



Accountants
& Business Advisers

Firm Level System of Quality Control

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Introduction

Quality does not just happen; it has to be made to happen

- Under the Singapore Standard on Quality Control (SSQC 1) a Public Accounting firm's system of quality control should include policies and procedures to address each of the following elements identified in SSQC1:
- Leadership responsibilities for quality within the firm;
- Independence and ethical requirements (including the Code of Professional Conduct and Ethics set out in the 4th schedule to the Accountants Rules);
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring

Leadership

The direction and guidance has to come from the top. Firm leadership has to demonstrate by its actions that it values Quality

- Clear priorities for building target clientele
- Balancing growth objective with Risk Consideration
- Active involvement by partner
- Assigning people with the appropriate level of capabilities and competence to engagements
- Focus on quality and client commitment and devote sufficient resources to Quality control
- Design policies on performance evaluation, compensation and promotion to demonstrate commitment to quality

Ethical requirements

Auditor independence remains a critical foundation of audit quality and public confidence in audit reports. Hence it is crucial to adhere to ethical standards.

- Managing clients' expectations
- Balancing independence requirements with firm's growth objective
- Advocate and Monitor compliance to independence on a timely basis to all staff members
- Clear policies and procedures in relation to acceptance and approval of non-audit services for existing audit clients
- Timely update of listings of prohibited/restricted investments
- Establish criteria and safeguards to reduce the familiarity threat

Acceptance & Continuance

Client acceptance and continuance procedures are an important first step in carrying out an effective audit.

- Obtain and assess all information considered necessary before accepting an engagement with a new client or when deciding whether to continue an existing engagement
- Ensure all documents supporting decision to accept or continue are maintained
- Issuance of engagement letters must be after completing client acceptance/continuance procedures
- Must consider integrity of client and any conflict of interest
- Must ensure that Firm has capabilities, time and resources to undertake assignment

Human resources

People make the Firm. A High Quality firm is characterised by the professionalism, competence and integrity of its people

- Must have sufficient personnel with appropriate capabilities and commitment to ethical principles
- Provide professionals with ample opportunities to develop technical and soft skills competence
- Commitment to minimizing attrition rate (good retention policies) and managing appropriate levels of audit experience
- Performance evaluation procedures designed to reward development of competence and ethical behaviour
- Encourage staff to charge all efficient time spent on the engagement
- Training and development

Engagement Performance

These are the attitudes and attributes to be inculcated in professional staff so as to make them an essential part of the Firm's "Quality" culture

- Creating an environment to encourage staff to consult when in doubt
- Investing in necessary infrastructure to facilitate consultation
- Ensuring appropriate training is conducted on a regular basis to familiarize staff with the audit methodology
- Emphasis the notion that "if it's not documented it's not done"
- Ensuring a robust audit completion and wrap up procedure
- Collaboration – team work and knowledge sharing
- Expertise – knowledge that is commercial, pragmatic and sound
- Client commitment – understanding client's needs, building and enduring relationships and delivering a personal, tailored service
- Integrity
- Recognize effort and celebrate success

Monitoring

Monitoring of quality control refers to the compliance work done by the accounting firm internally to ensure that their systems of quality control are relevant, adequate, operating effectively and are complied with in practice.

- Regular internal quality reviews
- Timely communication of results of internal review to partners and staff and follow up
- Establish linkage of results of internal reviews with performance evaluation
- Deficiencies should result in one or more of the following
 - *a) appropriate remedial action on an individual engagement or staff person*
 - *b) initiation of training to address the deficiencies noted*
 - *c) changes to the QC policies*
 - *d) disciplinary action against those who fail to comply with firm policies*