The System of Quality Management: Introduction

"Quality is not an act; it is a habit." – **Aristotle**

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"Quality is never an accident. It is always
the result of intelligent effort."
— **John Ruskin**

Title of document	Author	Type of guidance	Publication date	Synopsis
ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*	IAASB	Final pronouncement Basis for conclusions Fact sheet ISQM 1 First time implementation guide	December 2020 September 2021	Access the full text of the standards, bases for the IAASB's conclusions and a summary of the standards. The objective of the implementation guides is to help practitioners understand and apply ISQM 1, ISQM 2 and ISA 220 (Revised). The implementation guides *ia* highlight changes to the current standards and contain practical implementation examples.
ISQM 2, *Engagement Quality Reviews*		Final pronouncement Basis for conclusions Fact sheet ISQM 2 First time implementation guide	December 2020 June 2021	
ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*		Final pronouncement Basis for conclusions Fact sheet ISA 220 (Revised) First time implementation guide	December 2020 February 2022	

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"Excellence is the unlimited ability to improve the quality of what you have to offer."
– **Rick Pitino**

Title of document & Author	Type of guidance	Publication date
Webinar series IAASB	Webinar series 1: ISQM 1, Quality Management for Firms: All You Need to Know about the Firm's Risk Assessment Process	June 2021
	Webinar series 2: ISQM 1, Quality Management for Firms: Resources: Expectations for Firms and Engagement Partners	July 2021
	Webinar series 3: ISQM 1, Quality Management for Firms: What's New for Firms' Monitoring and Remediation Processes	August 2021
	Webinar series 4: ISQM 1, Quality Management for Firms: Bringing it all Together: Exploring all the Components of a Quality Management System	August 2021

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"Quality means doing it right when no one is looking."
– **Henry Ford**

Title of document	Author	Type of guidance	Publication date	Synopsis
SAICA TechTalk: The Quality Management Standards	SAICA	Slideshow	November 2021	The following questions are addressed:
				Q1: What is the relationship of ISQM 1 with ISQM 2 and ISA 220 (Revised)?
				Q2: To which firms/engagements do ISQM 1, ISQM 2 and ISA 220 (Revised) apply?
				Q3: Is ISQM 1 scalable for smaller and less complex firms?
				Q4: With just over a year to go, in which ways can firms implement these new standards?
				Q5: Who is responsible for the system of quality management?

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"Quality is everyone's responsibility."
– **W. Edwards Deming**

Title of document	Author	Type of guidance	Publication date	Synopsis
IRBA Launch of the Quality Management Standards	IRBA	Webinar	February 2022	1. An introduction to the key requirements and changes to be implemented in the firm's system of quality management. 2. A discussion of first-time implementation processes and best practices. 3. Learn what areas of the Quality Management Standards are key to start with as firms embark on a review of their systems of quality management. 4. Learn about the enhanced roles of the Engagement Partner and the Engagement Quality Review Partner. 5. Learn about the resource implications and planning considerations to support a successful implementation. 6. An opportunity to pose questions to the Panel.

Today's topic

ISQM 1 consists of:

Eight components that operate in an iterative and integrated manner; and

Other requirements, comprising the roles and responsibilities for the system, leadership's overall evaluation of the system, network requirements or network services and documentation.

INTRODUCING A RISK-BASED APPROACH FOCUSED ON ACHIEVING THE QUALITY OBJECTIVES

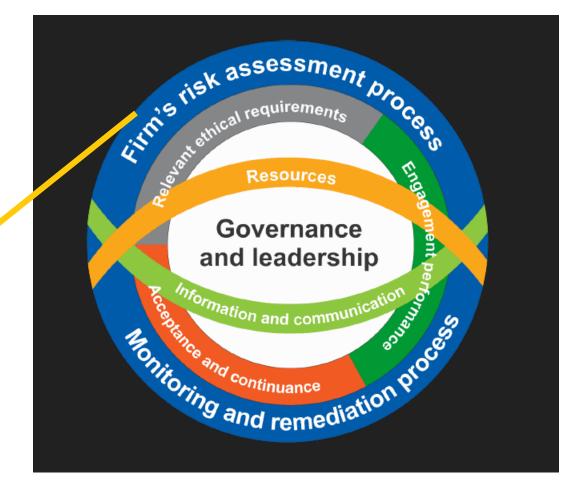| ESTABLISH QUALITY OBJECTIVES	IDENTIFY AND ASSESS QUALITY RISKS	DESIGN AND IMPLEMENT RESPONSES
• ISQM 1 prescribes outcome-based quality objectives in the components – these are comprehensive • The firm establishes additional quality objectives that the firm considers are necessary to achieve the objectives of the system of quality management	• The firm understands the conditions, events, circumstances, actions or inactions that could adversely affect the achievement of the quality objectives • The firm focuses on the nature and circumstances of the firm and engagements it performs	• The firm designs and implements responses that address the quality risks • ISQM 1 includes some specified responses – the specified responses are not comprehensive

IDENTIFY INFORMATION THAT INDICATES CHANGES ARE NEEDED

If there are changes in the nature and circumstances of the firm or the engagements, or as a result of information from the firm's monitoring and remediation process, the firm:

• Establishes additional quality objectives, or modifies any additional quality objectives

• Modifies or adds to the quality risks and responses

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Important Points:

1. ISQM 1,2 is **RISK based** –this is a fundamental change from ISQC 1!

2. In terms of traditional risk management principles an entity will decide on an appropriate risk treatment, which is to accept, transfer or mitigate the risk. As ISQM 1 sets specific quality objectives this choice does not apply, and the practice **must mitigate the quality risks** by designing appropriate risk responses and controls.

3. In designing risk responses and controls, practices that already have a solid foundation under ISQC 1 can **transfer many of those controls, processes** etc. into their ISQM 1 manuals – so the practice does not need to completely re-invent the wheel.

4. For practices that did not mature adequately in terms of their compliance with ISQC 1, this is an opportunity for a **fresh approach** towards quality.

5. For practices that did mature adequately in terms of their compliance with ISQC 1, this is an opportunity to **renew and revamp** the practice's policies and processes as you can decide what to **continue**; what to **stop**; what to **start**; and what to **change**.

6. If properly done in the risk assessment phase, ISQM 1 will give a strategic picture of the practice in terms of its SWOT analysis.

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Future workshops

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Topic	Month
Governance and leadership & Relevant ethical requirements	May 2022
Acceptance and continuance & Engagement performance	June 2022
Resources	July 2022
Information and communication & Network requirements, Network services, Documentation	August 2022
Monitoring and Remediation	September 2022
ISQM 2	October 2022
ISA 220 (Revised)	November 2022
Recap	December 2022
Evaluating the SoQM	February 2023

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