm's nature and circumstances.

### Monitoring

In determining the nature, timing and extent of monitoring activities relating to the system of quality management, we take into account:

- The reasons for the assessments given to the quality risks;
- The design of the responses;
- The design of the firm's risk assessment process and monitoring and remediation process;
- Changes in the system of quality management;

Individuals performing monitoring activities are required to have the competence and capabilities, including sufficient time, to perform those monitoring activities effectively.

All engagements are reviewed by the engagement partner before the report is issued to the client. This engagement review includes reviewing whether the firm's system of quality management has been adhered to. When issues are identified or errors are uncovered during engagement reviews, the system is reviewed and practical changes that should reduce the risk of future similar errors are made. When identified as a requirement, relevant training programs will be arranged to address issues uncovered during monitoring procedures.

### Monitoring activities include:

- A culture assessment, focusing on the firm's commitment to quality [\[8.2 Culture assessment - quality\]](#).
- Quarterly, the individual assigned operational responsibility for the system of quality management, our audit quality leader, conducts an informal assessment of the firm. This is discussed with appropriate team members at team meetings, and appropriate follow-up action implemented.
- Inspection of completed engagements – a review of a completed engagement file for each partner will be conducted at least once every three years. Engagement team members or the engagement quality reviewer of an engagement are prohibited from performing any inspection of that engagement.
- The firm is also subject to review and oversight by *[insert name of professional accountancy organization]*. The firm is supportive of this process.

### Remediation

The audit quality leader evaluates the findings from the monitoring activities to determine whether deficiencies exist. The severity and pervasiveness of identified deficiencies are evaluated by investigating the root cause(s) of the identified deficiencies, and evaluating the effect of the identified deficiencies, individually and in aggregate, on the system of quality management.

Remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis are designed and implemented. Remedial actions should identify ownership, timeframes and should articulate what effectiveness looks like and how this will be evaluated. If there are significant changes needed as a result of findings, action plans may be needed to ensure these are implemented effectively.

The audit quality leader evaluates whether the remedial actions are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented. The audit quality leader also evaluates whether the remedial actions implemented to address previously identified deficiencies have been effective.

If the evaluation indicates that the remedial actions were not appropriately designed and implemented or were not effective, the audit quality leader takes appropriate action to determine that the remedial actions are appropriately modified such that they will be effective.

When findings indicate that there is an engagement for which procedures required were omitted during the performance of that engagement, the firm takes appropriate action to comply with applicable auditing and assurance, and professional and ethical standards and relevant legal and regulatory requirements. When the report is considered to be inappropriate, the firm considers the implications and takes appropriate action, including considering whether to obtain legal advice.

The audit quality leader communicates on a timely basis to the individual(s) assigned ultimate responsibility and accountability for the system of quality management a description of the monitoring activities performed; the identified deficiencies, including the severity and pervasiveness of such deficiencies; and the remedial actions to address the identified deficiencies. The firm communicates these same matters to engagement teams to enable them to take prompt and appropriate action in accordance with their responsibilities.

### Complaints and allegations

Complaints and allegations about failures to perform work in accordance with applicable auditing and assurance, and professional and ethical standards and relevant legal and regulatory requirements, or non-compliance with the firm's policies or procedures are taken seriously by the firm. Complaints are to be acknowledged with the client, and investigated by a partner not involved in the engagement. As we are a small firm this investigation will be referred to a consultant or another firm in instances where the complaint is designated 'serious'. The managing partner has responsibility for designating complaints as 'serious'.

A prompt resolution must be sought, and the clients must be kept informed as to the progress of the resolution.

Every formal complaint received is examined to determine if a weakness in the firm's system of quality management exists, which is in need of improvement.

A record of client complaint form is completed to aid in satisfactorily resolving the matter [\[9.5 Client complaint record\]](#).

Professional indemnity insurers are notified, if necessary.

Staff are free to raise concerns with the engagement partner or managing partner without fear of reprisal. The managing partner has ultimate responsibility for quality in the firm.

### Evaluation

The individual(s) assigned ultimate responsibility and accountability for the system of quality management evaluates the system of quality management annually, the first one being before 15 December 2023, and then every year thereafter and documents the findings [\[9.4 System evaluation\]](#). Following the evaluation, a conclusion is made in accordance with paragraph 54 of **ISQM 1** on if the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved. In instances where deficiencies have been identified from monitoring activities and/or reasonable assurance has not been achieved, further measures are taken in line with paragraph 55 of **ISQM 1**.

Periodic performance evaluations should be performed by the firm/the board of directors for:


- The individual(s) assigned ultimate responsibility and accountability for the system of quality management; and
- The audit quality leader.

The annual evaluation of the system of quality management should be considered in these performance evaluations.



For sole practitioners, performance evaluations should be performed by an external service provider. Smaller firms may also choose to engage an external service provider to perform the performance evaluation, or the results of the firm's monitoring activities may provide an indication of the performance of the individual.

### 9.3 Engagement review form

<b>Instructions</b>	<p>Documenting the review of an engagement file is an essential procedure to demonstrate that the review has been conducted.</p> <p>Using a form like this one is useful to clearly record review points, and that they have been cleared.</p> <p>You will need to adapt this form to your firm’s nature and circumstances.</p>
	<p>This form may not be needed by sole practitioners.</p>

Year/period ended:
Client:

**Notes in meeting:**

Review point	Response	Cleared

Signed off by partner as complete (all queries cleared):
Date:

## 9.4 System evaluation

### Instructions

The individual assigned ultimate responsibility and accountability for the system of quality management is required to evaluate the system of quality management at least annually to comply with paragraph 53 of ISQM 1. You will need to adapt this form for your firm’s nature and circumstances.

### Evaluation questionnaire

The report will consist primarily of answers to the following questions.

For each of the questions with a “No” answer, include your observations, conclusions, and recommendations (if appropriate)

		Yes	No	N/A	Action Required
1.	Does/do the individual(s) assigned operational responsibility for the system of quality management have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the system of quality management? (Paragraph 22, <b>ISQM 1</b> )				
2.	Is ultimate responsibility and accountability, and operational responsibility, for the system of quality management assigned to individual(s) that have the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfill their assigned responsibilities; and understand their assigned roles and that they are accountable for fulfilling them? (Paragraph 20, <b>ISQM 1</b> )				
3.	Has the firm documented its system of quality management? (Paragraph 57, <b>ISQM 1</b> )				
4.	Does the documentation of the system of quality management conform in all relevant respects with the requirements of <b>ISQM 1</b> ? (Paragraphs 58, 60, <b>ISQM 1</b> ): This must include the identification of the firm’s quality objectives, quality risks and responses to these among the other requirements outlined.				
5.	Have the results of the comparison of the documented system of quality management with <b>ISQM 1</b> requirements been communicated to the person(s) responsible for the system of quality management in the firm (including details of missing or inappropriate, policies, procedures, and documentation)?				
6.	Has at least one completed engagement been examined for each engagement partner every three years? (Paragraph 38(c), <b>ISQM 1</b> )				
7.	For engagements reviewed, did you (as monitor) ensure that you were neither a member of the engagement team, nor the engagement quality reviewer (EQR) on the engagement?				
8.	Were any deficiencies found that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action?				
9.	Is there evidence that a report issued by the firm may have been inappropriate?				
10.	Was there evidence of required engagement procedures not performed?				
11.	Have all deficiencies been reported in writing to the individual assigned ultimate responsibility and accountability for the system of quality management within the firm? (Paragraph 46(b), <b>ISQM 1</b> )				
12.	Have the underlying reasons for all significant deficiencies been established? (Paragraph 41(a), <b>ISQM 1</b> )				
13.	For files reviewed, have appropriate file inspection checklists been completed and retained in the documentation?				
14.	Is there evidence that the individual assigned ultimate responsibility for the system of quality management in the firm has communicated at least annually to appropriate partners and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies? (Paragraph 55(B)(ii), <b>ISQM 1</b> )				

## System of quality management evaluation report

Review conducted between (beginning date) and (ending date)

Period Covered: From (beginning date) to (ending date)

### Conclusion [Select one]:

- (a) *The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved;*
- (b) *Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; or*
- (c) *The system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved.]*

### Basis for conclusion:

1. Ultimate responsibility and accountability; and operational responsibility, for the system of quality management in the firm appears to [be/not to be] assigned to an individuals that have the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfill their assigned responsibility; understand their assigned roles and that they are accountable for fulfilling them.

*(Insert explanation if the conclusion is negative)*

2. The firm [does/does not] have a written quality management manual (QMM) and/or quality management policies and procedures.

*(Insert explanation if the conclusion is negative)*

3. In my opinion, the content of the written quality management manual (QMM) [does/does not] conform in all relevant respects with the requirements of **ISQM 1**.

*(Insert explanation if the conclusion is negative)*

4. I [found/did not find] missing or inappropriate policies, procedures, and/or documentation in the QMM.

*(Insert explanation if the conclusion is negative)*

5. I [found/did not find] evidence that the individual assigned ultimate responsibility and accountability for the system of quality management in the firm has communicated at least annually to appropriate partners and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies.

*(Insert explanation if the conclusion is negative)*

6. I have reviewed at least one engagement for each partner every three years.  
For engagements reviewed, I verified that I was neither a member of the engagement team, nor an engagement quality reviewer (EQR) on the engagement.

*(Insert details of each engagement selected, including partner name, engagement type, client name, and year-end date)*

7. I *[found/did not find]* deficiencies within the file engagements that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action.

*(Insert details of any deficiencies found)*

8. I *[found/did not find]* evidence indicating that a report issued by the firm may have been inappropriate.

*(Insert details of evidence indicating the possibility that an issued report may not have been appropriate)*

9. I *[found/did not find]* evidence that engagement procedures required either by standards or the firm were not performed.


*(Insert details of evidence indicating that required procedures were not performed including a reference to the requirement)*

10. I have reported all deficiencies found in the course of my review to the individual assigned ultimate responsibility and accountability for the system of quality management in the firm.

11. For files reviewed, I have completed the appropriate file inspection checklists and these are attached to this report as appendices.



## 9.5 Client complaint record

<b>Instructions</b>	<p>The firm is required to deal with complaints and allegations appropriately to comply with paragraph 34(c) of <b>ISQM 1</b>.</p> <p>You will need to adapt this record to your firm’s nature and circumstances.</p>
	<p>This form may not be needed by sole practitioners.</p>

Year/period ended:	Date:
Client:	Partner dealing with complaint:

Details of complaint
Implications of the client’s concerns
Action taken and consideration of escalation to managing partner or person with ultimate responsibility for quality
Solution agreed with/communicated to client
Professional Indemnity Insurers/Broker to be advised? YES/NO
<i>(Document reasons here)</i>
System weaknesses identified? YES/NO
<i>(Document improvements here)</i>

Signed off as matter complete:	Date:
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## 9.7 Deficiency evaluation worksheet

### Instructions

You will need to adapt this worksheet to your firm's nature and circumstances.

### Deficiency evaluation worksheet

<b>Deficiency reference</b>	<i>Alphanumerical reference to link to findings in Findings register [9.6].</i>	D1
<b>Deficiency summary</b>	<i>Detail the deficiency</i>	
<b>Completed by</b>	<i>Name of individual completing this worksheet</i>	

#### (a) Evaluate the severity and pervasiveness of identified deficiency

To comply with paragraph 41 of ISQM 1 firms are required to evaluate the severity and pervasiveness of deficiencies by:

1. Investigating the root cause of the deficiency; and
2. Evaluating the impact of the deficiency individually and in aggregate on the system of quality management.

#### 1. Root cause analysis

*When investigating the root cause of the deficiency to determine appropriate remedial action consider the:*

- *Design and implementation of aspects of the system of quality management*
- *Process for investigating the root cause*
- *Underlying factors which contributed to the deficiency occurring*
- *Compensating factors which may have reduced any impact on the system of quality management*

#### 2. Impact assessment of the deficiency on the system of quality management

*When undertaking an impact assessment of the deficiency, consider the:*

- *Aspects of the system of quality management that the deficiency impacted i.e., quality objective, quality risk, risk response*
- *Nature of the deficiency and if it has been previously identified on other engagements and/or aspects of the system of quality management*

**(b) Remediation**

To comply with paragraphs 42-43 of **ISQM 1** firms are required to design and implement remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis. The individual(s) assigned operational responsibility for the monitoring and remediation process shall evaluate whether the remedial actions:

- Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and
- Implemented to address previously identified deficiencies are effective (refer to Evaluation of effectiveness of remedial action section (d) below)

<b>Action to remediate</b>	<i>Detail the action required to remediate deficiency</i>
<b>Evaluation of remedial actions</b>	<i>Evaluate the appropriateness of the design of the remedial action and if it addresses the root cause identified</i>
<b>Due date</b>	<i>Date action needs to be implemented</i>
<b>Effectiveness evaluation date</b>	<i>Date effectiveness of implementation to be evaluated by</i>
<b>Responsible person</b>	<i>Detail who is accountable for addressing action</i>

**(c) Communication**

To comply with paragraph 46 of **ISQM 1** the individual(s) assigned operational responsibility for the monitoring and remediation process is required to communicate:

- A description of the monitoring activities performed;
- Identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- Remedial actions

To the individual(s) assigned responsibility and accountability and operational responsibility for the system of quality management and engagement teams and other individuals assigned activities within the system of quality management to enable them to take prompt and appropriate action in accordance with their responsibilities.

Document evidence of meeting these communication requirements below.

<b>Individual communicated to</b>	<b>Key matters communicated</b>	<b>Date of communication</b>
<i>[Insert Name and Role]</i> <i>The individual assigned ultimate responsibility and accountability for the system of quality management</i>		
<i>[Insert Name and Role]</i> <i>The individual assigned operational responsibility for the system of quality management</i>		
<i>[insert Name and Role]</i> <i>Engagement team and other individuals</i>		

**(d) Evaluation of effectiveness of remedial action**

This is to be completed by the individual(s) assigned operational responsibility for the monitoring and remediation process once the remedial action has been implemented and has been operating for a sufficient time in the system of quality management.

1. Has the remedial action been operating for enough time to determine effectiveness in the system of quality management?	Yes <input type="checkbox"/>	Proceed to question 2
	No <input type="checkbox"/>	Complete evaluation once action has been operating for sufficient time
2. Has the remedial action been effective in addressing the identified deficiency?	Yes <input type="checkbox"/>	No further work required
	No <input type="checkbox"/>	Detail further action below
3. Detail further action taken/required		

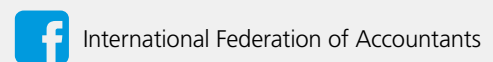
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