

SYNOPSIS

SQC 1– Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements – *Effective since April 1, 2009*

To provide guidance regarding a firm's responsibilities for its system of quality control for audits and reviews and other assurance and related services engagements.

The underlined idea being that the firm establishes a system of quality control designed to provide reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that the reports issued by it or engagement partner(s) are appropriate in the circumstances.

The nature of such system – comprising of policies and procedures – developed and put in place in by individual firms depends on the size and operating characteristics of the firm, and also whether a firm is a part of a network.

In terms of the above SQC, policies and procedures comprising system of quality control need to address each of the following elements :

(1) Leadership responsibility for quality within the firm

With the underlined idea to promote an internal culture based on the recognition that quality is paramount and essential in performing engagements. To ensure such a culture, firm's chief executive officer/ managing partner (or equivalent) to assume ultimate responsibility and, inter alia, offer

- (a) *Education and training*
- (b) *Monitoring*
- (c) *Process for dealing with any non-compliance [to quality]*

(2) Ethical requirements

With the underlined idea that the firm and its personnel comply with related ethical requirements as contained in the Code of Ethics, including

- (a) *Integrity*
- (b) *Objectivity*
- (c) *Professional competence and due care*
- (d) *Confidentiality*
- (e) *Professional behaviour*

(3) Acceptance and continuance of client relationships and specific engagements

With the underlined idea of a reasonable assurance to continue with the relationship and engagement if and where a firm

(a) *Has considered the integrity of the Client –*

- Identity and reputation of the principal owner/key management of the business
- Nature of operations, including business practices
- Attitude towards issues like good governance, accounting standards and the internal control environment
- Reasons for the proposed appointment of the firm and non-reappointment of the previous firm
- Whether the principal owner/key management are particularly concerned with maintaining the firm's fee as low as possible

(b) *Is competent to perform the engagement and has the capabilities, time and resources to do so*

- Firm has sufficient personnel
- Personnel have the knowledge of relevant industries or subject matter and
- Have experience or ability to gain experience with relevant regulatory or reporting requirements
- Availability of experts, if needed
- Ability to complete the engagement within the reporting deadline

(c) *Can comply with the related ethical requirements*

- Any conflict of interest – actual or perceived

(4) Human resources

With the underlined idea that it has sufficient capable and competent personnel committed to ethical principles to perform engagements in accordance with professional standards and regulatory and legal requirements, and to enable the firm or engagement partner(s) to issue appropriate reports.

- Continuing training and professional development for all levels of personnel

- Evaluation of, and counseling on, performance, progress and career development
- Availability of resources to facilitate consultations

(5) Engagement performance

With the underlined idea that there is consistency in the quality and engagements are performed in accordance with the professional standards and regulatory and legal requirements and that the reports issued are appropriate

- Assigning responsibility to engagement partner with specified role, responsibility, authority and the time frame for competing assignment
- Processes for complying with applicable engagement standards
- Procedure for resolution of resolution of any difference of opinion within the team or otherwise
- Methods of reviewing the work performed, the significant judgments made and the form of report being issued

(6) Monitoring

With the underlined idea that the policies and procedures in relation to system of quality control are relevant, adequate, operating effectively and complied in practice. An ongoing consideration and evaluation of such system, including periodic inspection of a random completed engagement should form part of monitoring.

- Adherence to professional standards and regulatory and legal requirements
- Whether the firm's quality control policies and procedures applied appropriately and implemented effectively
- Communication to appropriate personnel of the firm of weaknesses identified in the system – in understanding of the system or compliance therewith
- Determination of required corrective action for improvement in the system, including feedback
- Disciplinary action against those failing to comply with quality control system, especially those failing repeatedly

Of equal importance is **DOCUMENTATION** in respect of each and every stage of an activity.