

# CONVERSION FROM ISQC 1 TO ISQM

Implementation Guidance and Preparedness Assessment  
Questionnaire





## **Background to the new System of Quality Management:**

The new **System of Quality Management** (SOQM) comprises the following standards:

- International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- ISQM 2, *Engagement Quality Reviews*
- International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*,

is required to be designed and implemented at the firm level by **December 15, 2022**, and the subsequent evaluation of the SOQM is required to be performed within one year following December 15, 2022.

### **Overview of the Standards:**

#### **ISQM 1**

ISQM 1 replaces ISQC 1 which was focused on quality control, while a quality management system is necessary to create an environment that enables and supports engagement teams in performing quality engagements.

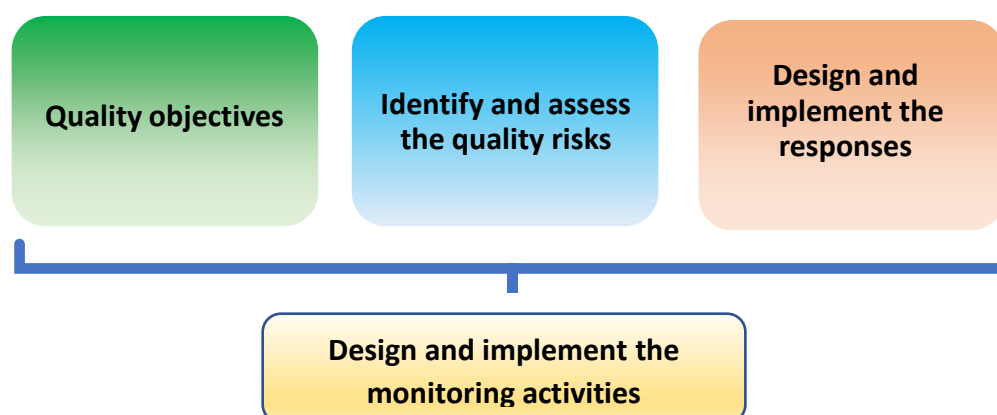
ISQM 1 therefore applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagement and requires a firm to apply a **risk-based approach** in designing, implementing, and operating the components of the SOQM in an interconnected and coordinated manner such that the firm proactively manages the quality of engagements thereby performed.

Under ISQM 1, the objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such



standards and requirements; and engagement reports issued by the firm or engagement partners (hereafter “EP”s) are appropriate in the circumstances.

Under the new “risk-based approach” a firm is expected to establish:



*The requirements of the new ISQM 1 standard are extensive and represent a very significant change from ISQC 1. This questionnaire does not intend to cover all aspects of the standard, but instead look at big picture issues, to help audit firms plan for the coming changes and assess their level of preparedness.*

Briefly, the key requirements of ISQM 1 include:

- the introduction of a **Risk Assessment Process**,
- a new emphasis on **Quality Management**,
- references to **Audit Automation**, including audit software and data analytics,
- specific references to **Service Providers**, such as the training groups and publishers that design and supply audit methodologies,
- changes to **Monitoring and Remediation**, including a specific requirement to use **Root Cause Analysis**, and
- **Documentation** requirements.

## ISQM 2

ISQM 2, *Engagement Quality Reviews*, extends the requirements in relation to EQRs and applies to audits of listed entities, Public Interest Entities (PIEs), when required



by law or regulation, public reporting and when otherwise determined by the firm as being necessary to address quality risk.

ISQM 2 is designed to operate as part of the firm's system of quality management, and therefore the requirements in ISQM 1 and ISQM 2 are organised in a manner that provide appropriate linkages between the standards such that ISQM 1 addresses the scope of engagements subject to an engagement quality review; and ISQM 2 addresses the specific requirements for the appointment and eligibility of the engagement quality reviewer and the performance and documentation of the review.

Therefore, an engagement quality review performed in accordance with ISQM 2 is a specified response that is designed and implemented by the firm in accordance with ISQM 1.

### **ISA 220 (Revised)**

ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit* and relevant ethical standards.

This ISA deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the EP.

The link to ISQM 2 is that although there are no longer requirements for the performance of engagement quality reviews in ISA 220 (Revised), the revised standard still contains requirements regarding the EP's responsibilities relating to the engagement quality review, which largely focus on how the EP and the engagement team interact with the engagement quality reviewer.



## **YOUR SYSTEM OF QUALITY MANAGEMENT**

Your SOQM must address the following components of ISQM 1 (a simple comparison to the extant ISQC 1 is included) as well as the requirements of ISQM 2 and ISA 220 (Revised):

<b>New ISQM 1</b>	<i><b>Extant ISQC 1</b></i>
The firm's risk assessment process (A)	<i>Not addressed</i>
Governance and leadership (a)	<i>Leadership</i>
Relevant ethical requirements (b)	<i>Yes</i>
Acceptance and continuance (c)	<i>Yes</i>
Engagement performance (d)	<i>Yes</i>
Resources (human, technological and intellectual resources) (e)	<i>Human resources</i>
Information and communication (f)	<i>Not addressed</i>
Monitoring and remediation process (B)	<i>Monitoring</i>

The new standards facilitate an integrated and iterative process to manage the quality of the firm's engagements. The standards are aimed at comprehensively and actively managing risks to quality through greater accountability; improved focus on leadership and culture; and continuous improvement through a required monitoring and remediation feedback loop.

The new requirements reinforce firm leadership's responsibility of ensuring that the system operates efficiently and effectively. The standards require more rigorous monitoring of the system, understanding the root causes of deficiencies and swift remediation of those deficiencies.



ISQM 1 goes beyond existing requirements by placing increased emphasis on information systems and active two-way communication within and outside the firm, including transparency reporting, in some instances.

ISQM 1 specifies when engagement quality reviews are required, and **ISQM 2** sets out clear guidelines on what is involved and who may perform the review. These requirements have been expanded to incorporate due consideration of public interest.

**ISA 220 (Revised)** requires the audit EP to actively manage and take responsibility for the achievement of quality, especially through confirming adherence to the firm's policies.

In view of the important role of **networks** in promoting consistent quality across network firms, ISQM 1 directly addresses firms' responsibilities for what they receive from networks and how they interact with them. The ultimate responsibility for the firm's system of quality management essentially resides with the individual firm's leadership.

Finally, the firm should perform an annual evaluation of the system of quality management and conclude whether the system provides the firm with reasonable assurance that the objectives of quality management are being achieved.

### **Scalability of ISQM**

The design of the firm's SOQM and related supporting documentation, in particular the complexity and formality of the SOQM system, must necessarily vary based on the range of entities and nature of engagements the firm agrees to undertake.

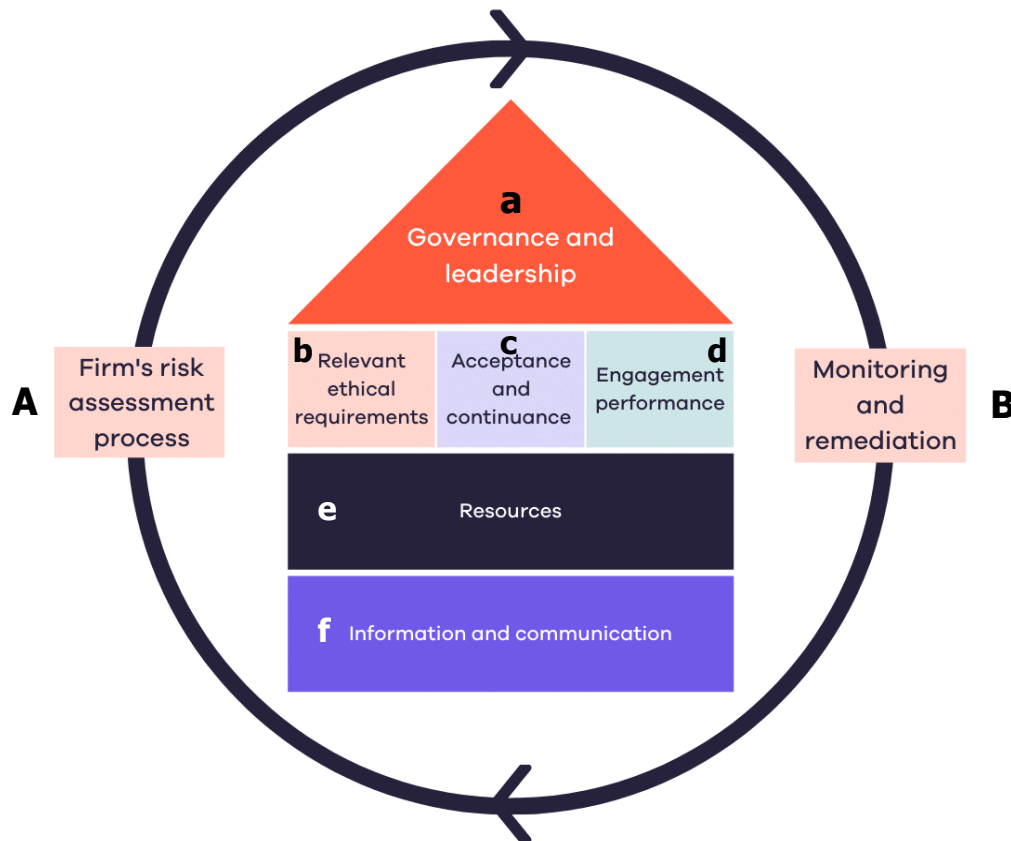
When applying a risk-based approach and designing a suitable SOQM, the firm must therefore consider:

- (a) The nature and circumstances of the firm; and
- (b) The nature and circumstances of the engagements performed by the firm.

In addition, the nature, timing, and extent of the engagement quality reviewer's procedures required by ISQM 2 will vary depending on the nature and circumstances of the engagement or the entity.



## The Eight Components of the NEW SOQM



## Components of the Overall SOQM System

### 1. Assigning overall responsibilities for SOQM

### 2. ISQM 1 Requirements

#### A. Risk Assessment

***Step 1*** of the risk assessment process is to establish the quality objectives specified in ISQM 1 that are required for all firms and all engagements, unless clearly not applicable (**Establish quality objectives**).

The quality objectives relate to the following 6 component sections of ISQM 1.

- a) Governance and leadership
- b) Relevant ethical requirements
- c) Acceptance and continuance

Extant **ISQC 1 Elements of Quality Control** questionnaire included for each applicable component section for reference purposes only



- d) *Engagement performance*
- e) *Resources*
- f) *Information and communication*

***Step 2 in the risk assessment process is to identify and assess the risks of achieving of the quality objective per each of the 6 components, that is, what are the quality risks in your firm (**Identify and assess quality risks**)***

***Step 3 in the risk assessment process is to ask, "what the policies and procedures are that are needed at your firm to address one or more of the quality risks" (**Design and implement responses to address the quality risks**)***

*Responses for each of the quality risks identified in each of the 6 component sections will vary in complexity based on:*

- *the assessed risk*
- *and*
- *the nature and circumstances of your firm*

## **B. Monitoring and Remediation**

## **C. ISQM 1 Pertaining to Networks**

## **D. Evaluating the System of Quality Management**

## **E. Documentation**

## **3. ISQM 2 Requirements**

## **4. ISA 220 (Revised) Requirements**





## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

### **Table of Contents**

<b>1. Assigning overall responsibilities for SOQM.....</b>	<b>1</b>
<b>2. ISQM 1 Requirements.....</b>	<b>3</b>
<b>A. Risk Assessment.....</b>	<b>3</b>
<i>a. Governance and leadership.....</i>	<i>5</i>
<i>b. Relevant ethical requirements.....</i>	<i>7</i>
<i>c. Acceptance and continuance.....</i>	<i>10</i>
<i>d. Engagement performance.....</i>	<i>12</i>
<i>e. Resources.....</i>	<i>14</i>
<i>f. Information and communication.....</i>	<i>16</i>
<b>B. Monitoring and Remediation.....</b>	<b>17</b>
<b>C. ISQM 1 Pertaining to Networks.....</b>	<b>21</b>
<b>D. Evaluating the System of Quality Management.....</b>	<b>25</b>
<b>E. Documentation.....</b>	<b>27</b>
<b>3. ISQM 2 Requirements.....</b>	<b>30</b>
<i>a. General.....</i>	<i>30</i>
<i>b. Appointment and Eligibility of Engagement Quality Reviewers.....</i>	<i>30</i>
<i>c. Performance of the Engagement Quality Review .....</i>	<i>37</i>
<i>d. Completion of the Engagement Quality Review.....</i>	<i>37</i>
<b>4. ISA 220 (Revised) Requirements.....</b>	<b>39</b>
<i>a. Leadership Responsibilities for Managing &amp; Achieving Quality on         Audits.....</i>	<i>39</i>
<i>b. Relevant Ethical Requirements, Including Those Related to         Independence.....</i>	<i>41</i>
<i>c. Acceptance &amp; Continuance of Client Relationships &amp; Audit         Engagements.....</i>	<i>43</i>
<i>d. Engagement Resources.....</i>	<i>44</i>



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

e.	Engagement Performance.....	45
f.	Monitoring and Remediation.....	49
g.	Taking Overall Responsibility for Managing and Achieving Quality.....	50
h.	Documentation.....	51



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **1. Assigning overall responsibilities for SOQM**

1. Has your firm commenced with preparations for the implementation of ISQM 1, ISQM 2 and ISA 220 (Revised) that is to be effective from 15 December 2022? Please comment:

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2. Has your firm assigned **ultimate responsibility** and accountability for the SOQM to the firm's chief executive office or the firm's managing partner, or equivalent? Please comment:

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3. Has **operational responsibility** for the SOQM been assigned? Please comment:

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4. Has operational responsibility for the following aspects of the SOQM been assigned? Please comment:

- a. Compliance with independence requirements

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- b. Monitoring and remediation process

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Considering the responses to 3 (a) and (b) above:

- i. Do those specific aspect assignees' have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the SOQM?

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

- ii. Have those specific aspect assignees' the appropriate level of experience, knowledge, influence, and authority within the firm, and sufficient time, to fulfil their assigned responsibility/ies?

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- iii. Have the specific aspect assignee's a suitable level of understanding of their assigned roles and clarity that they are accountable for fulfilling such roles?  
Please comment:

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5. How is your firm planning to adopt a more rigorous monitoring system and ways of addressing root causes of deficiencies in the firm; a more focused and detailed process than under the previous ISQC 1? Please comment:

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6. How is your firm planning to address the issues of engagement quality reviews and consideration of the public interest under the new framework? Please comment:

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7. For Network firms, how do you plan to address your responsibility for procedures and controls that are received from networks to ensure they are suitable considering local market conditions and also how do you plan to interact with the networks in this regard? Please comment:

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8. Does the firm have in-house resources or suitable a plan to make arrangements to facilitate an annual evaluation of the SOQM? Please comment:



## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **ISQM 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements**

#### **A. Risk Assessment** (Ref: Page 12 / Para. 28)

***Has the firm undertaken the following 3 steps in the design and implementation of a risk assessment process?***

##### **Step 1: Establish quality objectives**

4. Has the firm established the quality objectives specified by ISQM 1 for each of the *6 component sections*? Please comment:

.....

5. Are there any additional quality objectives required in your firm's system of quality management? Please comment:

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##### **Step 2: Identify and assess quality risks**

6. Does the firm understand the conditions, events, circumstances, actions, or inactions that could adversely affect the achievement of the quality objectives for each of the 6 component sections? Please comment:

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7. Has the firm focused on the nature and circumstances of the firm and engagements it performs? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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### **Step 3: Design and implement responses to address the quality risks**

8. Has the firm designed and implemented responses that address the quality risks?  
Please comment:

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9. 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:

a. Does your firm have the resources to establish additional quality objectives, or modify any additional quality objectives? Please comment:

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b. Does your firm have the ability to modify or add to the quality risks and responses? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

*The 6 (a to f) component sections affecting  
**(A) Risk Assessment and (B) Monitoring and Remediation***

### **a) Governance and leadership** (Ref: Page 11-12 / Para. 23-27)

*The firm shall establish quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management (Ref: Para. A55–A61)*

10. Does the firm demonstrate a **commitment to quality** through its culture which exists throughout the firm – includes recognising and reinforcing:

a. The firm's role in serving the public interest by consistently performing quality engagements? Please comment:

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b. The importance of professional ethics, values, and attitudes? Please comment:

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c. The responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM, and their expected behaviour? Please comment:

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d. The importance of quality in the firm's strategic decisions and actions, including those related to the firm's financial and operational priorities? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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11. Does the firm recognise that the Leadership is responsible and accountable for quality? Please comment:

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12. Does the firm recognise that the Leadership demonstrates a commitment to quality through their actions and behaviours? Please comment:

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13. Does the firm confirm that the organisational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation, and operation of the firm's SOQM? Please comment:

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14. Does the firm confirm that 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? Please comment:

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15. Are annual reviews performed of the:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

a. Roles of leadership? Please comment:

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b. Responsibilities and accountability of leadership? Please comment:

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c. Leadership's qualifications? Please comment:

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d. Undertaking of performance evaluations of leadership? Please comment:

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### **b) Relevant Ethical requirements** (Ref: Page 12-13 / Para. 29)

*The firm shall establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence: (Ref: Para. A62–A64, A66)*

16. Does the firm comply with the *International Code of Ethics for Professional Accountants (including Independence Standards)*? Please comment:

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17. Has the firm designed quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence:

a. For Firm and Personnel:

i. Understand the relevant ethical requirements to which the firm and the firm's engagements are subject? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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- ii. Fulfil their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject? Please comment:

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- b. For Others, including the networks:

- i. Understand the relevant ethical requirements that apply to them? Please comment:

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- ii. Fulfil their responsibilities in relation to the relevant ethical requirements that apply to them? Please comment:

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18. Does the firm have a process for identifying, evaluating, and addressing threats to compliance with relevant ethical requirements, including independence? Please comment:

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19. Does the firm have defined policies and procedures for 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? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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20. Does the firm obtain (at least annually) a confirmation of compliance with independence from all personnel? Please comment:

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21. Does the firm have defined policies and 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 this ISQM? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **c) Acceptance and continuance (Ref: Page 13 / Para. 30)**

*The firm shall establish quality objectives that address the acceptance and continuance of client relationships and specific engagements (Ref: Para. A67–A74)*

22. Does the firm have specified responses that are required to address circumstances when the firm becomes aware of information subsequent to accepting or continuing a client relationship that would have caused it to decline the engagement had the information been known prior to accepting or continuing the client relationship? Please comment:

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23. Does the firm have established policies or procedures that address circumstances where the firm is obligated by law or regulation to accept a client relationship or specific engagement, such as engagements with public sector entities? Please comment:

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For judgments by the firm about whether to **accept or continue a client relationship or specific engagement**:

24. Is 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? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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25. Does the firm have the ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements? Please comment:

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26. Does the firm have established financial and operational priorities that lead to appropriate judgments about whether to accept or continue a client relationship or specific engagement? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

### **d) Engagement performance (Ref: Page 13 / Para. 31)**

*The firm shall establish quality objectives that address the performance of quality engagements (Ref: Para. A75–A85)*

27. Does the firm have policies and procedures designed for addressing engagement quality reviews in accordance with ISQM 2; including for audits of listed entities or for those audits or engagements where such is required by law or regulation (i.e., public sector entities), or where a quality risk(s) assessment deems such action as appropriate? Please comment:

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28. Do the firm's engagement teams understand and fulfil their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners (EPs) for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement? Please comment:

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29. Is the nature, timing and extent of direction and supervision of engagement teams and review of the work performed appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and is the work performed by less experienced engagement team members directed, supervised, and reviewed by more experienced engagement team members? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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30. Do engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, professional scepticism? Please comment:

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31. Is consultation on difficult or contentious matters undertaken and the agreed upon conclusions implemented? Please comment:

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32. Are 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 SOQM brought to the attention of the firm according to defined policies and procedures for differences in opinion and that suitably designed processes are followed to enable the resolution of such differences in opinion? Please comment:

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33. Is engagement documentation assembled on a timely basis after the date of the engagement report, and appropriately maintained and retained to meet the needs





## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

of the firm and to comply with law, regulation, relevant ethical requirements, or professional standards? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

### **e) Resources** (Ref: Page 14 / Para. 32)

*The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation, and operation of the system of quality management: (Ref: Para. A86–A87)*

34. Have the appropriate resources, competences and capabilities been assigned to each engagement i.r.o.: (Please comment as appropriate)

#### a. Human Resources

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#### b. Technical Resources

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#### c. Intellectual Resources

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#### d. Service Providers

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35. Has a process been designed to support the assessment and monitoring of the resources used to perform engagements on an ongoing basis? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

36. Have the resources currently required to perform engagements been determined?  
Please comment:

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37. Have the firm's future resource needs been forecasted? Please comment:

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38. Have processes to deal with unanticipated resource needs been established?  
Please comment:

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39. Has the firm developed processes to ensure competency of staff, i.e., hiring, developing, and retaining personnel policies? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

### **f) Information and communication (Ref: Page 15 / Para. 33)**

*The firm shall establish the following quality objectives that address obtaining, generating, or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation, and operation of the system of quality management: (Ref: Para. A109)*

40. Has a system, which supports the continual flow of relevant and reliable information within the firm, and with engagement teams, been established? Please comment:

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41. Has the firm established an effective information system that encompasses both internal and external sources? Please comment:

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42. Does the firm's culture embed the need to exchange information? Please comment:

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43. Does the firm communicate with external parties (including service providers, network firms and those from the public sector) when it is appropriate to facilitate the effective employment of resources; including communicating to those charged with governance about the system of quality management when the firm performs an audit of financial statements of listed entities and public sector entities? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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44. Does the firm have policies and procedures designed for communicating with Those Charged with Governance (TCWG)? Please comment:

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### **B. Monitoring and remediation** (Ref: Page 16-17 / Para. 35-47)

*The firm shall establish a monitoring and remediation process to: (Ref: Para. A138)*

- (a) Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management.*
- (b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis; considered in 3 separate areas:*

#### **i. Designing and Performing Monitoring Activities:**

45. Does the firm have a system that defines the monitoring of the SOQM as a whole? Please comment:

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46. Does the firm tailor the nature, timing and extent of the monitoring activities, based on factors described in ISQM 1, including reference to:

a. the reasons for the assessments given to the quality risks? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

b. the design of the responses? Please comment:

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c. the design of the firm's risk assessment process and monitoring and remediation process? Please comment:

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d. changes in the system of quality management? Please comment:

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e. the results of previous monitoring activities i.r.o. continued relevance or effectiveness? Please comment:

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f. other relevant information, including 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 this ISQM, information from external inspections and information from service providers? Please comment:

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47. Inspection of completed engagements – does the firm have an increased focus on risk-based selection and factoring in the selection of specific engagements or EPs in the monitoring activities? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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48. For those individuals performing an effective monitoring activity; does the firm ensure such individuals possess the requisite competence and capabilities, as well as suitable objectivity? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **ii. Evaluate findings and identify deficiencies:**

49. Has the firm established a framework for evaluating findings and identifying deficiencies? and evaluating the severity and pervasiveness of the deficiencies?  
Please comment:

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50. Has the firm designed processes to investigate the root cause(s) of deficiencies?  
Please comment:

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51. Has the firm established a framework for evaluating the severity and pervasiveness of the deficiencies and their individual or aggregated impact on the SOQM? Please comment:

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### **iii. Design and implement responses to identified deficiencies:**

52. Does the firm appropriately remediate deficiencies that is responsive to the root cause(s)? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

53. Does the firm have appropriate Leadership resources to determine that remedial action(s) taken are effective? Please comment:

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54. Does the firm have designed responses to address circumstances when findings indicate that there is an engagement(s) for which procedures required were omitted during the performance of the engagement(s) or the report issued may be inappropriate? Please comment:

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55. Ongoing Communication – does the firm have processes and procedures that ensure the timely communication of relevant issues identified during the monitoring and remediation activities between those tasked with operational responsibility of this function and those assigned ultimate responsibility and accountability and that appropriate responsive action is taken? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **C. ISQM 1 Pertaining to Networks**

*When your firm belongs to a network, your firm shall understand, when applicable, the following pertinent issues: (Ref: Para. A19, A175, A176)*

56. Does the firm acknowledge that the requirements of ISQM 1 are overriding if faced with push-down compliance of the network requirements or the use of network services that contravene the requirements of this ISQM? Please comment:

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57. Does the firm understand the requirements established by the network regarding the firm's SOQM, including requirements for the firm to implement or use resources or services designed or otherwise provided by or through the network (i.e., network requirements)? Please comment:

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58. Does the firm acknowledge and comprehend the services or resources provided by the network that have been chosen to implement or use in the design, implementation, or operation of the firm's system of quality management (i.e., network services)? Please comment:

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## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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59. Does the firm acknowledge their responsibilities for any actions that are necessary to implement the network requirements or use network services? Please comment:

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60. Does the firm determine how the network requirements or network services are relevant to, and are to be considered in, the firm's SOQM, including how they are to be implemented? Please comment:

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61. Does the firm evaluate whether and, if so, how the network requirements or network services need to be adapted or supplemented by the firm to be appropriate for use in its SOQM? Please comment:

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***Monitoring Activities Undertaken by the Network on the Firm's SOQM***



## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

When the network performs monitoring activities relating to the firm's SOQM:

62. Does the firm determine the effect of the monitoring activities performed by the network on the nature, timing and extent of the firm's monitoring activities performed in accordance with the section "*Monitoring and remediation - Designing and Performing Monitoring Activities*"? Please comment:

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63. Does the firm determine their own responsibilities in relation to the monitoring activities, including any related actions by the firm? Please comment:

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64. As part of "*Monitoring and remediation - Evaluating findings and identifying deficiencies*", does the firm obtain the results of the monitoring activities from the network in a timely manner? Please comment:

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### **Monitoring Activities Undertaken by the Network Across the Network Firms**

65. Does the firm understand the overall scope of the monitoring activities undertaken by the network across the network firms, including monitoring activities to determine that network requirements have been appropriately implemented across the network firms, and how the network will communicate the results of its monitoring activities to the firm? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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66. Does the firm obtain information from the network about the overall results of the network's monitoring activities across the network firms on at least an annual basis, and where applicable:

a. Communicate this to appropriate capacities within the firm's SOQM? Please comment:

.....  
.....

and

b. Consider any impacts on the firm's SOQM? Please comment:

.....  
.....

### **Deficiencies in Network Requirements or Network Services Identified by the Firm**

67. If the firm identifies a deficiency in the network requirements or network services, does the firm:

a. Communicate to the network relevant information about the identified deficiency? Please comment:

.....  
.....

and



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

- b. Design and implement remedial actions to address the effect of the identified deficiency in the network requirements or network services? Please comment:

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.....



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **D. Evaluating the System of Quality Management**

68. Does the firm understand that periodic performance evaluations of those individual(s) assigned ultimate responsibility and accountability for the SOQM as well as those individual(s) assigned operational responsibility for the SOQM, should be performed? Please comment:

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69. Do the individual(s) assigned ultimate responsibility and accountability for the SOQM understand that they shall evaluate, on behalf of the firm, the SOQM as of a point in time, and performed at least annually? Please comment:

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70. Based on the evaluation of the SOQM, do the individual(s) assigned ultimate responsibility and accountability for the SOQM acknowledge the need to conclude, on behalf of the firm, on one of the following outcomes regarding the SOQM? Please comment:

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

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## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

71. Based on the outcomes of the SOQM evaluation as either (a), (b) or (c) in question 70 above; does the firm acknowledge the need to:

a. Take prompt and appropriate action? Please comment:

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.....

and

b. Communicate as required by the SOQM communication policies? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

### **E. Documentation**

72. Does the firm shall prepare documentation of its SOQM that is sufficient to:

- a. Support a consistent understanding of the SOQM by personnel, including an understanding of their roles and responsibilities with respect to the SOQM and the performance of engagements? Please comment:

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.....

- b. Support the consistent implementation and operation of the responses? Please comment:

.....  
.....

- c. Provide evidence of the design, implementation, and operation of the responses, to support the evaluation of the system of quality management by the individual(s) assigned ultimate responsibility and accountability for the system of quality management? (Ref: Para. A202–A204) Please comment:

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73. When preparing documentation, does the firm shall include:

- a. The identification of the individual(s) assigned ultimate responsibility and accountability for the SOQM and operational responsibility for the SOQM? Please comment:

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.....

- b. The firm's quality objectives and quality risks? Please comment:

.....  
.....



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

c. A description of the responses and how the firm's responses address the quality risks? Please comment:

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.....

d. Regarding the monitoring and remediation process:

(i) Evidence of the monitoring activities performed? Please comment:

.....

(ii) The evaluation of findings, and identified deficiencies and their related root cause(s)? Please comment:

.....

(iii) Remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions? Please comment:

.....

(iv) Communications about monitoring and remediation? Please comment:

.....

e. The basis for the conclusion(s) reached? Please comment:

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.....

74. Does the firm document the matters identified in "preparing documentation (question 73 (a) to (e) above)" as they relate to network requirements or network services and the evaluation of the network requirements or network services? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

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75. Has the firm established a period of time for the retention of documentation for the SOQM that is sufficient to enable the firm to monitor the design, implementation, and operation of the firm's SOQM, or for a longer period if required by law or regulation? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

### **2. ISQM 2 – ENGAGEMENT QUALITY REVIEWS**

*ISQM 2 deals with the appointment and eligibility of the Engagement Quality Reviewer (EQR); and the EQR’s responsibilities relating to the performance and documentation of an engagement quality review and applies to all engagements for which an engagement quality review is required to be performed in accordance with ISQM 1. (Ref: ISQM 2 para 1, 2)*

*The EQR is therefore an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon with EQR’s evaluation of significant judgments being performed in the context of professional standards and applicable legal and regulatory requirements.*

#### **a) General**

76. How does your firm or the EQR, as applicable, acknowledge that they shall **comply with each requirement of ISQM 2**, unless the requirement is deemed irrelevant given the circumstances of the engagement? Please comment:

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.....

#### **b) Appointment and Eligibility of Engagement Quality Reviewers**

77. Does your firm have **established policies or procedures** that require the **assignment of responsibility for the appointment of EQRs** to an individual(s) with the competence, capabilities, and appropriate authority within the firm to fulfil the responsibility? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

78. How has your firm established policies or procedures that define the criteria for eligibility to be appointed as an EQR:

a. Is the EQR is a member of the engagement team? Please comment:

.....

b. Does the EQR have the competence and capabilities, including sufficient time, and the appropriate authority to perform the review? Please comment:

.....

c. Does the EQR comply with relevant ethical requirements, including threats to objectivity and independence? Please comment:

.....

d. Does the EQR comply with the provisions of law and regulations, if any, that are relevant to their eligibility? Please comment:

.....

79. How does your firm's EQR policies or procedures address **threats to objectivity** created by an individual being appointed as an EQR after previously serving as the EP? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

- a. If "YES" to Threats to Objectivity – does the firm have a defined cooling-off period of at least 2 years before the proposed EP is eligible for appointment as EQR? Please comment:

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80. Does your firm have established policies or procedures that define the eligibility criteria for **individuals who may assist** the EQR? Please comment:

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- a. Is the proposed individual a member of the engagement team? Please comment:

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- b. Does the proposed member have the competence and capabilities, including sufficient time to perform the review? Please comment:

.....

- c. Does the proposed member comply with relevant ethical requirements, including threats to objectivity and independence as well as the provisions of any applicable laws and regulations? Please comment:

.....

81. Does your firm have established procedures and policies to ensure that the EQR takes overall responsibility for the performance of the engagement quality review? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

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82. Does your firm have established procedures and policies to ensure that the EQR's responsibility 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, is undertaken? Please comment:

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.....

### EQR Impairment Issues

83. Does your firm have established policies or procedures to address circumstances in which the EQR's eligibility to perform the review is impaired and that appropriate actions are taken by your firm, including the process for identifying and appointing a replacement, in such circumstances? Please comment:

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.....

84. Does the firm have policies and procedures in place for the EQR to notify the appropriate individual(s) in the firm when they become aware of circumstances that impair their eligibility to review:

a. Prior to the commencement of the review – to decline the EQR role? Please comment:

.....

b. During the performance of the review – to discontinue the performance of the EQR role? Please comment:





## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

.....

### **Performance of the Engagement Quality Review**

85. How has your firm established policies or procedures regarding the performance of the engagement quality review that address:

- a. The EQR's responsibilities to perform procedures at appropriate points in time during the engagement to provide an appropriate basis for an objective evaluation of the **significant judgments** made by the engagement team and the conclusions reached thereon? Please comment:

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- b. The responsibilities of the EP in relation to the review, including that the EP is precluded from **dating the engagement report** until notification has been received from the EQR that the review is complete? Please comment:

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- c. Circumstances when the nature and extent of engagement team discussions with the EQR about a significant judgment give rise to a **threat to the objectivity** of the EQR, and appropriate actions to take in these circumstances? Please comment:

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86. In performing the engagement quality review, does the EQR:



## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

- 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? Please comment:
- .....
- (ii) Your firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgments made by the engagement team? Please comment:
- .....
- b. Discuss with the EP and, if applicable, other members of the engagement team, significant matters and significant judgments made in planning, performing, and reporting on the engagement? Please comment:
- .....
- .....
- c. Review selected engagement documentation relating to the significant judgments 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 scepticism by the engagement team? Please comment:
- .....
- (ii) Whether the engagement documentation supports the conclusions reached? Please comment:
- .....



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

(iii) Whether the conclusions reached are appropriate? Please comment:

.....

d. For audits of financial statements, evaluate the basis for the EP's determination that relevant ethical requirements relating to independence have been fulfilled? Please comment:

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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? Please comment:

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f. For audits of financial statements, evaluate the basis for the EP's determination that the EP's involvement has been sufficient and appropriate throughout the audit engagement such that the EP has the basis for determining that the significant judgments made, and the conclusions reached are appropriate given the nature and circumstances of the engagement? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

g. Review:

- (i) For audits of financial statements, the financial statements and the auditor's report thereon, including, if applicable, the description of the key audit matters? Please comment:

.....

- (ii) For review engagements, the financial statements or financial information and the engagement report thereon? Please comment:

.....

- (iii) For other assurance and related services engagements, the engagement report, and when applicable, the subject matter information? Please comment:

.....

87. How does the EQR notify the EP if they have **concerns that significant judgments** made by the engagement team, or the conclusions reached thereon, are not appropriate? Please comment:

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- a. If such concerns are not resolved to the EQR's satisfaction, does the EQR notify an appropriate individual(s) in your firm that the engagement quality review cannot be completed? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

### **c) Completion of the Engagement Quality Review**

88. How does the EQR determine whether the requirements in ISQM 2 with respect to the performance of the engagement quality review have been fulfilled, and whether the engagement quality review is complete and to inform the EP that the review is complete? Please comment:

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### **Documentation for the EQR**

89. Has your firm established policies or procedures that require the EQR to take responsibility for documentation of the engagement quality review? Please comment:

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90. Has your firm established policies or procedures that require documentation of the engagement quality review and that such documentation be included with the engagement documentation? Please comment:

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91. Has your firm established policies or procedures that the EQR shall determine that the documentation of the engagement quality review is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

understand the nature, timing and extent of the procedures performed by the EQR and, when applicable, individuals who assisted the reviewer, and the conclusions reached in performing the review? Please comment:

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92. Has your firm established policies or procedures that the EQR shall also determine that the documentation of the engagement quality review includes:

a. The names of the EQR and individuals who assisted with the engagement quality review? Please comment:

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b. An identification of the engagement documentation reviewed? Please comment:

.....

c. The basis for the EQR's determination? Please comment:

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d. The notifications to the EP and those required on completion? Please comment:

.....

e. The date of completion of the engagement quality review? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

### **3. ISA 220 (Revised) – QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS**

*This ISA deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the EP.*

*This ISA is to be read in conjunction with relevant ethical requirements.*

*As with ISQM 1 and ISQM 2; the principles of "Scalability" apply to this ISA too.*

#### **a) Leadership Responsibilities for Managing & Achieving Quality on Audits**

93. Does the EP shall take overall responsibility for managing and achieving quality on the audit engagement, including taking responsibility for **creating an environment for the engagement** that emphasizes the firm's culture and expected behaviour of engagement team members? Please comment:

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94. Is the EP **sufficiently and appropriately involved** throughout the audit engagement such that the EP has the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

95. Does the EP take responsibility that **clear, consistent and effective actions** are taken that reflect the firm's commitment to quality and establish and communicate the expected behavior of engagement team members, including emphasizing:

a. That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level? Please comment:

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b. The importance of professional ethics, values, and attitudes to the members of the engagement team? Please comment:

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c. The importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal? Please comment:

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d. The importance of each engagement team member exercising professional scepticism throughout the audit engagement? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

96. Where the EP assigns any quality management activity to another member of the engagement team in order to achieve efficiency; does the EP continue to take overall responsibility for managing and achieving quality on the audit engagement through direction and supervision of those members of the engagement team, and review of their work? Please comment:

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### **b) Relevant Ethical Requirements, Including Those Related to Independence**

97. Does the EP understand the relevant ethical requirements, including those related to independence, which are applicable given the nature and circumstances of the audit engagement? Please comment:

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98. Does the EP take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement, and the firm's related policies or procedures, including those that address:

a. Identifying, evaluating, and addressing threats to compliance with relevant ethical requirements, including those related to independence? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

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- b. Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches? Please comment:

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- c. The responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations by the entity? Please comment:

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99. If matters come to the EP's attention that indicate that a **threat to compliance with relevant ethical requirements exists**, does the EP evaluate the threat through complying with the firm's policies or procedures, using relevant information from the firm, the engagement team, or other sources, and take appropriate action? Please comment:

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100. Does the EP **remain alert** throughout the audit engagement, through observation and making inquiries as necessary, **for breaches** of relevant ethical



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

requirements or the firm's related policies or procedures by members of the engagement team? Please comment:

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101. If matters come to the EP's attention through the firm's SOQM, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the audit engagement have not been fulfilled, does the EP, in consultation with others in the firm, take appropriate action? Please comment:

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102. Prior to dating the auditor's report, does the EP take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled? Please comment:

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### **c) Acceptance & Continuance of Client Relationships & Audit Engagements**

103. How does the EP determine that the firm's policies or procedures for the acceptance and continuance of client relationships and audit engagements have been followed, and that conclusions reached in this regard are appropriate? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

104. Does the EP consider information obtained in the acceptance and continuance process in planning and performing the audit engagement in accordance with the ISAs and complying with the requirements of this ISA? Please comment:

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105. If the engagement team becomes aware of information that may have caused the firm to decline the audit engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, does the EP communicate that information promptly to the firm, so that the firm and the EP can take the necessary action? Please comment:

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### **d) Engagement Resources**

106. Does the EP determine that **sufficient and appropriate resources** to perform the engagement are assigned or made available to the engagement team in a timely manner, considering the nature and circumstances of the audit engagement, the firm's policies or procedures, and any changes that may arise during the engagement? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

***Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate***

107. Does the EP determine that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the **appropriate competence and capabilities**, including sufficient time, to perform the audit engagement? Please comment:

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108. What action does the EP take where it is determined that resources necessary to perform the engagement are **insufficient or inappropriate**? Please comment:

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109. How does the EP ensure that the resources assigned or made available to the engagement team are **used appropriately**, given the nature and circumstances of the audit engagement? Please comment:

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### **e) Engagement Performance**

#### Direction, Supervision and Review



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

110. Does the EP take responsibility for the direction and supervision of the members of the engagement team and the review of their work? Please comment:

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111. Does the EP determine that the nature, timing and extent of direction, supervision and review is:

a) Planned and performed in accordance with the firm’s policies or procedures, professional standards, and applicable legal and regulatory requirements? Please comment:

.....

b) Responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm? Please comment:

.....

112. Does the EP review audit documentation at appropriate points in time during the audit engagement, including audit documentation relating to:

a) Significant matters? Please comment:

.....

b) Significant judgments, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

.....

- c) Other matters that, in the EP's professional judgment, are relevant to the EP's responsibilities? Please comment:

.....

113. On or before the date of the auditor's report, does the EP determine, through review of audit documentation and discussion with the engagement team, that **sufficient appropriate audit evidence** has been obtained to support the conclusions reached and for the auditor's report to be issued? Please comment:

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114. Prior to dating the auditor's report, does the EP review the financial statements and the auditor's report, including, if applicable, the description of the key audit matters and related audit documentation, to determine that the report to be issued will be appropriate in the circumstances? Please comment:

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115. Does the EP review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities in relation to this engagement? Please comment:



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

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### Consultation

116. Does the EP:

a) Take responsibility for the engagement team undertaking consultation on:

i. Difficult or contentious matters and matters on which the firm's policies or procedures require consultation? Please comment:

.....

ii. Other matters that, in the EP's professional judgment, require consultation? Please comment:

.....

b) Determine whether members of the engagement team have undertaken appropriate consultation during the audit engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm? Please comment:

.....

c) Determine that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted? Please comment:

.....

d) Determine that agreed conclusions have been implemented? Please comment:

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## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

### Engagement Quality Review

117. For audit engagements for which an engagement quality review is required, does the EP:

a) Determine that an engagement quality reviewer has been appointed? Please comment:

.....

b) Cooperate with the engagement quality reviewer and inform other members of the engagement team of their responsibility to do so? Please comment:

.....

c) Discuss significant matters and significant judgments arising during the audit engagement, including those identified during the engagement quality review, with the engagement quality reviewer? Please comment:

.....

d) Not date the auditor's report until the completion of the engagement quality review? Please comment:

.....

### Differences of Opinion

118. Does the engagement team follow the firm's policies or procedures for dealing with and resolving such differences of opinion where differences of opinion arise within the engagement team, or between the engagement team and the EQR or



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible – YES and NO answers should be avoided where appropriate**

individuals performing activities within the firm's system of quality management, including those who provide consultation? Please comment:

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.....  
.....

119. Does the EP:

a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures? Please comment:

.....

b) Determine that conclusions reached are documented and implemented? Please comment:

.....

c) Not date the auditor's report until any differences of opinion are resolved? Please comment:

.....

### **f) Monitoring and Remediation**

120. Does the EP take responsibility for:

a) Obtaining an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm including, as applicable, the information from the monitoring and remediation process of the network and across the network firms? Please comment:

.....



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

- b) Determining the relevance and effect on the audit engagement of the information obtained from the firm’s monitoring and remediation process and take appropriate action? Please comment:

.....

- c) Remaining alert throughout the audit engagement for information that may be relevant to the firm’s monitoring and remediation process and communicate such information to those responsible for the process? Please comment:

.....

### **g) Taking Overall Responsibility for Managing and Achieving Quality**

*Prior to dating the auditor’s report, the EP shall determine that the EP has taken overall responsibility for managing and achieving quality on the audit engagement. (Ref: Para. A113–A116)*

121. Does the EP determine whether their involvement has been sufficient and appropriate throughout the audit engagement such that the EP has the basis for determining that the significant judgments made, and the conclusions reached are appropriate given the nature and circumstances of the engagement? Please comment:

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.....  
.....

122. Does the EP determine whether, given the nature and circumstances of the audit engagement, any changes thereto, that the firm’s related policies or procedures have been considered in complying with the requirements of this ISA 220 (Revised)? Please comment:

.....



## ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE

**Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate**

.....  
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### **h) Documentation**

123. In applying ISA 230, does the audit file must include the following audit documentation:

a) Matters identified, relevant discussions with personnel, and conclusions reached with respect to:

i. Fulfilment of responsibilities relating to relevant ethical requirements, including those related to independence? Please comment:

.....

ii. The acceptance and continuance of the client relationship and audit engagement? Please comment:

.....

b) The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement and how such conclusions were implemented? Please comment:

.....  
.....

c) If the audit engagement is subject to an EQR, that the EQR has been completed on or before the date of the auditor's report? Please comment:

.....  
.....



## **ISQM PREPAREDNESS ASSESSMENT QUESTIONNAIRE**

***Please answer all questions as comprehensively as possible –  
YES and NO answers should be avoided where appropriate***

CONVERSION PROCESS - ISQC 1 TO ISQM

**A PRACTICAL CONSIDERATION FOR FIRMS**

A good place to start will be to use a **tracking sheet** that should be started when setting quality objectives and identifying and assessing risks.

Now add a column for your firm's risk responses.

This information can then be used as the basis for drafting required policies and procedures for your firm's system of quality management.

<u>Quality Objective</u>	<u>Risk Identification</u>	<u>Risk Assessment</u>	<u>Risk Response</u>