

## ISQM Implementation Initiative - 2022

Working paper to make notes on during workshops

Quality Objective (As per ISQM 1 or identified by firm)	Example risks identified	Assessment of risk		Level of risk (L, M, H)	Detail of example response (where required)
		(In the absence of controls)			
		Possibility of occurrence (L, M, H)	Significance of effect (L, M, H)		
Acceptance and Continuance					
a) Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on: (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 (ii) The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.	The firm accepts an assurance engagement when the preconditions for an audit are not present.				<div>1. Our engagement letter defines the responsibilities of each party and clarifies:<div>a. Financial reporting framework to be used</div>b. Directors are responsible for the financial statements and internal control</div> c. We will be given access to all information we need. <div>2. The new client acceptance form contains specific</div>

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					<p>questions about the above and the form needs to be signed off by the engagement partner.</p> <p>3. Engagement teams are aware of the preconditions and are required to report any exceptions.</p>
	An individual engagement team completes a significant amount of work prior to the completion of client acceptance or continuance process resulting in bias to the judgments about whether to accept or continue the engagement.				<p>1. Client codes are only issued when client acceptance has been completed.</p> <p>2. On continuance, a new year's task cannot be opened until the engagement continuance form has been signed off.</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.	Financial and operational priorities may inappropriately influence judgments in determining whether to accept or continue a client relationship or specific engagement.				<p>1. The acceptance and continuance forms require information about risks associated with the client or engagement.</p> <p>2. Answers to some of the questions above</p>

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					<p>require a second partner sign off.</p> <p>3. In the annual budgeting process, the firm's ability to continue to deliver quality services with the available resources is a specific consideration.</p> <p>4. All team members are encouraged to communicate any quality concerns or complaints they have directly with the Quality Leader.</p>
Engagement performance					
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.	Engagement partners are not involved throughout the engagement to direct, supervise and review work performed by the engagement team.				<p>1. The level and timing of engagement partner involvement required on all engagements is clearly defined in the firm policies.</p> <p>2. Performance evaluation criteria includes consideration of sufficiency and</p>

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					<p>appropriateness of engagement partner involvement.</p> <p>3. Monitoring review considerations include evaluating evidence of sufficiency and appropriateness of engagement partner involvement.</p> <p>4. Managers are included as part of engagement teams to provide direction, supervision and review throughout the engagement.</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.					
c) Engagement teams exercise appropriate professional judgment and, when applicable	Professional judgment is inappropriate and professional skepticism is				1. The individual(s) who are assigned responsibilities for quality management

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to the type of engagement, professional skepticism.	not exercised on engagements due to fee pressure.				<p>creates an appropriate culture of quality within the firm and clearly communicates that quality comes first and should not be overridden by commercial considerations.</p> <ol style="list-style-type: none"> <li>2. The firm's personnel attend annual training on the quality management standards to ensure a proper understanding of the relevant quality management requirements and the importance of applying appropriate levels of professional skepticism when exercising professional judgment.</li> <li>3. Engagement partners annually re-evaluate fees and renegotiate terms with clients where the budget is too low.</li> <li>4. Client continuance is reconsidered where clients place excessive fee pressure on the firm, such considerations are clearly documented and</li> </ol>

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					approved at the appropriate level.
d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented.	The engagement team does not consult with an approved subject matter expert on difficult or contentious matters and/or the proper conclusions on the matters are not 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.	Differences of opinion within the engagement team, or between the engagement quality reviewer or personnel performing activities within the firm's system of quality management, are <u>not</u> brought to the attention of the firm and appropriately 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.	Locked down audit files are reopened, and the documentation is changed without proper documentation of reasons for changes and approval thereof.				<ol style="list-style-type: none"> <li>1. The firm changes access to audit files to read only after archiving.</li> <li>2. All requests to edit locked down files are handled as follows:</li> </ol>

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					<ul style="list-style-type: none"> <li>a. Requests are logged in the archiving register.</li> <li>b. For a request to be considered, an access form needs to be completed, indicating reasons for changes to be made to the file.</li> <li>c. Edit access is only provided upon approval of the request by the appropriate person.</li> <li>d. After making the necessary changes, the person granted edit access need to update the access request form by documenting an assessment of the impact of the change on the financial statements and audit opinion.</li> <li>e. The updated access request form needs to be reviewed and signed off by the appropriate person to</li> </ul>

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					<p>confirm the assessment.</p> <p>f. After the assessment is confirmed, access is changed back to read only.</p> <p>3. Monitoring review considerations include reviewing the archiving register and inspecting a selection of edit access request forms and related working papers from the files accessed, for compliance with the process and ISQM 1 requirements regarding changes made to locked down files.</p> <p>4. The firm evaluates compliance with quality management policies, processes and ISQM 1 requirements as part of the performance evaluation process.</p> <p>5. The firm appropriately disciplines individuals who do not comply with the firm policies, processes and ISQM 1 requirements.</p>



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