ISQM Implementation Initiative - 2022

Working paper to make notes on during workshops

Quality Objective	Example risks identified	Assessm	ent of risk	Level of	Detail of example response
As per ISQM 1)		(In the absen	ce of controls)	risk	(where required)
		Possibility	Significance	(L,M,H)	
		of	of effect		
		occurrence	(L,M,H)		
		(L,M,H)			
	Human Res	sources			
a) Personnel are hired, developed and retained	Risk 1				Response to risk 1
and have the competence and capabilities to:	Employees are NOT			Low	As the level of this risk
(i) Consistently perform quality engagements,	hired, developed, and				assessed to be low, it does no
including having knowledge or experience	retained in line with the				require a response. It with
relevant to the engagements the firm performs;	firm's strategy, client				however be prudent if the risk
or	portfolio and future				reviewed and considered in th
(ii) Perform activities or carry out responsibilities	engagements				partners meeting at least even
in relation to the operation of the firm's system					three months, to ensure that
of quality management.					you can and will respond to ar
					changes in the strateg
					resource pool and futur
					requirements of the firm.
					•
				Medium	The firm will develor
					implement and regularly updat
					a strategic recruitmen
					training, remuneration an
					incentive policy to attract th
					right caliber of employee
					before certain engagemen
					are accepted and / or continue
					with.
					WILLI.

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			ce of controls)	risk	(where required)
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					The firm will need to develop and populate a matrix of future resource requirements and measure the recruitment and training plans against this.
					The firm will need to develop career path plans for each employee; this is also to be linked to the SAICA Skills Framework for trainees and discussed with the employees on a regular basis. This can be done every three months for example.
					Diligent measurement tools are to be implemented to track and measure the employee's progression, efficiency, and work satisfaction in an objective manner. This could be achieved by also outsourcing questionnaires to measure employee's delight.
					Corrective measures are to be implemented immediately when required.
					Also, HR need to track all terminations/

Quality Objective Exam (As per ISQM 1) Image: Comparison of the second	Example risks identified	Assessm	ent of risk	Level of	Detail of <u>example</u> response (where required)
		(In the absen	ce of controls)	risk	
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					and these positions will need to be filled as soon as possible Obtain an HR feedback repor monthly on employees terminations, recruitment, and struggles reported to HR by any team/employee.
				High	Over and above the responses above: The firm will either contract other firms/service providers to assist with engagements already started or decline the acceptance of new engagements.
					You will need to be prudent and not continue with engagements if the righ employees are not part of the team already (with the required skills, knowledge, and experience.)
					You will need to obtain feedback from the audi managers bi-weekly of challenges experienced during the engagements and adjust your resource pool and required talent accordingly bi

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		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					either recruiting staff, implementing training programs and/or terminating employee contracts for employees that do not fit the firm profile.
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 (i.e., the network, another network firm or 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.					
each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.	Risk 1Engagementsarescheduled when you donot have sufficient timetoperformqualityengagements, be it due toclientpressuresor ownbusiness considerations.			Low	Response to risk 1 As the level of this risk is assessed to be low, it does not require a response. It will however be prudent if the risk is reviewed and considered in the partners meeting at least every three months.

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			ce of controls)	risk	(where required)
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
				Medium	The firm will develop, implement and regularly update a policy regarding the assignment of engagement team members to each engagement, including an engagement partner, who have the appropriate competence and capabilities, including sufficient time, to consistently perform quality engagements.
					Diligent schedule is to be kept of planned audits and any other engagements accepted where you do not have sufficient time. These need to be rescheduled and/or additional resources are to be secured, either by outsourced services or recruitment. You will need to engage with the client and discuss the constraints and the impact on them. You need to explore possibilities with the client to extend the expected deadlines.
					Request clients to prepare additional schedules or

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		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					schedules of a better quality in a timely manner to limit unnecessary procedures whilst ensuring no over-reliance on client documentation.
					Before an audit/other engagement is signed off, you need to ensure the review of the file is complete and the expected quality is achieved as per the policy.
					You will develop, implement and update a policy and tools to manage and measure the budgeted and actual hours to ensure quality is achieved, and no regression on quality is experienced. If necessary, corrective measures will need to be implemented, for example by adding additional resources and negotiating additional fees with the client.
				High	Over and above the responses above:
					If you still do not have sufficient resources, you will need to

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		Possibility Significance		(L,M,H)	
		of	of effect		
		occurrence	(L,M,H)		
		(L,M,H)			
					consider declining the engagement.
					If you accept and / or continue with the engagement, consider having an engagement quality review performed.
					You can also consider requesting employees to be pulled from other teams and / or network firms .
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.					
	Technological	Resources			
 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 	Risk 1Thetechnologicalresources used by the firmare not appropriate for itsfunctionandpersonnel			Low	Response to risk 1 As the level of this risk is assessed to be low, it does not require a response. It will however be prudent if the risk is
engagements.	are not aware of which				reviewed and considered in the

Quality Objective (As per ISQM 1)	Example risks identified	Assessm	ent of risk	Level of	Detail of example response
		(In the absence of controls)		risk	(where required)
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
	technological resources to use.				partners meeting at least every three months, to ensure tha you can and will respond to any changes in the strategy resource pool and future requirements of the firm.
				Medium	 Assess upon implementation, as well as at least annually during the monitoring and remediation phase, that the technological resources can: Be used in the design, implementation and operation of the SOQM. Be used by engagement teams in the performance of engagements. Enable the effective operation of the IT applications, IT infrastructure and IT processes supporting the IT application. The IT manager considers, on an ongoing basis, the following when obtaining,

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		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					developing, implementing and maintaining the IT applications: 2.1. The data inputs are complete and appropriate by performing relevan IT-related tests. 2.2. The confidentiality of the data is preserved by access controls, fo example passwords. 2.3. The IT application operates as designed and achieves the purpose for which it is intended. 2.4. The outputs of the IT application achieves the purpose for which they will be used. 2.5. The general IT controls necessary to support the IT application's continued operation as designed, are appropriate. 2.6. The need fo specialised skills to utilise the IT application effectively

Quality Objective	Example risks identified		ent of risk	Level of	Detail of <u>example</u> response (where required)
(As per ISQM 1)			ce of controls)	risk	
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
				High	 including the training of individuals who will use the IT application. 2.7. The need to develop procedures that set out how the IT application operates. Training is provided to all personnel on existing, new or updated technological resources Written communication is sent out to the personnel when the technological resources are updated or modified. Over and above the responses above: Increased level of partner or senior manager involvement to ensure sufficient guidance is provided at all times to effectively and efficiently utilise these resources. Review of the work to ensure the resource was correctly utilised and coaching provided to improve levels of understanding where

Quality Objective (As per ISQM 1)	Example risks identified	Assessment of risk (In the absence of controls)		Level of	Detail of <u>example</u> response (where required)
				risk	
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
					problems were encountered.
	<u>Risk 2</u> The personnel do not know how to use the resources and the technological resources may be used incorrectly resulting in incorrect judgements and conclusions due to inappropriate reliance on technological resources.			Low	Response to risk 2 As the level of this risk is assessed to be low, it does not require a response. It will however be prudent if the risk is reviewed and considered in the partners meeting at least every three months, to ensure that you can and will respond to any changes in the strategy, resource pool and future requirements of the firm
				Medium	 Training is provided to all personnel on existing, new or updated technological resources Written communication is sent out to the personnel when the technological resources are updated or modified. The engagement partner ensures that engagement teams do not place undue reliance on technological resources by evaluating all

Qu	ality Objective	Example risks identified	Assessm	ent of risk	Level of	Detail of example response
(As	As per ISQM 1)		(In the absence of controls)		risk	(where required)
			Possibility Significance		(L,M,H)	
			of of effect occurrence (L,M,H) (L,M,H)	of effect		
						conclusions made based
						on information provided by
						these technological
						resources.
					High	Over and above the responses
						above:
						1. Increased level of partner
						or senior manager
						involvement to ensure
						sufficient guidance is
						provided at all times to
						effectively and efficiently
						utilise these resources. 2. Review of the work to
						ensure the resource was
						correctly utilised and
						coaching provided to
						improve levels of
						understanding where
						problems were
						encountered.
		Intellectual R	lesources			
g)	Appropriate intellectual resources are	Risk 1				Response to risk 1
	obtained or developed, implemented,	The intellectual resources			Low	As the level of this risk is
	maintained, and used, to enable the	used by the firm are not				assessed to be low, it does not
	operation of the firm's system of quality	appropriate for its				require a response. It will
	management and the consistent	function and personnel				however be prudent if the risk is
	performance of quality engagements, and	are not aware of which				reviewed and considered in the
	such intellectual resources are consistent					partners meeting at least every

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		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
with professional standards and applicable legal and regulatory requirements, where applicable.	intellectual resources to use.				three months, to ensure that you can and will respond to any changes in the strategy resource pool and future requirements of the firm.
				Medium	 Assess if the intellectual resources can: Be used in the design, implementation and operation of the SOQM. Be used by engagement teams in the performance of engagements. Training is arranged for personnel to attend when new resources are updated. Written communication is sent out to the personnel when the resources update or change. The firm assesses on a regular basis what their intellectual resources are, for example the Work Wide Web, manuals guidelines, policies

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					(where required)
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
				High	proceduresand methodologiesand are aligned to the professional standards and applicable lawslawsandregulatory requirements, and whether they are using the most appropriateintellectual resources.Over and above the responses above:1.Increased level of partner or senior sufficient guidanceinvolvement utilise these resources.2.Reviewftftwork to ensure ensure the resources.appropriateintellectual resources.
	Risk 2The personnel do notknow how to use theresourcesandthe			Low	Response to risk 2As the level of this risk isassessed to be low, it does notrequire a response. It will

Quality Objective (As per ISQM 1)	Example risks identified		Assessment of risk		Detail of example response
			ce of controls)	risk	(where required)
		Possibility of occurrence (L,M,H)	Significance of effect (L,M,H)	(L,M,H)	
	resources may be used incorrectly resulting in incorrect judgements and conclusions due to inappropriate reliance on intellectual resources.			Medium	 however be prudent if the risk is reviewed and considered in the partners meeting at least every three months, to ensure that you can and will respond to any changes in the strategy resource pool and future requirements of the firm. 1. Training is arranged for personnel to attend when new resources are updated. 2. Written communication is sent out to the personne when the resources update or change. 3. For each engagement, the engagement partner teams do not place undue reliance on intellectua resources by evaluating al conclusions made based on information provided by these resources. (The firm's policies and procedures and the team of the

Quality Objective	Example risks identified	Assessment of risk (In the absence of controls)		Level of risk	Detail of example response
(As per ISQM 1)					(where required)
		Possibility	Significance	(L,M,H)	
		of	of effect		
		occurrence	(L,M,H)		
		(L,M,H)			
					for example Google, may pose a risk.)
				High	Over and above the responses above:
					1. Increased level of partner
					or senior manager involvement to ensure
					sufficient guidance is
					provided at all times to effectively and efficiently
					utilise these resources.
					2. Review of the work to
					ensure the resource was
					correctly utilised and
					coaching provided to
					improve levels of
					understanding where
					problems were
					encountered.
	Service Pr	oviders			
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).					

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