Monitoring your Firm’s Quality Control Policies and Procedures

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The Quality Control Standards

A system of quality control for assurance engagements (CSQC1)

The Foundation for Quality Control

Firm level

Engagement level

Quality control for an audit of financial statements (CAS 220)

Quality control for a review engagement

Quality control for other engagements
Key Requirement - CSQC 1.48

The firm shall establish a monitoring process...

This process shall include:

- ongoing consideration and evaluation of the firm's system of quality control; and
- inspection of at least one completed engagement for each engagement partner, on a cyclical basis.
### What Monitoring Involves

<table>
<thead>
<tr>
<th>Activity</th>
<th>Purpose</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor compliance with QC manual <em>(Firm and engagement level)</em></td>
<td>Ensure the QC system is relevant, adequate, and operating effectively</td>
<td>Monitoring reports (Ongoing and cyclical) Corrective actions taken</td>
</tr>
<tr>
<td>Annually assess need (if any) for changes to Firms QC manual</td>
<td>Ensure emerging QC matters and new QC standards are addressed</td>
<td>The changes made to the firms QC manual, the reasons why and who approved</td>
</tr>
<tr>
<td>Annual confirmation by personnel of compliance with Firms QC manual</td>
<td>Ensure personnel are aware/complied with Firms QC manual</td>
<td>Signed confirmations by staff Resolution of any issues arising</td>
</tr>
<tr>
<td>Annual communication of results of monitoring to firm personnel</td>
<td>Ensure continual QC improvement within Firm</td>
<td>Annual communication to personnel with action plans for remediation and improvement</td>
</tr>
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</table>
## The Two Parts of Monitoring

<table>
<thead>
<tr>
<th>The Requirements</th>
<th>Purpose</th>
<th>How Often?</th>
<th>Who can Perform?</th>
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<tbody>
<tr>
<td><strong>Ongoing review of compliance with Firms policies and procedures</strong></td>
<td>Does the Firm’s system of quality control operate as designed and what if any changes are required?</td>
<td>Annual review and report</td>
<td>Anyone who is suitably qualified.</td>
</tr>
<tr>
<td><strong>Cyclical inspection of completed engagement files</strong></td>
<td>Adherence to professional standards on completed engagements and to ensure an appropriate report was issued.</td>
<td>At least one engagement per partner every three years</td>
<td>Person who is suitably qualified and was not involved in performing the engagement or the EQCR</td>
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</table>
Who is “Suitably Qualified”?

If an *External* person

- An individual outside the firm with the competence and capabilities **to act as an engagement partner**
- For example:
  - A *partner* of another public accounting firm;
  - *Employee* (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, or other assurance or related services engagements; or
  - An *organization* that provides relevant quality control services.
Why FocusROI

- **FocusROI** employs senior people who have been:
  - Audit partners or senior managers in major accounting firms;
  - Involved in the design, implementation and monitoring of quality control within their firms.

- **FocusROI currently** provides monitoring services to a number of accounting firms, including some who audit public companies.

- **Stuart Hartley** is the author of the CICA’s Quality Assurance Manual (QAM)
## FocusROI Monitoring services

<table>
<thead>
<tr>
<th>The Requirements</th>
<th>FocusROI assistance</th>
<th>How Often?</th>
<th>Benefits to Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing review of compliance with Firms policies and procedures</td>
<td>A self assessment to help firms perform their own monitoring with assistance as required</td>
<td>Annual review and report</td>
<td>Systematic process performed at low cost. Assess to best practices</td>
</tr>
<tr>
<td>Cyclical inspection of completed engagement files</td>
<td>Provision of highly qualified inspectors who will help the firm improve the quality of their work</td>
<td>At least one engagement per partner every three years</td>
<td>Objective inspection of completed files and identification of potential efficiencies</td>
</tr>
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</table>
FocusROI Monitoring services

- **Affordable** external monitoring services tailored to the needs of sole practitioners up to mid-size firms.

- **Practical and timely** recommendations to help your firm prosper.

**Approach:**
- Assistance with design/implementation of Firm’s QAM
- Use of the FocusROI “Self-assessment” tool for the yearly monitoring report. Typical cost could be less than $800 per year for a small firm
- Inspection of completed files on a cyclical basis (1-3 years)
- Practical (point form) monitoring report on findings and recommendations
- Provide additional assistance as required, such as policy development, staff training and partner coaching sessions, etc.
Please contact us for further information

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