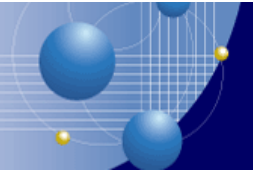


Monitoring your Firm's Quality Control Policies and Procedures



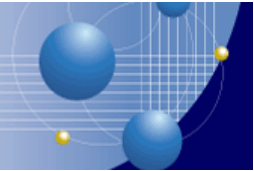
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CSQC 1

Quality Control for Firms that Perform
Audits And Reviews
of Financial Statements and
other Assurance Engagements

Effective December 15 2009



Elements of Quality Control

Firm values and goals
Leadership - (roles, assignments and accountability)

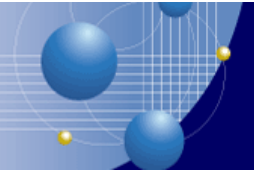
Ethics and
Independence

Client acceptance
and continuance

Engagement
performance

Staff
management

Documentation (firms QC system and engagement files)
and ongoing Monitoring

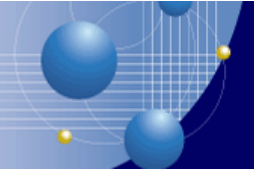


Requirement for Monitoring in CSQC 1

48. The firm **shall** establish a **monitoring process** designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.

This process shall:

- Include an **ongoing consideration and evaluation** of the firm's system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner;
- Require **responsibility** for the monitoring process **to be assigned to a partner** or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and
- Require that **those performing the engagement** or the engagement quality control review **are not involved** in inspecting the engagements.



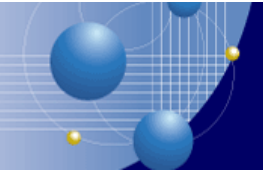
Ongoing Monitoring - 2 parts

Yearly Monitoring and Reporting

- Is the Firm's Quality Control Manual (QCM) being updated for new professional standards and requirements?
- Are the people charged with QC responsibilities in Firm doing their job?
- Is their compliance with the Firm's QCM policies and procedures?
- Have identified deficiencies and areas of improvement been reported to MP?
- Has the firm taken corrective action (such as training) on reported deficiencies
- Has there been a yearly communication to staff outlining QC deficiencies, actions to correct and other areas where QC could be improved

Cyclical Completed File Inspections (1-3 years)

- Inspection of at least one completed engagement per engagement partner
- Was their compliance with engagement level QC policies and professional standards
- Was the engagement report issued appropriate in the circumstances



Monitoring QC at the two levels

Scope of Possible Control Activities:

Firm Level

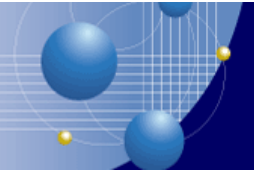
Firm values and goals
 Leadership & assigning of QC Responsibilities
 Risk Assessment
 Staff development, management & discipline
 Information systems (independence, scheduling, clients, staff etc.)
 Documenting the QC system
 QC Monitoring and Continual Improvement

Engagement Level

Leadership Ethics and Independence Professional Judgment Professional Skepticism Supervision & File Reviews

Complying with ISAs Relevant to the Audit

Client Acceptance Assign Staff Responsibilities Consultation and use of Experts Documentation Release of Audit Report



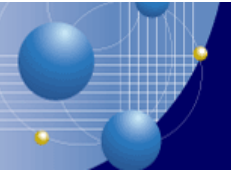
Implications of CSQC1 (after Dec 15, 2009)

- Setting up a QC monitoring process is **not a choice**
 - Can still self assess and report on compliance with firm policies

- No **self inspections** of completed files
Monitors are required to be independent
 - **Sole practitioners** will be required to hire an independent person

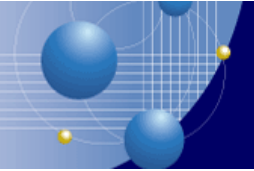
 - A firm with a limited number of persons may choose to use a **suitably qualified external person** or **another firm** to carry out engagement inspections and other monitoring procedures.

 - Alternatively, the firm may establish arrangements to share resources with other appropriate organizations to facilitate monitoring activities.



Finding an External Monitor (CSQC1)

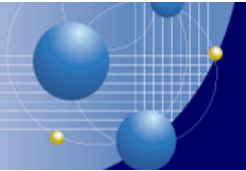
- A suitably qualified *external* person
 - An *individual* outside the firm with the competence and capabilities *to act as an engagement partner*
 - A partner of another public accounting firm,
 - Employee (with appropriate experience) of either a professional accountancy body whose members may perform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



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 QCM policy and procedure design
 - Use of the FocusROI "Self assessment" tool for the yearly monitoring report.
 - 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.
 - Annual cost for basic services is typically between \$800 and \$3,500

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



Please contact us for further information

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416 594 0005

