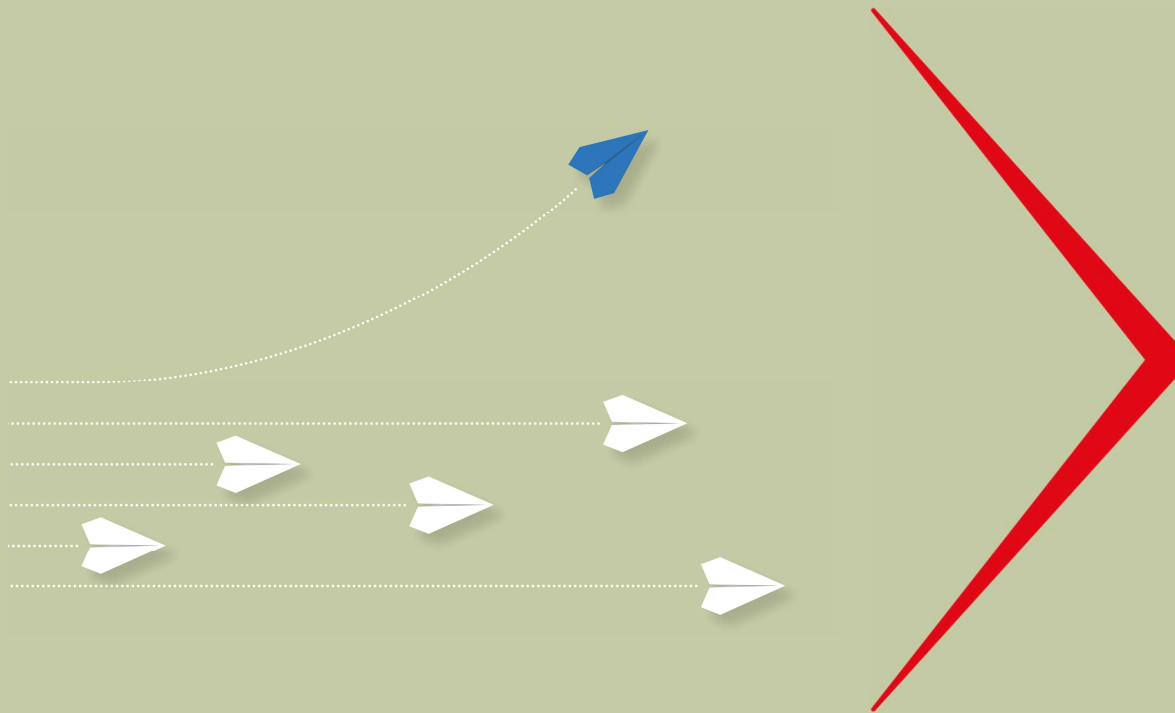


ICAEW KNOW-HOW
AUDIT AND ASSURANCE FACULTY



Quality Management in Audit Firms

20 MAY 2021

GILL SPAUL

DAVID SMITH

This webinar will start shortly.....

Today's presenters



Gill Spaul
Audit Quality Director: Europe
Moore Global



David Smith
National Audit Quality and Technical Director
Azets

Ask a question



The screenshot shows a mobile application interface for asking questions. At the top, it says 'Q&A'. Below that, there is a section for a question and answer. The question is 'What happens when I raise my hand?' with a timestamp of 18:03. The answer is 'I can take you off of mute.' with a timestamp of 18:04. Below the answer is a large empty text area for input. At the bottom, there is a text input field with the placeholder 'Please input your question'. To the left of the input field is a checkbox labeled 'Send Anonymously'. To the right is a blue 'Send' button.

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type your question and click send

NOTE: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration.

Contents

Introduction

Audit Quality Risks

Monitoring and Remediation

Questions

Introduction

- ISQM 1, ISQM 2 *and* ISA 220 revised
- Effective date 22 December 2022



The basics/context

- ISQM 1 applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements
- Quality **Management** not Quality **Control**



The basics/context



Risk
Assessment
Process



Governance &
Leadership



Resources



Monitoring &
Remediation
Process



Information &
Communication



Relevant Ethical
Requirements



Acceptance &
Continuance



Engagement
Performance

What was that about the effective date again?

- ISQM 1, ISQM 2 *and* ISA 220 revised
- SOQM must be **designed** and **implemented** by 22 December 2022 – but monitoring reviews/activities can happen after that

Final Pronouncement
December 2020

International Standard on Quality Management

International Standard on Quality Management 1 (Previously International Standard on Quality Control 1)

Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

IAASB

International Auditing
and Assurance
Standards Board



The Quality Risk Assessment Process

The Quality Risk Assessment Process



Example: Quality Objectives, risks & responses

Nature & circumstances of the firm & its engagements

Strategy & Business Model

The firm's overall financial goals are principally dependent on other (ie non-audit) services

Business Model & Resources

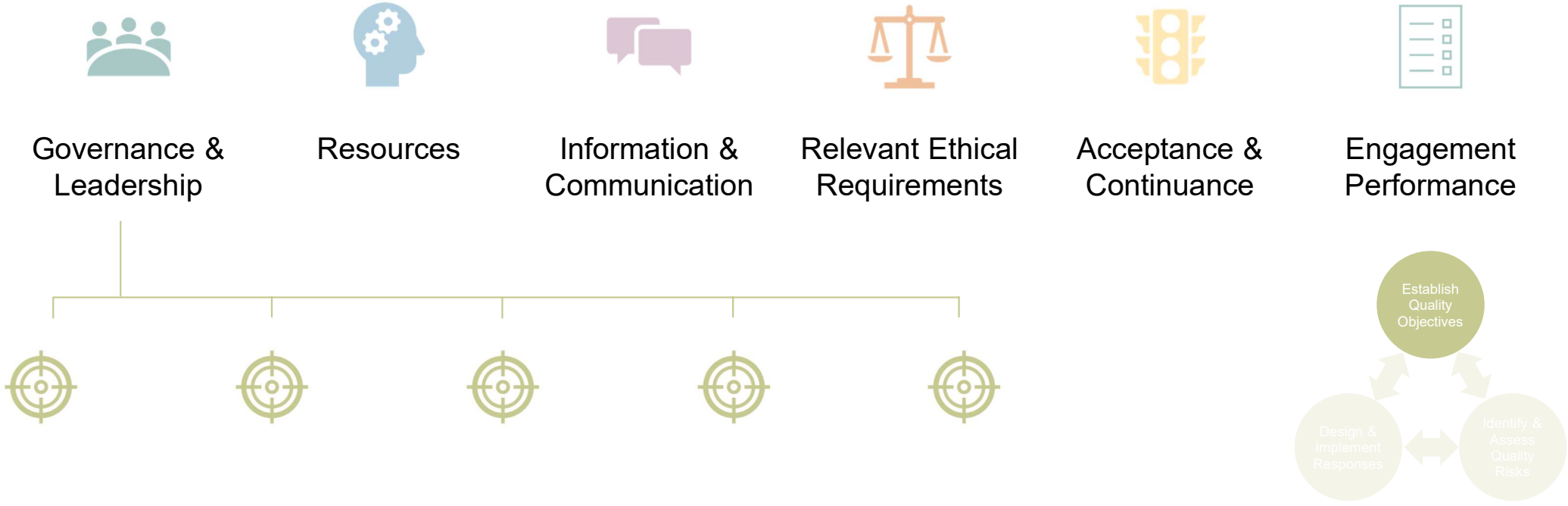
A majority of engagement partners hold general practitioner portfolios with audit making up < 20% of fee income generation

Types of engagement & client

A minority of engagement partners hold very small numbers of engagements in certain specialist sectors



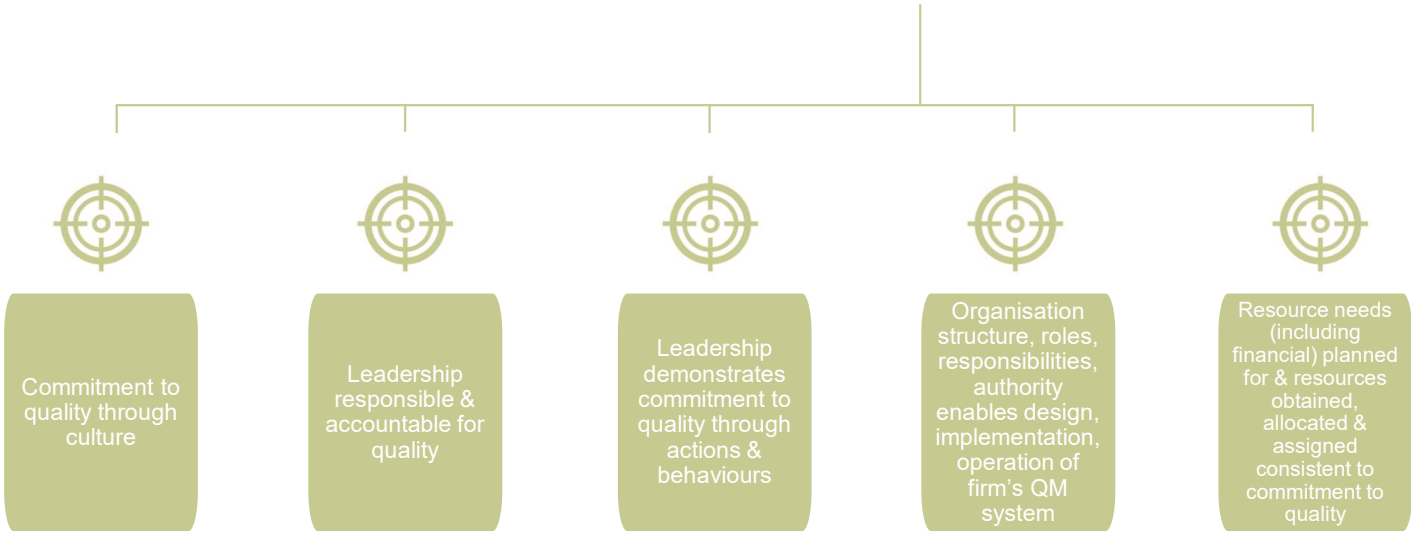
Example: Quality Objectives, risks & responses



Example: Quality Objectives, risks & responses



Governance & Leadership



Example: Quality Objectives, risks & responses



Organisation structure, roles, responsibilities, authority enables design, implementation, operation of firm's QM system



Resource needs (including financial) planned for & resources obtained, allocated & assigned consistent to commitment to quality



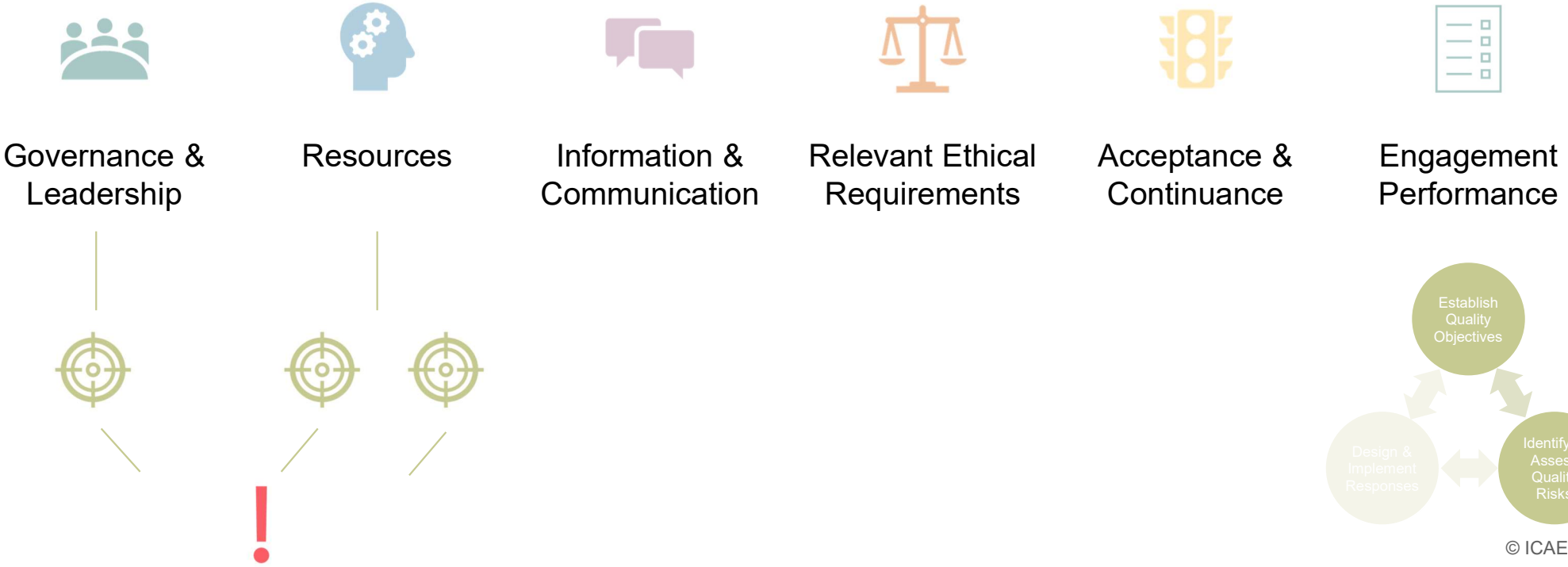
Financial & operational priorities do not adequately consider the importance of quality in the performance of audits



Resources may be allocated in a way that prioritises other service provision that risks the quality of audit engagements



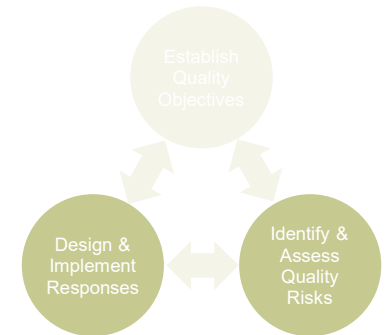
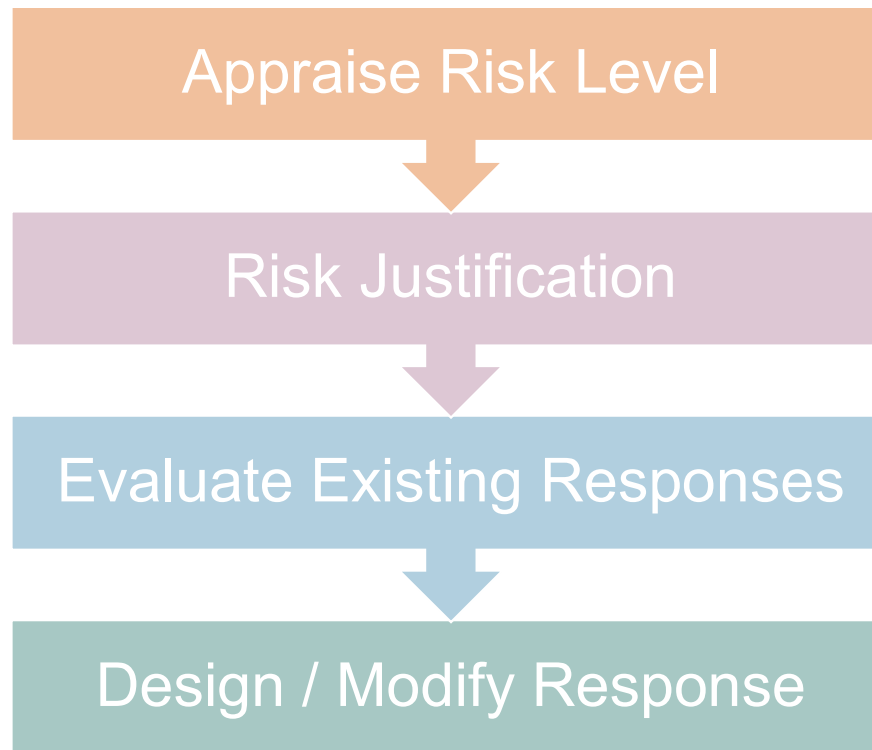
Example: Quality Objectives, risks & responses



Example: Quality Objectives, risks & responses



Resources may be allocated in a way that prioritises other service provision that risks the quality of audit engagements



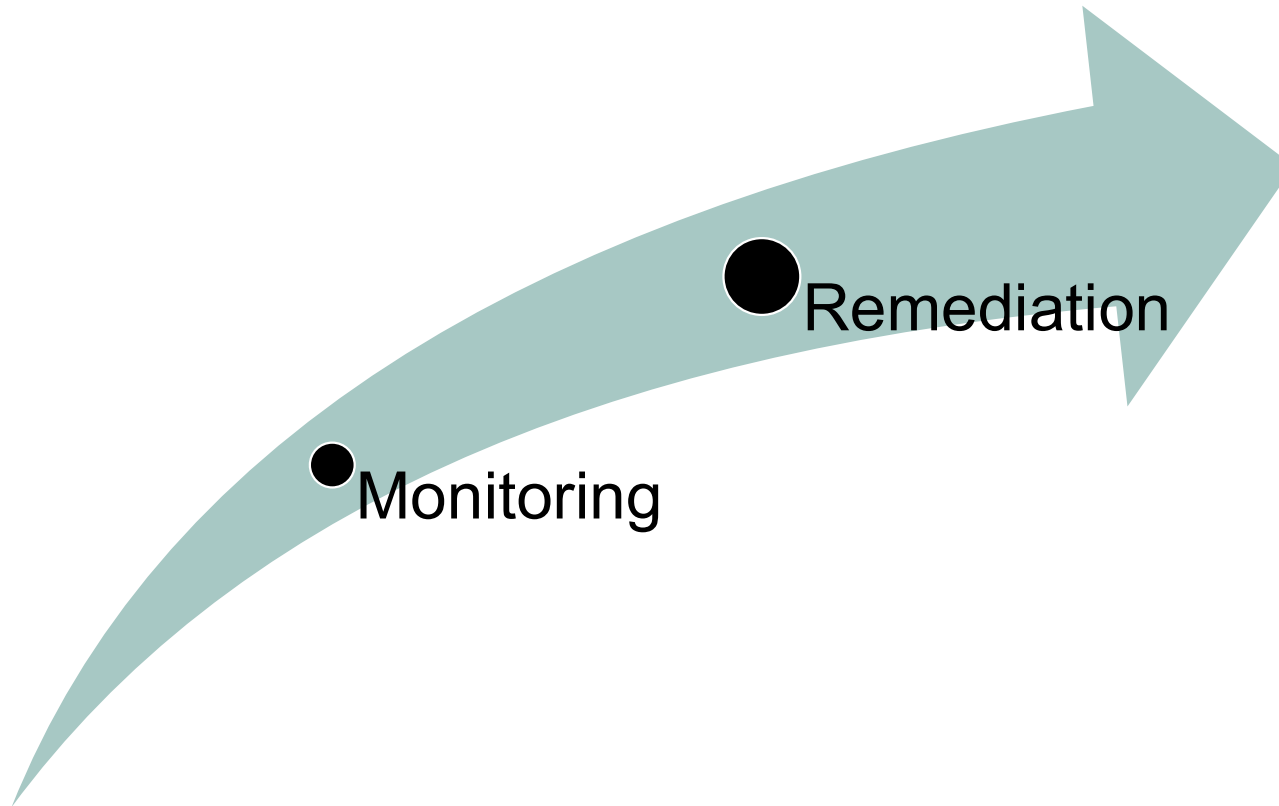
The Quality Risk Assessment Process



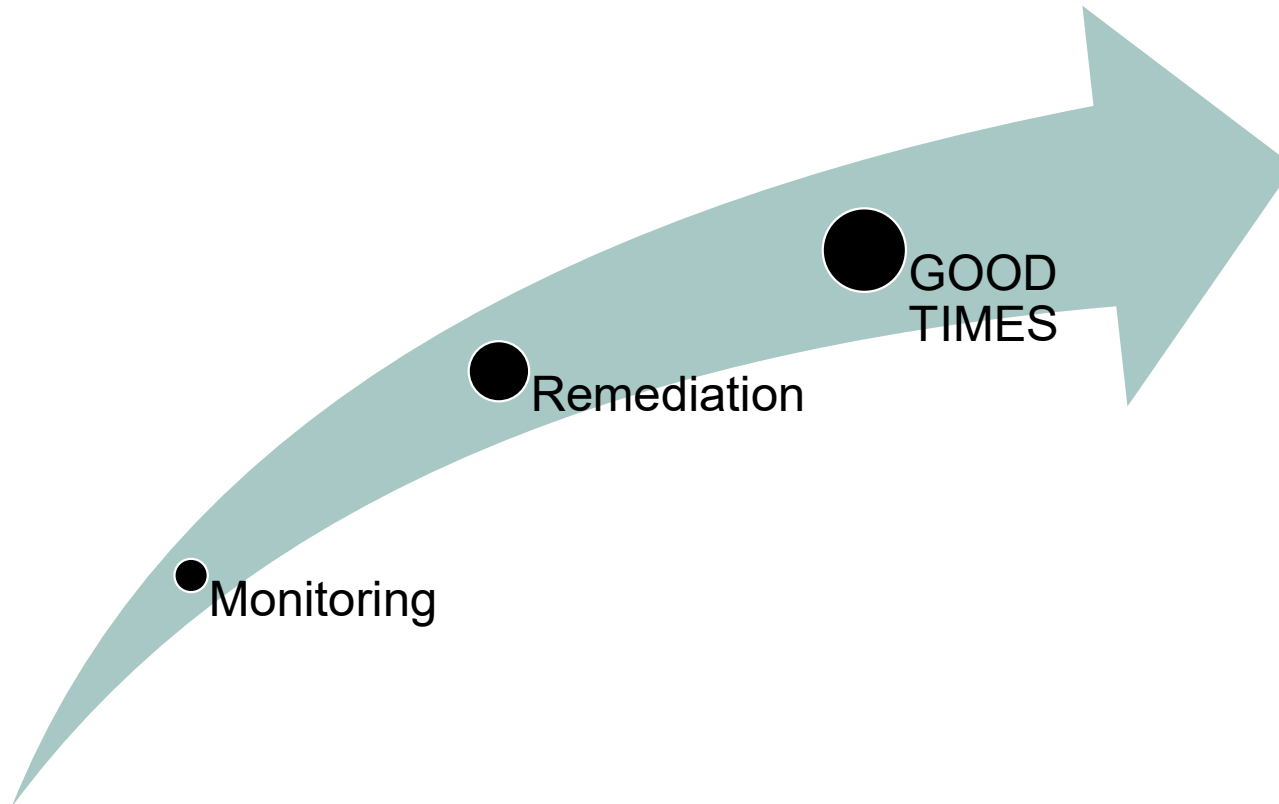


Monitoring & Remediation Process

Monitoring and Remediation



Monitoring and Remediation



Today's focus



Objectives and Risks

- No Mandatory objectives
- But para 24 requires additional objectives if considered necessary by the firm
- Other objectives you may establish may crossover with Monitoring and Remediation
- Risks exist in relation to objectives
- Clearly there are some risks that could threaten the monitoring and remediation process

Monitoring and Evaluating the SOQM

Para 53 requires *at least* annual (point in time) evaluation of the SOQM

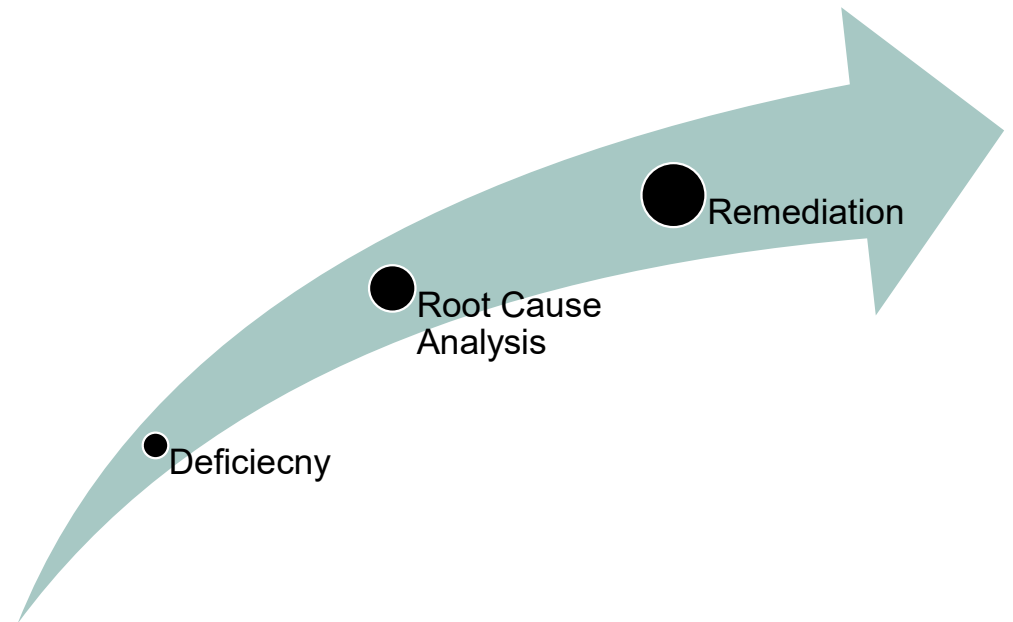
Design Implementation Effectiveness

Completed engagement monitoring required to be performed on a cyclical basis – all engagement partners must be covered in the cycle

Other forms of monitoring may inform the process

Deficiencies

- Absent mandatory quality objective
- Quality risk not identified
- Identified quality risk not assessed
- Response or combination of responses inadequate (design, implementation, effectiveness) or absent



Root Cause Analysis

RCA is required to be performed on deficiencies to:

- Understand their severity and pervasiveness
- Help work out what actions are needed to resolve the issue(s)

Sometimes a deficiency will have at least one fairly obvious contributing factor but this may not be the whole story

The point of RCA is to facilitate making things better – the quick easy answer may not be the route to that

RCA Challenges

- Identifying the true ‘Why’ (there may be more than one)
- Obtaining appropriate evidence/information and concluding
- Defining further ‘Why’s and identifying actionable causes
- Documenting in a useful way



Remediation

The whole point of the exercise

Must make sense in the context of the RCA and the original deficiency

Challenges:

- Documentation
- Driving change



Any questions?

Thank you for attending



Please take the time to fill out our short survey:
[Survey link](#)



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