Workshop 9:
Recap
7 December 2022

ISQM 1

Risk assessment

Risk heat map
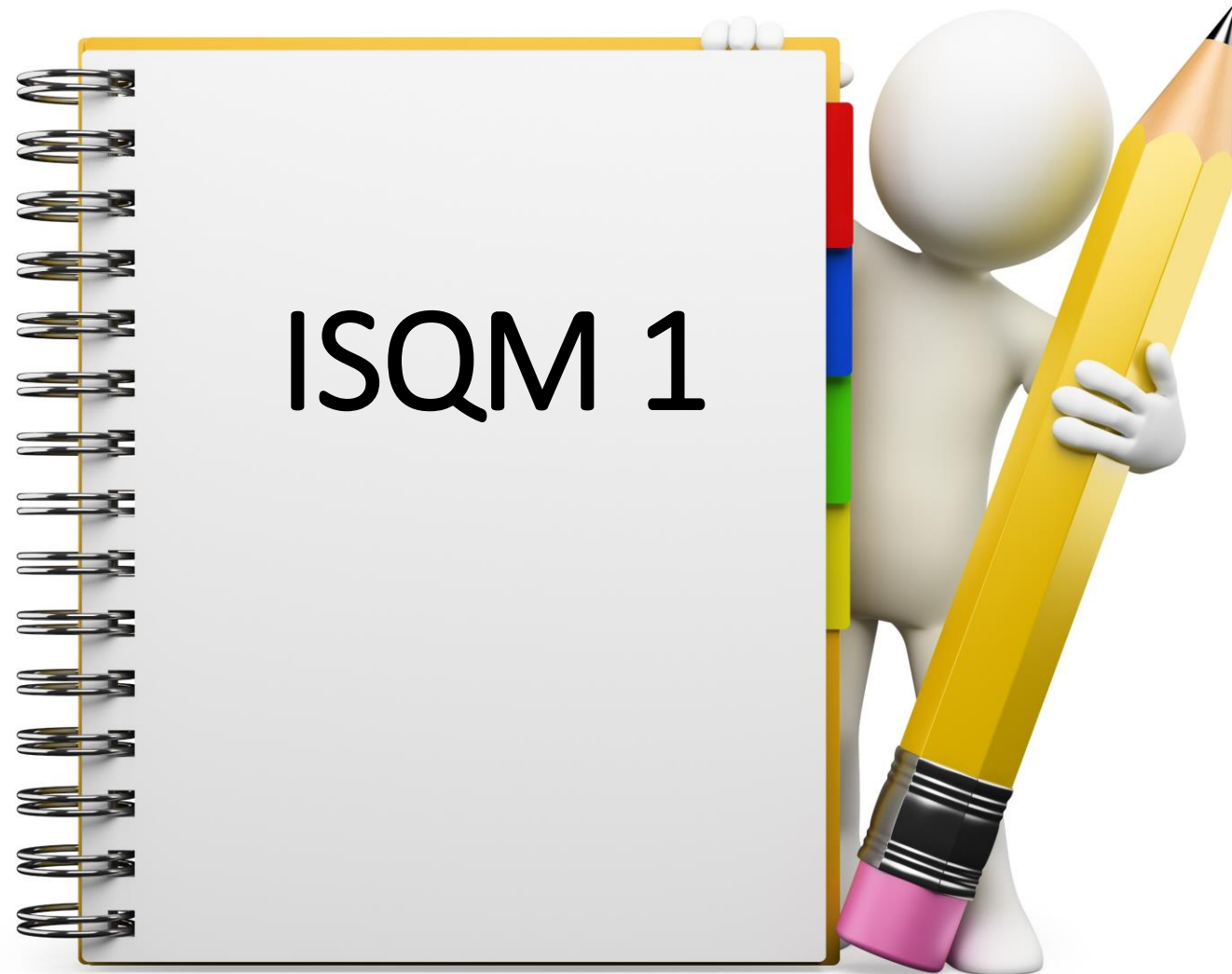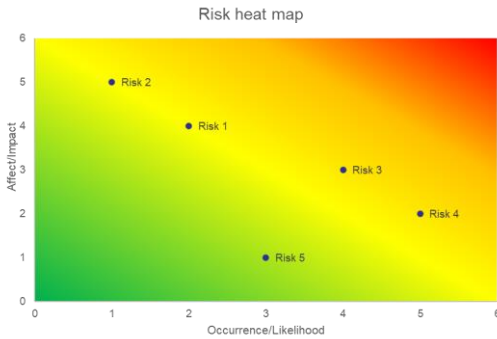
Step	
1. Establish quality objectives	
2. Identify and assess quality risks	
3. Design and implement responses to address the quality risks	
4. Annually evaluate the SOQM	

How does this impact YOU?

- The initial risk assessment process should be completed by now (e.g., Risk rating = occurrence x effect)
- From here on you will need to perform at least an annual risk assessment to ensure that the response addresses the risk identified and assessed
- Thereby your firm's SOQM is proactive, ongoing and conforms to the requirement of quality management

Governance and leadership

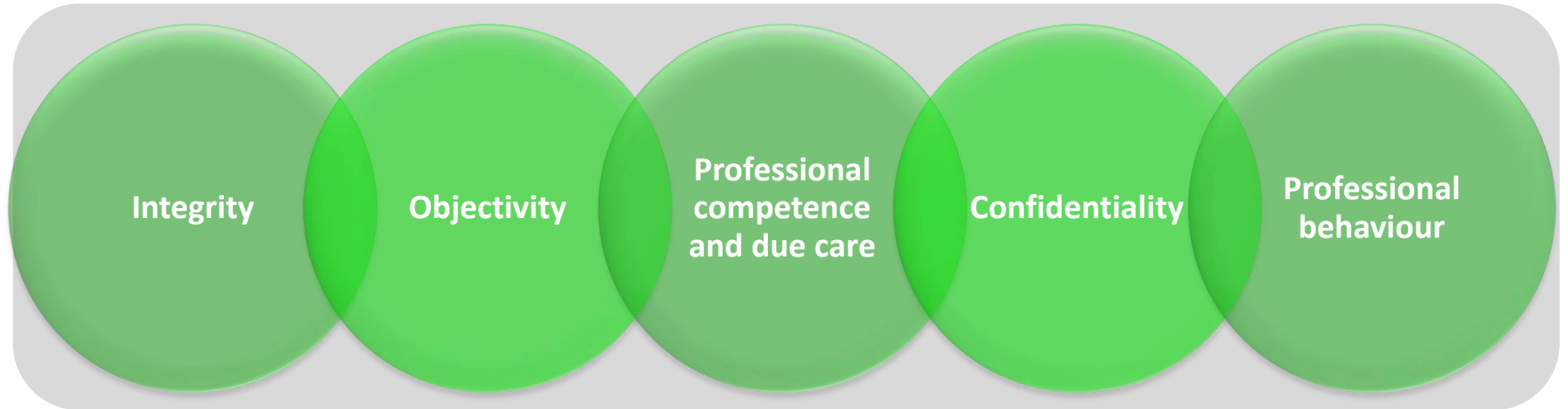| Appropriate experience, knowledge, influence and authority within firm | Sufficient time to fulfil assigned responsibility | Understand their assigned roles and they are accountable for fulfilling them | Direct line of communication |

How does this impact YOU?
- Not a tick box approach anymore due to quality management approach
- Those ultimately responsible, those operationally responsible and every individual that is part of quality management and/or part of engagements must be accountable for quality
- Commit to quality and demonstrate it through your actions by complying with your firm's responses on a daily and consistent basis
- Remember your ultimate objective as a firm – quality engagements on a consistent basis to ensure that the report / opinion is appropriate

Relevant ethical requirements

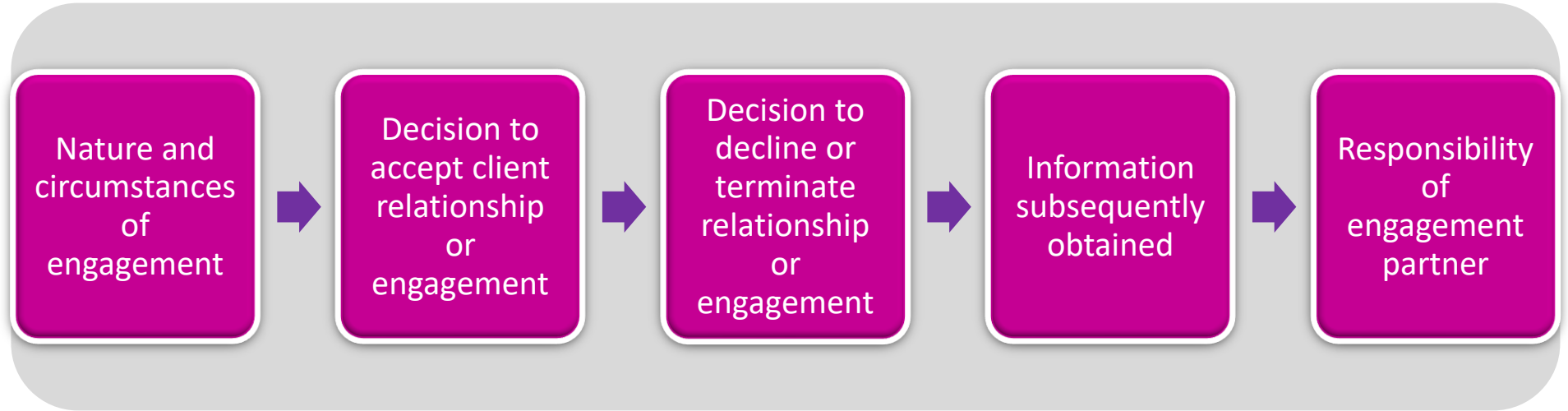| Integrity | Objectivity | Professional competence and due care | Confidentiality | Professional behaviour |

How does this impact YOU?

- Firm **is not** responsible for auditor's expert's, service provider's or network staff's fulfillment of ethical requirements of their professional body

- Firm **is** responsible for ensuring that auditor's expert, service provider or network staff understands confidentiality provisions

Acceptance and continuance of client relationships and specific engagements

Nature and circumstances of engagement	→	Decision to accept client relationship or engagement	→	Decision to decline or terminate relationship or engagement	→	Information subsequently obtained	→	Responsibility of engagement partner

How does this impact YOU?
- The engagement partner must have an active and participatory role in the engagement
- Leadership must understand their role and responsibility regarding client acceptance and continuance
- Information received after acceptance and continuance must be actively monitored and addressed where required

Engagement performance

Leadership responsibilities

Direction, supervision and review

Standback

How does this impact YOU?
- Engagement partners and seniors must actively direct, supervise and review those less senior than themselves
- Professional scepticism and the documentation thereof is key (**ABC** – **A**ccept nothing, **B**elieve no one, **C**heck everything)
- Before making a conclusion, stand back and consider all the evidence (collaborative / contradictory) in the file

Resources

Human resources

Service providers
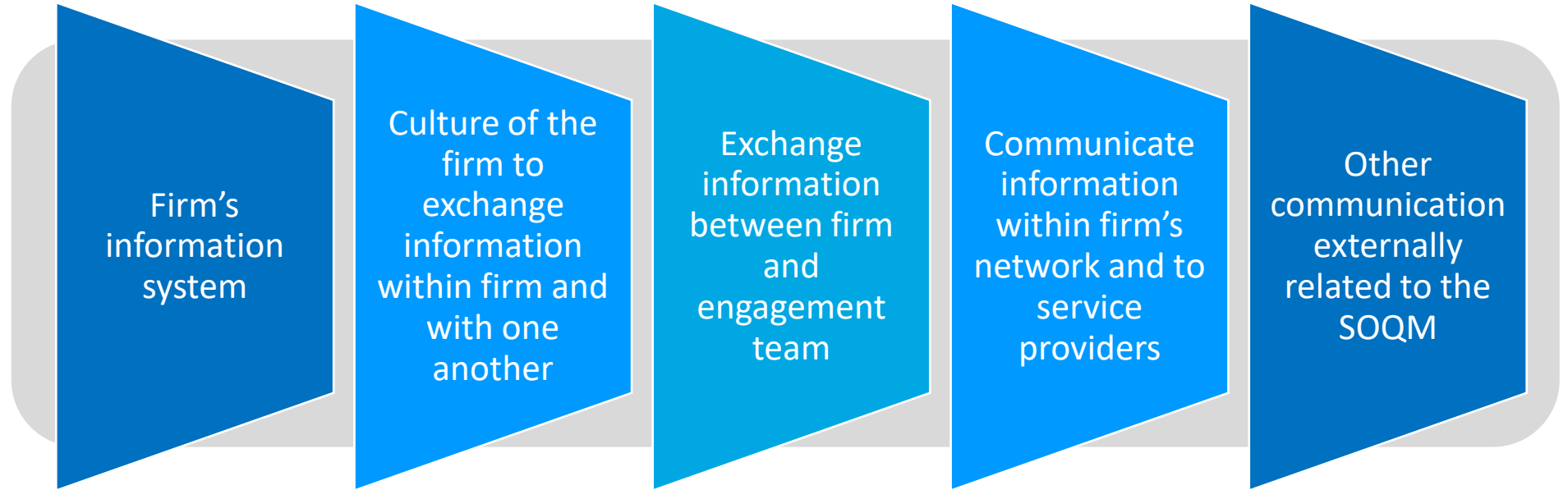
Intellectual resources

Technological resources
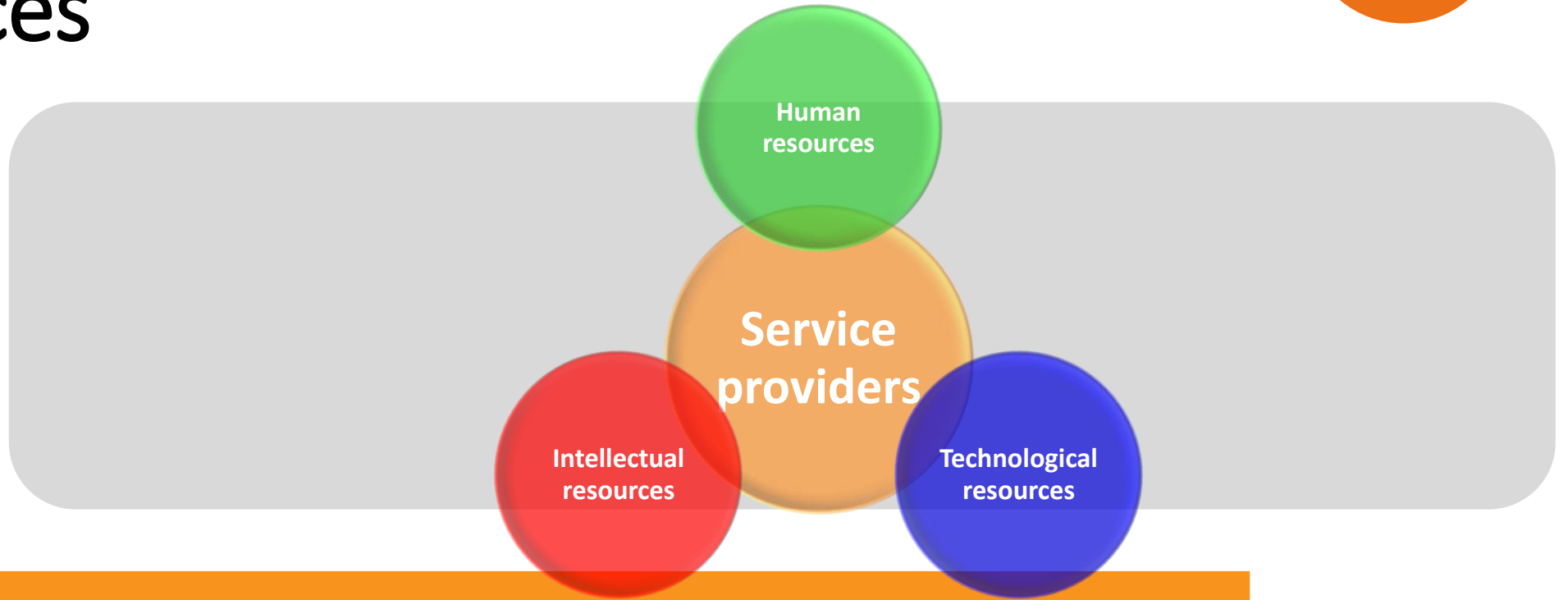
How does this impact YOU?
- New requirements for technological and intellectual resources
- Scalability plays a front and centre role – your firm's responses must fit the nature of your firm and the types of engagements that the firm performs
- Resources include internal and external parties (e.g., service providers or network resources)
- Human resources can be parties internal to the firm (personnel) but also parties external to the firm
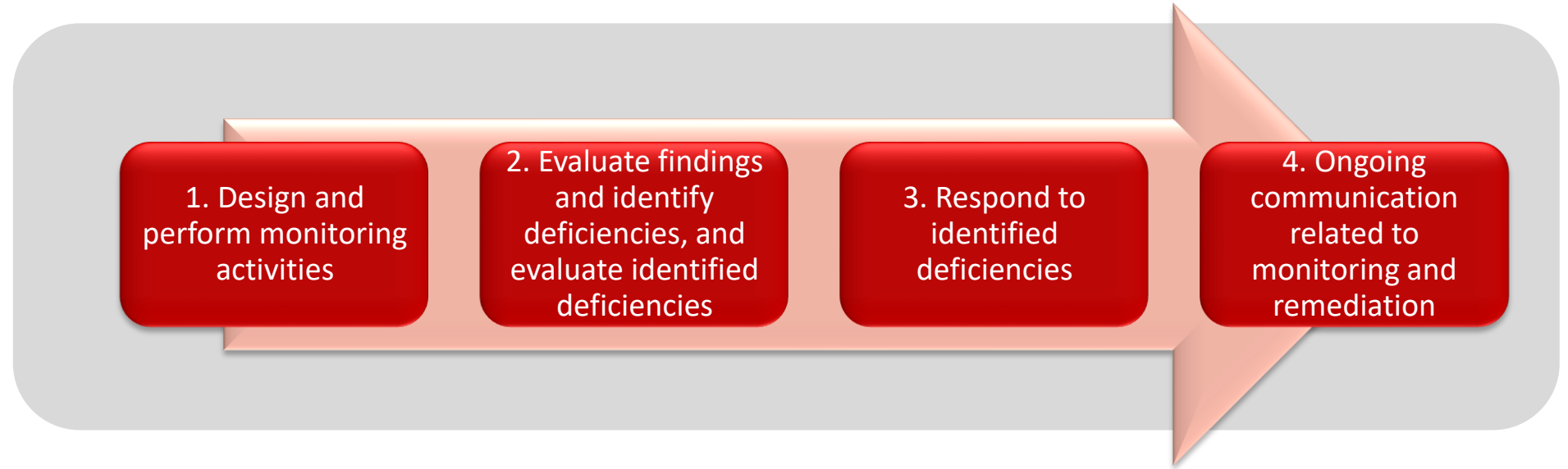
Information and communication

Firm's information system	Culture of the firm to exchange information within firm and with one another	Exchange information between firm and engagement team	Communicate information within firm's network and to service providers	Other communication externally related to the SOQM

How does this impact YOU?
- Without communication the SOQM and quality management cannot function or be a success in your firm
- This is a weak point in most firms and should be targeted in training sessions
- Focus on what needs to be communicated to whom and when and what is the responsibility of the person receiving the information

Monitoring and remediation

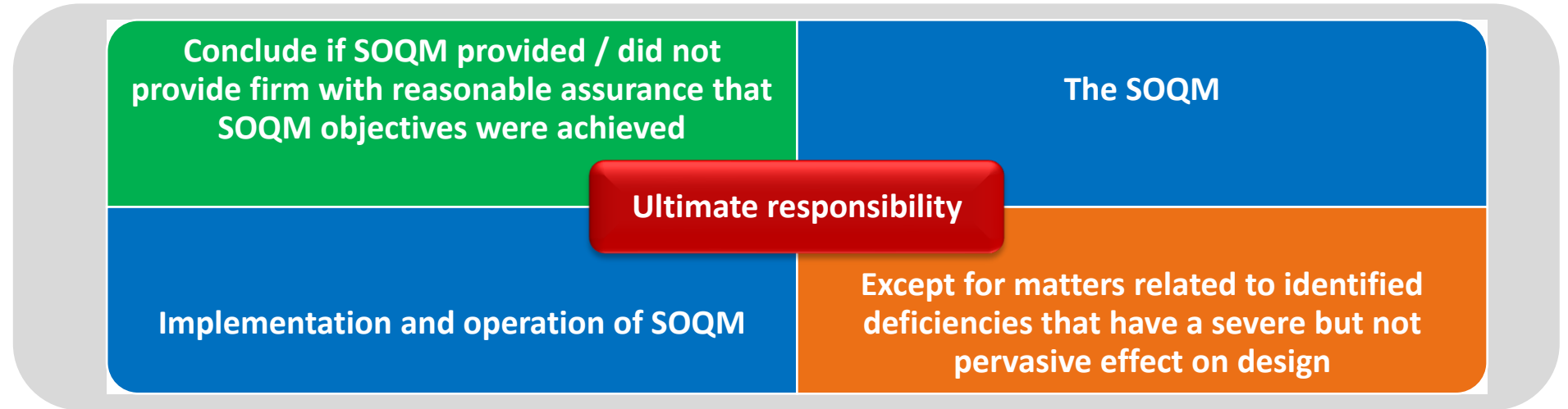| 1. Design and perform monitoring activities	2. Evaluate findings and identify deficiencies, and evaluate identified deficiencies	3. Respond to identified deficiencies	4. Ongoing communication related to monitoring and remediation

How does this impact YOU?
- Actively monitor and remediate your SOQM
- What you built in as a response (policies, processes, controls or procedures) is what you must monitor in 2023
- Your manual is now a living document and not a tick box exercise of compliance to a standard/s

Evaluating the System of Quality Management

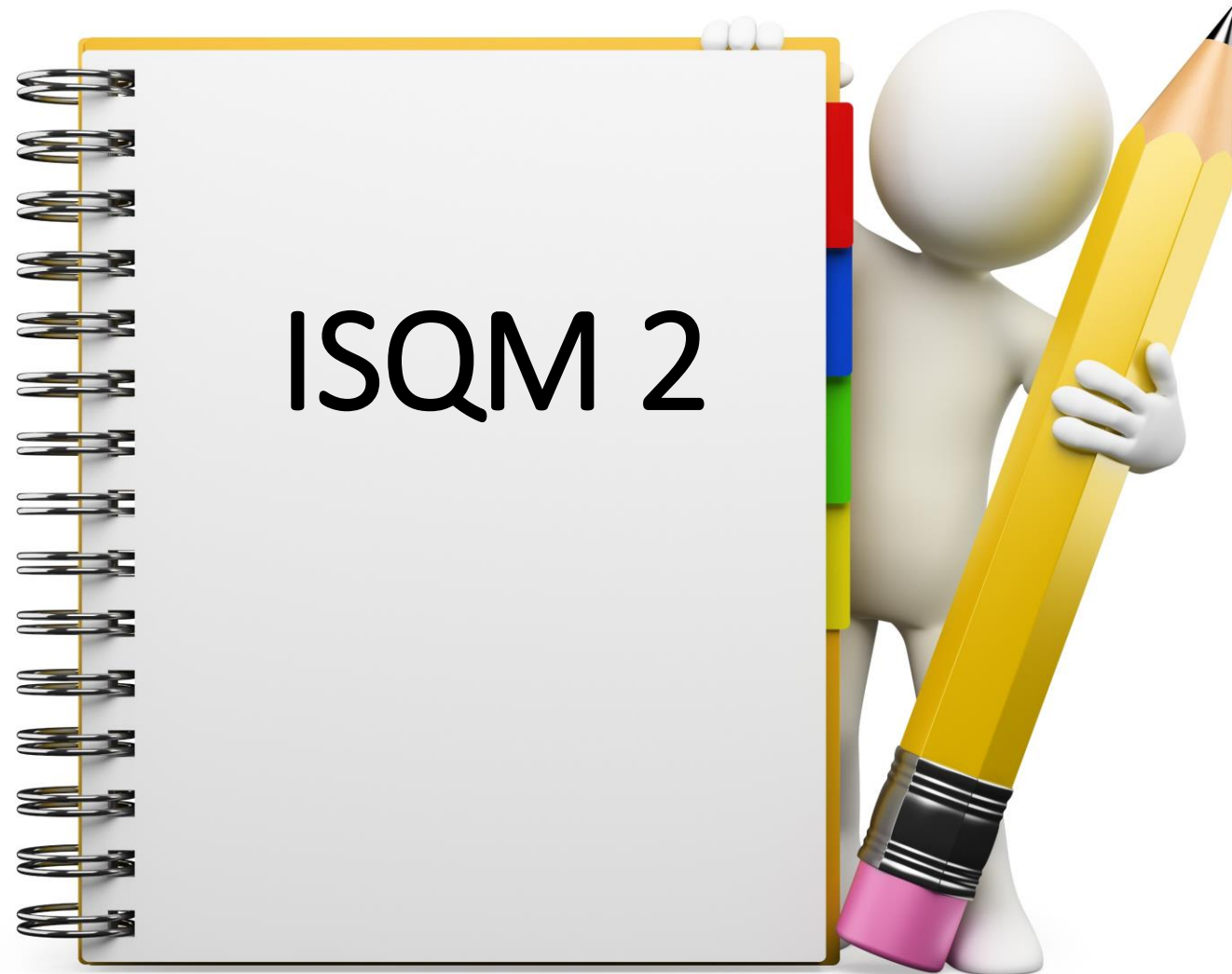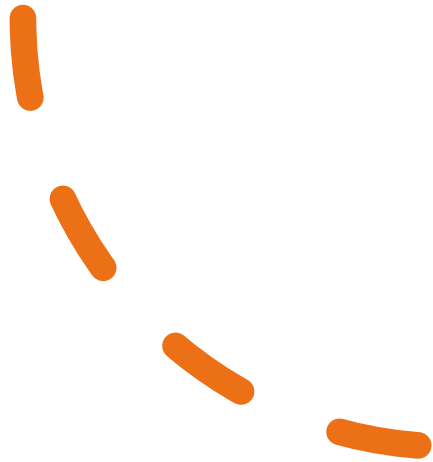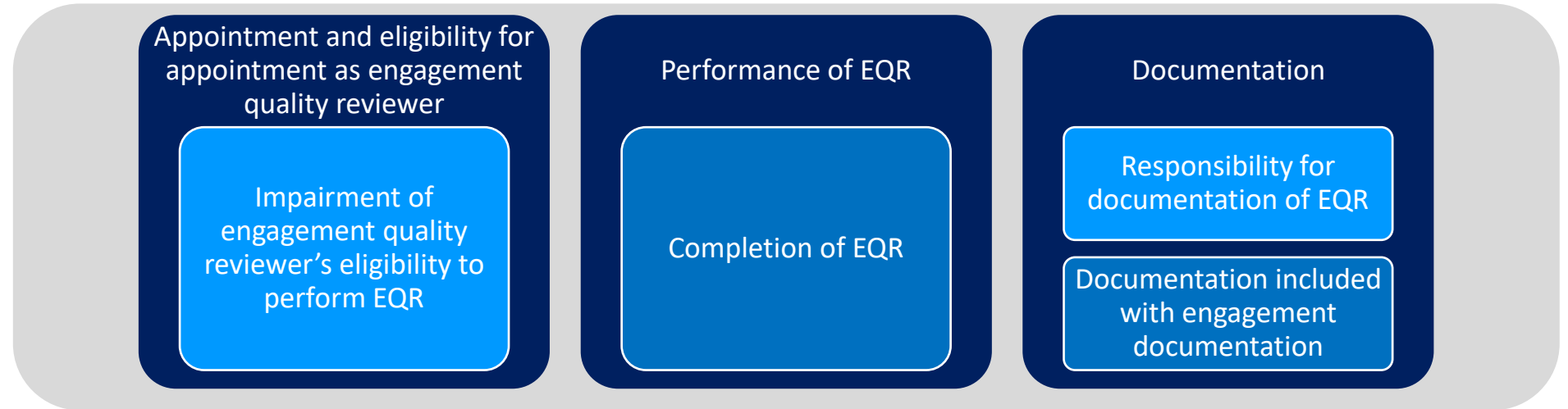|	
Conclude if SOQM provided / did not provide firm with reasonable assurance that SOQM objectives were achieved	The SOQM
Ultimate responsibility	
Implementation and operation of SOQM	Except for matters related to identified deficiencies that have a severe but not pervasive effect on design

How does this impact YOU?
- With great power comes great responsibility for the person accepting the role of ultimate responsibility
- The person with operational responsibility must perform their role to support the person with ultimate responsibility
- Every individual that is part of quality management and/or part of engagements must be accountable for quality and perform their role accordingly
- Quality is everyone's responsibility to ensure that the SOQM for your firm achieves it objectives

Workshop 10: 7 Feb 2023
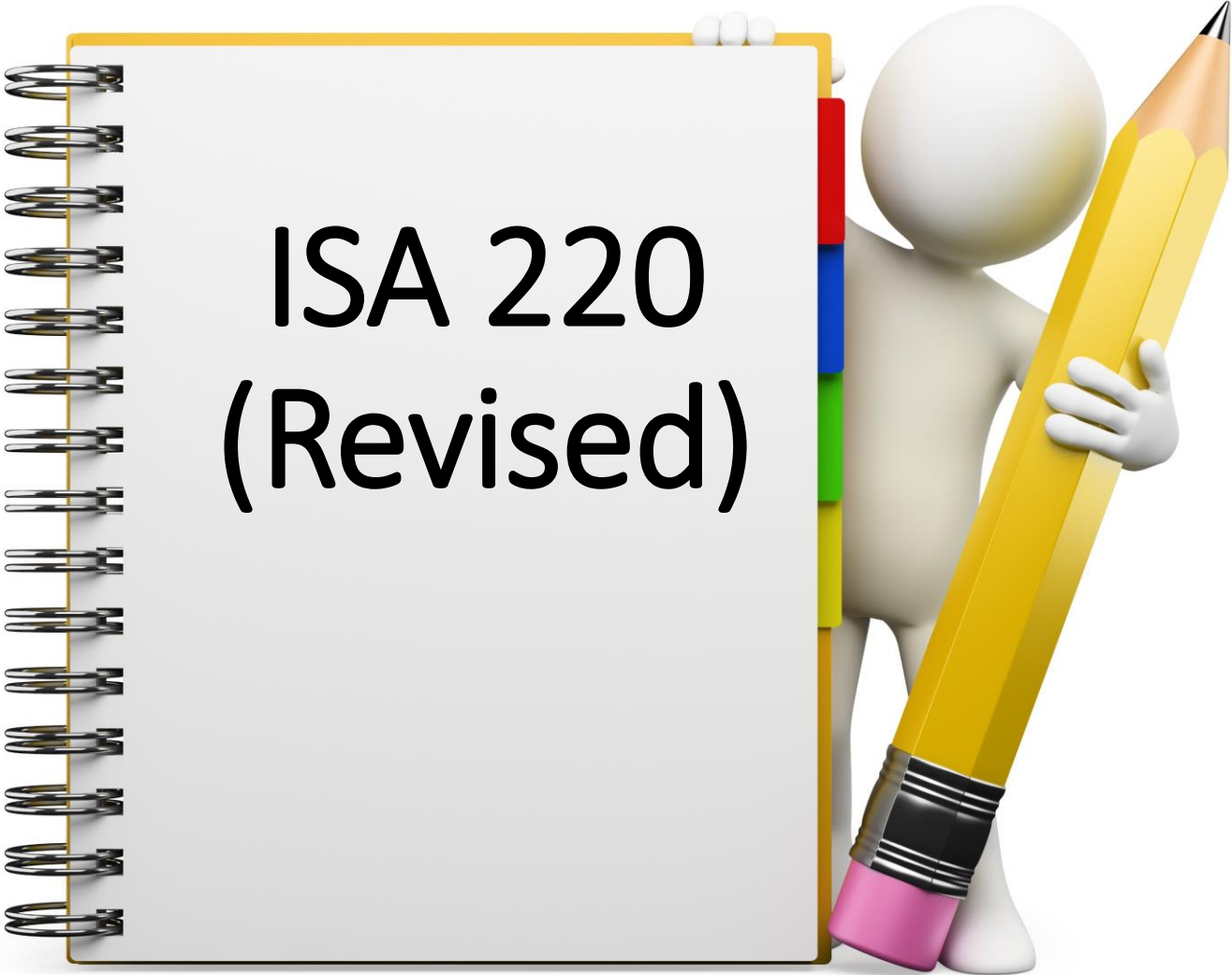
ISQM 2

Engagement quality reviews (EQRs)

Appointment and eligibility for appointment as engagement quality reviewer

Impairment of engagement quality reviewer's eligibility to perform EQR

Performance of EQR

Completion of EQR

Documentation

Responsibility for documentation of EQR

Documentation included with engagement documentation

How does this impact YOU?

Appointed as engagement quality reviewer after previously serving as engagement partner
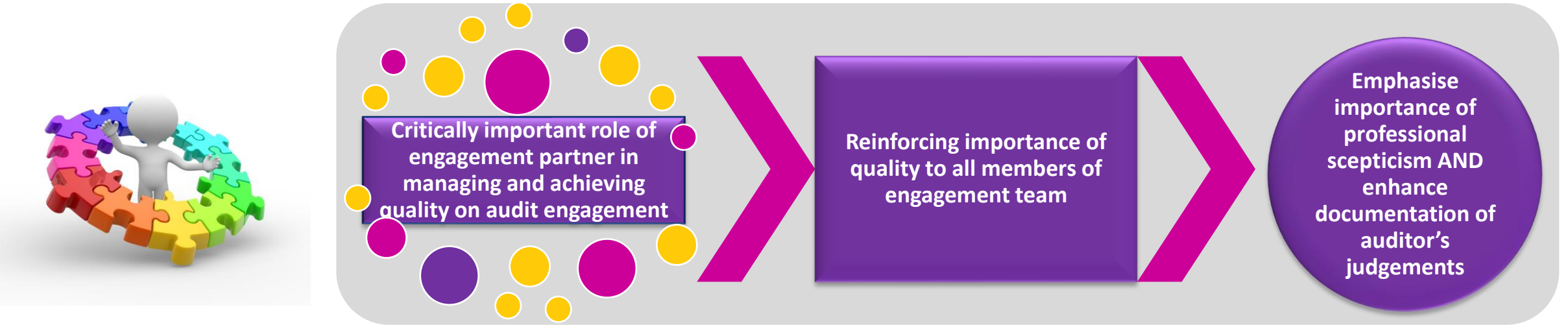
Address threats to objectivity

- Cooling-off period of two years
- Longer if required by relevant ethical requirements

ISA 220
(Revised)

Quality management for audit of financial statements

Critically important role of engagement partner in managing and achieving quality on audit engagement

Reinforcing importance of quality to all members of engagement team

Emphasise importance of professional scepticism AND enhance documentation of auditor's judgements

How does this impact YOU?
- The engagement partner must play an active and participatory role in the engagement
- All engagement team members are responsible for contributing to the management and achievement of quality at engagement level
- There are requirements that the engagement partner is permitted to assign to appropriately skilled or suitably experienced members of the engagement team, and others that **expressly intends that the requirement or responsibility be fulfilled by the engagement partner** him/herself.