

Pro-forma toolkit: Audit quality management

Small and medium sized firms

November 2022



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This pro-forma quality management toolkit is based on the following standards that were issued before May 2022 and are effective for periods beginning on or after 15 December 2022:

Australia	New Zealand
<i>ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>	<i>PES 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements</i>
<i>ASQM 2 Engagement Quality Reviews</i>	<i>PES 4 Engagement Quality Reviews</i>
<i>ASA 220 (Revised) Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i>	<i>ISA (NZ) 220 (Revised) Quality Management for an Audit of Financial Statements</i>
<i>APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</i>	<i>PES 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)</i>

History of amendments

Version	Date	Section	Details of amendments
1	May 2022		
		6 Engagement Performance	<ul style="list-style-type: none"> 6.1 Engagement performance policy statement has been amended to reflect engagement quality review requirements prescribed by ASQM 2/PES 4. 6.6 Engagement quality review form has been added to assist with documenting compliance with requirements paragraph 30 of ASQM 2/PES 4.
2	November 2022	9 Monitoring and Remediation Process	<ul style="list-style-type: none"> 9.1 Monitoring and remediation process guide has been added to provide guidance around the monitoring and remediation process 9.2 Monitoring and remediation policy statement has been amended. <p>The following pro-forma documents have been added to assist with documenting compliance with monitoring and remediation requirements of ASQM 1/PES 3:</p> <ul style="list-style-type: none"> 9.7 Findings register 9.8 Deficiency evaluation worksheet
3	November 2022	Copyright Statement	<ul style="list-style-type: none"> Updated copyright statement.

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PREFACE

- > The purpose of this toolkit is to provide a suite of illustrative documentation (i.e. policies, checklists, sample letters and forms) to assist non-network audit and assurance firms when implementing responses to address and mitigate quality risks identified, as required by “The firm’s risk assessment process” component of [ASQM 1/PES 3](#).
- > This toolkit can be used in conjunction with the [First-time Implementation Guide](#) prepared by the International Auditing and Assurance Standard Board (IAASB) to obtain a better understanding of the Quality Management Standards and their requirements.
- > This toolkit is not a substitute for reading the Quality Management Standards.

How to use this toolkit

1. Obtain an understanding of the Quality Management Standards.
2. Have firm-wide conversations that are specific to your firm and its engagements to identify quality risks to achieving the quality objectives. The following resources can be used to assist you with the risk assessment process:
 - > CA ANZ’s *Illustrative risk matrix: Audit quality management – Small and medium sized firms*
 - > IAASB First-time implementation Guide
3. Use the pro-forma documents within this toolkit to assist with developing responses to mitigate and address the quality risks identified. The pro-forma documents should be adapted to your firm based on the nature and circumstances of the firm and its engagements.
4. Use the pro-forma documents within this toolkit to assist with meeting the documentation requirements of the Quality Management Standards. There are instructions at the top of each pro-forma document to assist you, once read and understood they should be deleted if you use any pro-forma documents.

Specific guidance

	<p>Paragraph 17 of ASQM 1/PES 3 acknowledges that firms are not expected to comply with requirements which may not be relevant because of the nature and circumstances of the firm or its engagements.</p> <p>This icon is used throughout the pro-forma quality management toolkit to highlight guidance specifically relevant to sole practitioners not employing any staff.</p>
	<p>This icon is used throughout the pro-forma quality management toolkit to highlight guidance specifically relevant to Australian audit firms.</p>
	<p>This icon is used throughout the pro-forma quality management toolkit to highlight guidance specifically relevant to New Zealand audit firms.</p>
<p>Aa</p>	<p>Bold text has been used throughout the pro-forma quality management toolkit to highlight references to the standards stated above. You will need to adapt/update references based on the jurisdiction of your firm.</p>

1 DOCUMENTATION

1.1 Documentation policy statement

Instructions

Your firm is required to document the retention period it has established for all documentation relating to the system of quality management to comply with paragraph 60 of **ASQM 1/PES 3**.

You will need to adapt this policy statement to your firm's situation.

The firm requires that appropriate documentation be in place to provide evidence of the operation of each component of its system of quality management.

The firm's quality management toolkit, containing all policies and procedures, is made available to all team members (in soft copy and hard copy) and feedback on the system of quality management system is encouraged.

All team members have a responsibility for quality in the firm and are expected to comply with all policies and procedures. Any changes to the quality management toolkit and/or the firm's policies and procedures will be explained to members at the weekly team meetings.

Documents relating to the system of quality management will be retained for at least 7 years.

1.2 System of Quality Management 'hub' document

Instructions

Documenting what your firm is about is a valuable starting point in establishing and documenting your system of quality management. It may crystallise your firm's objectives and is a useful communication tool with staff and clients.

You will need to adapt this hub document to your firm's situation.

[INSERT NAME OF FIRM HERE]

Philosophy of the firm

Our philosophy represents the beliefs of the firm and our understanding of how we work and provide services to our clients.

Membership of Chartered Accountants Australia and New Zealand

We value our membership of Chartered Accountants Australia and New Zealand and strive to be active members. As the conduct of individual members reflects upon the whole, we endeavour to refrain from any conduct which might bring discredit to our profession.

Client relationships

We seek to add value to the client relationship through our skills, knowledge and efforts.

Our clients are carefully selected to ensure they have appropriate levels of integrity and will benefit from our relationship. We try to help clients define and achieve their personal goals and consider these in establishing the goals of the business they currently own and operate.

The firm has served different clients for many years and we take comfort from and appreciate their continued trust. We seek to be trusted assurance service providers to our clients. To achieve this aim, we provide a high level of service that complies with professional and ethical standards.

Relationship with the team

We see our employees as more than human resources. To a degree, the relationship is similar to that of a coach to a team, as team members look to us for guidance on professional, ethical, technical and, on occasions, personal matters, and we try to help them achieve their personal goals while also working towards the goals of the firm.

Our relationship often extends to the period after employees have left the firm. We feel it is a measure of us as employers that several former employees choose to be in regular contact with us. We aim to attract employees with integrity and the 'right' attitude. Communication, direction and training play important roles in our interaction with the team.

Background of the firm

The existing partners founded the firm in 1999 by merging their individual practices. Both partners have been involved in public practice all their working lives and expect to continue serving small business clients until their retirement several years from now. The professional résumé of the partners is attached.

Firm structure

Refer to the firm structure diagram [1.3]. The firm is not part of a network.

The organisation structure is designed to ensure that clients have confident, easy access to more than just one person in the firm, but a partner is appropriately involved in all outward correspondence and reports.

Copies of emails to/from clients are copied to the relevant partner. A partner signs all audit, assurance and agreed-upon procedures reports and almost all (covering) letters.

Occasionally, key correspondences are signed by the team member. Partners normally sight these before they are sent and both a soft and hard copy is retained.

Firm goals

As a firm, we acknowledge that we have an obligation to serve our clients and our profession. The primary goal of our firm is to fulfil these obligations. These obligations drive us to deliver the high quality work that is expected of all professionals:

- > To provide excellent service to our clients in all areas appropriate for the auditing and assurance profession
- > To assure excellence in client service through maintaining the highest level of competence, independence and integrity within the firm
- > To be involved in and contribute to the advancement of the accounting profession, our community, and our nation
- > To provide within the firm the opportunity for personal and professional advancement, growth in skills and personal interrelationships, and rewarding work experiences
- > To maintain our scope of service and circle of clientele by developing and improving special skills and expertise.

Firm size

The firm currently has two partners and four professional employees and an administration manager. The level of fees raised annually by the practice reflects this structure according to available industry benchmarks. Graduates or undergraduates are hired and trained by the more experienced team members.

Client service approach

Superior client service is our primary objective and operating guideline, within the confines of law and professional standards. We seek to provide this service by making available to each client the full extent of our professional capabilities, in order to meet their varying needs, on a timely basis.

Professional work that is outside our areas of experience and expertise is not accepted. Often the client or potential client is referred to other professionals with appropriate skills and experience.

In seeking to provide excellent professional service to each client, we approach each engagement, large or small, with the following objectives:

- > Attain thorough knowledge of the client and their industry, in order to properly assess the events and conditions affecting it and its financial position and progress
- > Accurately assess the strengths and weaknesses of the client's internal accounting and administrative controls, its accounting and administrative information systems and its other features, in order to effectively advise the client and fulfil the engagement objectives
- > Identify and communicate situations and potential actions that appear to be opportunities for improving the client's operations and conditions
- > Be alert to areas of personal assistance to the owner–manager of client firms, so that our services may be of maximum benefit to the client.

Professional services

We offer professional services in audit and review of financial statements, other assurance engagements, and agreed-upon procedures engagements. Our clients are diverse and spans many industries, including agriculture, construction, finance, manufacturing, health care and other industries. We seek to continue our service to these industries and to develop other industry competence over time. We provide a structure for interpersonal relationships that creates an atmosphere conducive to promoting planning, to servicing client needs and to responding effectively to opportunities and problems.

Our firm does not accept large or high-profile listed entity audit engagements but will consider smaller listed entity audit engagements, including start-up ventures.

Geographic details

The firm's clients are largely located in the greater metropolitan area. We do not actively seek clients outside a close geographic range.

1.3 Firm structure

Instructions

The firm structure diagram is a useful way to illustrate the structure of the firm and is used to support the hub document.

You will need to adapt this structure diagram to your firm's situation.



This structure diagram may not be needed by sole practitioners.

As at [insert date]

Partners

One

Two

Audit team

One

Two

Three

Four

Administrators

One

2 RISK ASSESSMENT PROCESS

2.1 Risk assessment process policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

The firm applies a risk-based approach in designing, implementing and operating the components of the system of quality management in an interconnected and coordinated manner such that the firm proactively manages the quality of engagements performed by the firm.

The firm designs and implements a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks.

Quality objectives

Quality objectives are the desired outcomes in relation to the components of the system of quality management to be achieved by the firm.

The firm has established the quality objectives specified in paragraphs 28—33 of **ASQM 1/PES 3**. The firm has not identified any additional quality objectives considered necessary to achieve the objectives of the system of quality management.

Quality risks

A quality risk is a risk that has a reasonable possibility of:

- (a) Occurring; and
- (b) Individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.

The firm identifies and assesses quality risks to provide a basis for the design and implementation of responses. In doing so, the firm:

- (a) Obtains an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, including:
 - (i) With respect to the nature and circumstances of the firm, those relating to:
 - The complexity and operating characteristics of the firm;
 - The strategic and operational decisions and actions, business processes and business model of the firm;
 - The characteristics and management style of leadership;
 - The resources of the firm, including the resources provided by service providers; and
 - Law, regulation, auditing and assurance standards and the environment in which the firm operates.
 - (ii) With respect to the nature and circumstances of the engagements performed by the firm, those relating to:
 - The types of engagements performed by the firm and the reports to be issued; and
 - The types of entities for which such engagements are undertaken.
- (b) Takes into account how, and the degree to which, these conditions, events, circumstances, actions or inactions may adversely affect the achievement of the quality objectives.

Responses

Responses (in relation to a system of quality management) are policies or procedures that are designed and implemented by the firm to address one or more quality risk(s):

- (a) Policies are statements of what should, or should not, be done to address a quality risk(s). Such statements may be documented, explicitly stated in communications or implied through actions and decisions.
- (b) Procedures are actions to implement policies.

The firm designs and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks. The firm's responses include the responses specified in paragraph 34 of **ASQM 1/PES 3**.

Iterative approach

The firm's system of quality management operates in a continual and non-linear manner and is responsive to changes in the nature and circumstances of the firm and its engagements.

The results of monitoring and remediation activities, results of external inspections and other relevant information (e.g., complaints and allegations) may identify information that indicates additional quality objectives, or additional or modified quality risks or responses, are needed due to changes in the nature and circumstances of the firm or its engagements. If such information is identified, the firm considers the information and when appropriate:

- (a) Establishes additional quality objectives or modifies additional quality objectives already established by the firm;
- (b) Identifies and assesses additional quality risks, modifies the quality risks or reassesses the quality risks; or
- (c) Designs and implements additional responses, or modifies the existing responses.

2.2 Risk assessment matrix

Instructions

This matrix could be used to perform your firm's risk assessment process.

The quality objectives and risk responses specified here are mandatory.

You will need to adapt this matrix to your firm's situation



Consider whether a quality objective, or an aspect thereof, is not relevant depending on the nature and circumstances of the firm or its engagements. e.g., the quality objective under Engagement Performance (b) addressing direction, supervision and review may not be relevant for a sole practitioner.

Quality Objectives	Quality Risks	Risk Responses
Governance and Leadership		
(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognises and reinforces: <ul style="list-style-type: none"> (i) The firm's role in serving the public interest by consistently performing quality engagements; (ii) The importance of professional ethics, values and attitudes; (iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behaviour; and (iv) The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities. 		
(b) Leadership is responsible and accountable for quality.		
(c) Leadership demonstrates a commitment to quality through their actions and behaviours.		
(d) The organisational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm's system of quality management.		
(e) Resource needs, including financial resources, are planned for and resources are obtained, allocated or assigned in a manner that is consistent with the firm's commitment to quality.		
[Insert additional quality objectives if applicable]		
Relevant Ethical Requirements		

Quality Objectives	Quality Risks	Risk Responses
<p>(a) The firm and its personnel:</p> <ul style="list-style-type: none"> (i) Understand the relevant ethical requirements to which the firm and the firm's engagements are subject; and (ii) Fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject. 		<p>The firm establishes policies or procedures for:</p> <ul style="list-style-type: none"> (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and [4.1 Relevant ethical requirements policy statement] (ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. [4.3 Independence resolution memorandum] <p>The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent. [4.2 Annual independence confirmation]</p> <p>The firm establishes policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with AUASB standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with ASQM 1. [9.5 Client complaint record]</p>
<p>(b) Others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject:</p> <ul style="list-style-type: none"> (i) Understand the relevant ethical requirements that apply to them; and (ii) Fulfill their responsibilities in relation to the relevant ethical requirements that apply to them. 		
<p>[Insert additional quality objectives if applicable]</p>		
Acceptance and Continuance of Client Relationships and Specific Engagements		
<p>(a) Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on:</p>		<p>The firm establishes policies or procedures that address circumstances when:</p> <ul style="list-style-type: none"> (i) The firm becomes aware of information subsequent to accepting

Quality Objectives	Quality Risks	Risk Responses
<p>(i) Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments; and</p> <p>The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</p>		<p>or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or</p> <p>(ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement.</p> <p>[5.1 Acceptance and continuance of client relationships and specific engagements policy statement]</p>
<p>(b) The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement.</p>		
<p>[Insert additional quality objectives if applicable]</p>		
Engagement Performance		
<p>(a) Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.</p>		
<p>(b) The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members.</p>		<p>The firm establishes policies or procedures that address engagement quality reviews in accordance with ASQM 2/PES 4, and require an engagement quality review for:</p> <p>(i) Audits of financial reports of listed entities;</p> <p>(ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and</p> <p>(iii) Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s).</p> <p>[6.1 Engagement performance policy statement]</p>
<p>(c) Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, professional scepticism.</p>		
<p>(d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented.</p>		

Quality Objectives	Quality Risks	Risk Responses
(e) Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved.		
(f) Engagement documentation is assembled on a timely basis after the date of the engagement report, and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.		
[Insert additional quality objectives if applicable]		
Resources		
<p><i>Human Resources</i></p> <p>(a) Personnel are hired, developed and retained and have the competence and capabilities to:</p> <p>(i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; or Perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.</p>		
(b) Personnel demonstrate a commitment to quality through their actions and behaviours, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.		
(c) Individuals are obtained from external sources (i.e., the network, another network firm or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements.		
(d) Engagement team members are assigned to each engagement, including an engagement		

Quality Objectives	Quality Risks	Risk Responses
partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.		
(e) Individuals are assigned to perform activities within the system of quality management who have appropriate competence and capabilities, including sufficient time, to perform such activities.		
<i>Technological Resources</i> (f) Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the performance of engagements.		
<i>Intellectual Resources</i> (g) Appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.		
<i>Service Providers</i> (h) Human, technological or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 32 (d),(e),(f) and (g).		
[Insert additional quality objectives if applicable]		
Information and Communication		
(a) The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.		
(b) The culture of the firm recognises and reinforces the responsibility of personnel to exchange information with the firm and with one another.		

Quality Objectives	Quality Risks	Risk Responses
<p>(c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including:</p> <p>(i) Information is communicated to personnel and engagement teams, and the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements; and</p> <p>Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.</p>		
<p>(d) Relevant and reliable information is communicated to external parties, including:</p> <p>(i) Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them; and</p> <p>Information is communicated externally when required by law, regulation or professional standards, or to support external parties' understanding of the system of quality management.</p>		<p>The firm establishes policies or procedures that:</p> <p>(i) Require communication with those charged with governance when performing an audit of a financial report of listed entities about how the system of quality management supports the consistent performance of quality audit engagements;</p> <p>(ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and</p> <p>(iii) Address the information to be provided when communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication.</p> <p>[8.1 Information and communication policy statement]</p>
<p>[Insert additional quality objectives if applicable]</p>		

3 GOVERNANCE AND LEADERSHIP

3.1 Governance and leadership policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

Ultimate responsibility and accountability for the firm's system of quality management and operational responsibility for the firm's system of quality management has been assigned to an appropriately experienced and qualified person, specified in the assignment of responsibilities [3.2].



If the firm is operated by a sole practitioner, the practitioner assumes ultimate responsibility and accountability for the firm's system of quality management and operational responsibility for the firm's system of quality management.

We have an overriding commitment to quality. The quality of our work, the satisfaction and enjoyment we experience from completing the work, and the profitability derived are correlated to the level of efficiency and effectiveness reached. The firm recognises the importance of quality in performing all client engagements. The mandatory status of **ASQM 1/PES 3**, is acknowledged and the firm now affirms the intention to operate the practice in a climate of quality, complying with **ASQM 1/PES 3**:

- > All team members are expected to maintain a high level of quality in all assigned tasks
- > Quality will not be compromised by commercial considerations on assignments
- > Adopted procedures will be consistently followed by all team members
- > Team members' annual performance reviews will include an appraisal of their demonstrated commitment to quality
- > Partner's remuneration reviews will include an appraisal of their demonstrated commitment to quality
- > Training is recognised as the key component to ensuring quality is maintained
- > Team members are encouraged to attend training relevant to their roles
- > The firm devotes sufficient resources for the development, documentation and support of its system of quality management.

We have documented a system of quality management that reflects what the practice does. The requirements of **ASQM 1/PES 3** and other standards relevant to services offered by the practice, are adequately addressed by this system of quality management.

We recognise that if this system of quality management is not built in to the way the firm performs its work then it is unlikely they would be consistently performed.

The partners are committed to the system of quality management, and the individual(s) assigned ultimate responsibility and accountability for the system of quality management evaluates the system of quality management at least annually.

3.2 Assignment of responsibilities

Instructions

Your firm is required to assign ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management to an individual, and this assignment must be documented to comply with paragraph 58(a) of **ASQM 1/PES 3**.

You will need to adapt this form to your firm's situation.



This resource may not be needed by sole practitioners.

The firm recognises the need for the individual who has been assigned ultimate responsibility and accountability for the system of quality management and operational responsibility for the firm's system of quality management to have the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility; and understands their assigned roles and that they are accountable for fulfilling them.

The firm also recognises the need for the individual who has been assigned operational responsibility for the system of quality management, compliance with independence requirements and the monitoring and remediation process, have a direct line of communication to the individual assigned ultimate responsibility and accountability for the system of quality management.

Given the above and having considered the team members as listed on the firm's structure, it has been decided to assign ultimate responsibility and accountability for the system of quality management and operational responsibility for the system of quality management to:

Ultimate responsibility and accountability for the system of quality management

[insert name here]

Signed:
(Partner)

Accepted by:

Date:

Date:

Operational responsibility for the system of quality management

[insert name here]

Signed:
(Partner)

Accepted by:

Date:

Date:

4 RELEVANT ETHICAL REQUIREMENTS

4.1 Relevant ethical requirements policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

All team members are expected to adhere to the fundamental principles of professional ethics as outlined in the CA ANZ By-laws and Regulations, **APES 110/PES 1** and other mandatory ethical pronouncements. We require all team members to maintain a high standard of personal conduct to avoid any possible damage to their reputation, the firm's reputation or that of Chartered Accountants Australia and New Zealand.

Public interest

The partners and team members acknowledge their responsibility to act in the public interest.

Integrity, objectivity and independence

The engagement partner must be informed where a team member has a connection with any client. This includes situations where the client employs relatives or friends.

No team member can invest in client entities or be involved in loans to/from clients.

Where the firm begins to act for a new client and any team member has any interest in the client's affairs, including those mentioned above, the team member must immediately, upon becoming aware that the firm is acting, notify the engagement partner of their interest.

Where a team member receives a gift or benefit of any kind or buys goods (or uses services) from a client at a discount, the engagement partner must be notified. Such gifts and discounts may be subject to fringe benefits tax. Any social contact team members may have with clients must be disclosed to the engagement partner concerned. The interaction may be completely appropriate, but the partner must be aware of the circumstances to ensure the integrity and objectivity of the firm are maintained.

The engagement partner is responsible for evaluating any threats to independence and ensuring any threats that clearly are not insignificant are documented, and eliminated or reduced to an acceptable level.

The firm will provide appropriate education to all team members required to be independent.

Confidentiality

Team members have access to clients' confidential information, and it is a critical condition of employment that this information is treated as strictly confidential. Inappropriate use of client's confidential information would be grounds for dismissal.

Examples of inappropriate actions regarding client information are:

- > Imparting information to anyone other than to a member of this firm, other than to other parties where such disclosure is normal and client-approved
- > Imparting information to clients' employees
- > Imparting to anyone the names of clients for whom the firm acts, except where such disclosures are normal and necessary or client-approved
- > Disclosing any information to anyone where such disclosure might be to the detriment of the client
- > Discussing with relatives or friends any matters relating to the firm's clients or their affairs.

Team members should be aware that:

- > Care must be taken to ensure details relating to a client cannot be heard or seen at reception or in other public areas
- > Confidential information can be disclosed inadvertently through on a mobile device, for example when in the proximity of another person
- > Telephone calls should not be taken when team members are engaged with other clients
- > Client files, emails or other information must not be left unattended or visible at reception, or in interview areas or other public areas
- > Great care should be taken to ensure the correct books and papers etc. are forwarded to or handed to a client
- > Unused draft client reports must be disposed of securely.

When team members are visiting client premises, other team members do not disclose to anyone where those team members are working. If a client or other person urgently needs to speak to a team member who is working out of the office, arrangements must be made for that team member to be contacted by someone in the office so that they may return the call. Alternatively, team members may check emails or phone messages for any urgent needs.

Compliance with ethical pronouncements

Team members should refer to, and be conversant with **APES 110/PES 1** and other mandatory ethical pronouncements.

All team members are responsible for the firm's adherence to the ethical principles. If any team members are concerned about any issue in relation to ethical principles, they are empowered to communicate these concerns to the engagement partner, audit quality leader or senior partner as the team member believes is appropriate.

Responsibility for independence issues

The individual assigned operational responsibility for the system of quality management is assigned operational responsibility for independence. This individual is referred to as our 'audit quality leader'.

When an engagement partner has been notified of a potential threat to independence, and has taken action to reduce the threat to an acceptable level, the engagement partner must notify the audit quality leader of the threat and action taken. The audit quality leader will review the action taken to ensure the firm is in compliance with all professional and legislative independence requirements.

The audit quality leader will ensure any threats to independence and the action taken are documented appropriately.

Independence confirmations

All team members (including partners) will complete an annual independence confirmation. This is to be completed during the orientation of any new employees and at the time of the annual performance review for existing employees. Partners will complete the checklist annually.

The audit quality leader will ensure a list of clients and the scope of services is available to enable team members to evaluate any impact on their independence status. During weekly team meetings the details of any new assurance clients and additional services offered to existing assurance clients are tabled for the information and consideration of team members. Quarterly, a list of all clients broken down into assurance clients and non-assurance clients is circulated to team members.

Partner rotation

The firm requires the lead engagement partner, audit review partner (if appointed) and engagement quality reviewer on listed entity audit engagements to be rotated from the audit after five years. For other public interest entity audit clients the key audit partners will be rotated after seven years.

For all other assurance engagements, if the same engagement partner has been conducting the audit for more than seven years the firm recognises that this situation creates a familiarity threat to independence. The engagement partner will document this threat and how it has been reduced to an acceptable level prior to commencing the audit. The quality management leader will review this documentation. The firm will consider rotating the engagement partner or requiring an engagement quality review where appropriate.

Independence

The client acceptance and continuance forms/audit strategy and planning documents address independence issues on assurance engagements.

To determine whether it is possible and permissible to provide non-assurance services without impairing the firm's independence in providing assurance services, the firm complies with the requirements of **APES 110/PES 1** and applies its fundamental principles to make the decision. The engagement partner will document how any threats to independence of conducting non-assurance services has been reduced to an acceptable level. The audit quality leader shall monitor for any non-compliance with the firm's policy.

Where any other threats to independence are identified, the engagement partner is responsible for ensuring these threats are reduced to an acceptable level prior to commencing the engagement. The threats, and action taken, must be documented and notified to the quality control leader.

Fee dependence

The audit quality leader is responsible for monitoring the reliance on revenue received from a single client. If more than 15% of the firm's revenue comes from a single client, the firm will consider whether there are adequate safeguards in place to reduce the potential threat to an acceptable level.

Communication with clients

The engagement partner is responsible for communicating to the client's board or audit committee any matters that may bear on independence.

The form of this communication will depend on the type of assurance engagement and will be determined by the engagement partner.



For all audits conducted under the *Corporations Act 2001* the auditor is required to provide an auditor independence declaration to the client.

4.2 Annual independence confirmation

Instructions

Your firm is required to obtain, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent to comply with paragraph 34(b) of **ASQM 1/PES 3**.

You will need to adapt this form to your firm's situation.

Name of partner/employee:

Yes No

<input type="checkbox"/>	<input type="checkbox"/>	Do you have a direct or indirect material financial interest in a client or its subsidiaries/affiliates?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have a financial interest in any major competitors, investors in or affiliates of a client?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have any outside business relationship with a client or an officer, director or principal shareholder having the objective of financial gain?
<input type="checkbox"/>	<input type="checkbox"/>	Do you owe any client any amount (except as a normal customer, or in respect of a home loan under normal lending conditions)?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have the authority to sign cheques for a client?
<input type="checkbox"/>	<input type="checkbox"/>	Are you connected with a client as a promoter, underwriter or voting trustee, director, officer or in any capacity equivalent to a member of management or an employee?
<input type="checkbox"/>	<input type="checkbox"/>	Do you serve as a director, trustee, officer or employee of a client?
<input type="checkbox"/>	<input type="checkbox"/>	Has your spouse or dependent child been employed by a client?
<input type="checkbox"/>	<input type="checkbox"/>	Has anyone in your family been employed in any managerial position by a client?
<input type="checkbox"/>	<input type="checkbox"/>	Are any billings delinquent (high WIP) for clients that are your responsibility?

If answered **Yes** to any of these questions, you must detail the reason for this threat to independence on the independence resolution memorandum [4.3], together with an explanation of how the threat to independence has been eliminated or reduced to an acceptable level.

I have read the independence policy of the firm, and **APES 110/PES 1**, and I believe I understand them. I am in compliance except for the matters listed on the independence resolution memorandum.

Signature of employee:

Date:

Signature of partner:

Date:

4.3 Independence resolution memorandum

Instructions

This form should be completed whenever there is a potential threat to independence.
You will need to adapt this form to your firm's situation.

Independence issue relates to:

Date:	
Client:	
Employee/partner:	

Describe the issue and the potential threat to independence:

--

Sources/persons consulted (attach copy of applicable material):

--

What are the findings?

--

How is the threat to be eliminated or reduced to an acceptable level?

--

Resolved by:

Date:

Resolution acknowledged by employee:

Date:

5 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

5.1 Acceptance and continuance of client relationships and specific engagements policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

The firm acknowledges that client integrity, and the ability of the firm to conduct the engagement competently and ethically are essential components of the firm's system of quality management.

Acceptance of new clients

The firm will only tender for or accept new clients after completing the appropriate documentation, including sending an ethical letter to the existing or predecessor auditor, and assessing the acceptability of the client. The factors the firm will take into account include:

- > The perceived integrity of the client
- > The capability of the firm to complete the engagement competently and in the required timeframe
- > Ethical issues, with particular reference to any perceived independence and conflict of interest threats.

The client acceptance or rejection decision will be made by the potential engagement partner after determining that any threats to the fundamental ethical principles have been eliminated or reduced to an acceptable level.

The firm may, in some rare circumstances, be legally required to accept a client relationship or specific engagement. In such circumstances, the firm will endeavour to manage the requirements of its system of quality management as it would for any other client relationship.

Engagement letters

Engagement letters are a very effective risk management tool.

The firm recognises that **ASA/ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*** makes it mandatory for an engagement letter to be in place for all audit engagements undertaken. Reviews, other assurance and agreed-upon procedures engagements also require engagement letters in accordance with the relevant engagement standards.

Planning documentation for audits, reviews other assurance and related services engagements includes consideration of whether an engagement letter is in place and whether it needs to be updated. Whenever a client experiences a change in circumstances, structure etc., or changes the level of services required, this is taken as an opportunity to create or refresh a formal engagement letter.

Continuing engagements

The firm will not continue on an engagement or providing services to a client in circumstances where it would not have accepted the engagement had the information been available earlier. If the firm decides to withdraw from an engagement, the reasons and a record of all relevant discussions with the client will be documented.

The firm may, in some rare circumstances, be legally required to continue with a client relationship or specific engagement. Accordingly, the firm will manage its system of quality management as it would for any other client relationship.

5.2 Client screening questions

Instructions

This form could be used to prompt appropriate questions at the initial interview with a new client. You will need to adapt this form to your firm's situation.

Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, in the course of assessing their integrity.

Date:	Completed by:
Entity name:	Industry:

The following areas need to be covered	Notes	Comments
> Tell me about your business	Watch for proven track record.	
> Who is your previous audit and assurance service provider?	Watch for history of frequently changing accountants, as this indicates both a lack of loyalty and an inability to regard the professional relationship between client and accountant as long term, and possibly a lack of integrity by the client.	
> Why have you found it necessary to change?		
> <i>Explain you will need the client's permission to contact their previous auditor [mandatory for audit engagements, recommended for all engagements]</i>		
> What made you approach this firm for audit and assurance services?	Be wary of flippant responses, and referrals from "D" type clients. A referral from an "A" client may be an indication that this person has potential.	
> What are the issues that concern you the most in your business right now?	Watch for responses that indicate lack of business competence. Also watch for a high degree of sensitivity to taxation.	
> Are you up to date with all taxation returns and payments?	Be wary of responses that indicate multiple years and payments outstanding.	
> What audit and assurance services do you require?	Be wary of responses that indicate that this person seeks a minimum service, at minimum cost.	
> <i>Discuss the way we do things at this firm, including the firm's system of quality management. The engagement partner will have management responsibilities and achieving quality audit.</i>	Explain areas of operation, also our strong desire to ensure accurate financial reports. Fixed Price Agreement or likely scale of fees. Explain quality audits require application of auditing standards, and compliance with relevant ethical requirements.	
> To assess your record keeping, internal controls and accounting system, we need to visit your premises for a minimum of two hours and produce a report that highlights any areas in need of attention.	Explain likely cost of this first session, as well as the information that your potential client will need to provide at that meeting. Watch for indications that this person expects this first meeting to be free, or has	

The following areas need to be covered	Notes	Comments
<ul style="list-style-type: none"> > <i>Is the firm's policies and procedures for acceptance of client followed?</i> > 	unreasonable expectations of accounting fees. If the potential client is unwilling to spend three hours at say \$180 per hour on their business, you need to seriously question attitudes and values.	

Intuition and "gut feelings" are relevant in this process but the partner needs to take into account information obtained to plan and perform the engagement. Consider the responses given and if unfavourable then this may signal a potential "D" client. If this is the case you need to consider declining the engagement.

Will the firm potentially accept this new client? Yes No

Referred from:	
Appointment made:	Date and Time:
Summary and observations:	

If the client is potentially accepted, complete the following checklist:

	Date	Signature
Client details recorded on New client form [5.3].		
Client permission given to contact previous auditor [5.5].		
Ethical letter sent [5.5].		
New client acceptance checklist completed [5.6].		

5.3 New client form

Instructions

This form could be used to collect information about a new client.
You will need to adapt this form to your firm's situation.

Entity name:	
Key contact:	
Type of business/industry:	
Postal address:	
Physical address:	
Mobile phone:	Other phone:
Email:	Web address:
A.B.N/NZBN:	Source of new client:
Previous auditor:	

Major Assets/Liabilities:	
Key Management (Names and Functions):	
All related parties (Subsidiaries, affiliated companies):	
Number of Employees:	
	Yes
Supplied copy of recent financials:	<input type="checkbox"/>
Prepared by:	Date:
Reviewed by:	Date:

5.4 Welcome letter

Instructions

Sending a welcoming letter to your potential new client is a professional courtesy. It is also an effective way of obtaining the potential audit client's consent in writing to communicate with the previous auditor by attaching the ethical letter for the client to sign.

You will need to adapt this sample letter to your firm's situation.

(Date)

(Addressee)

(Client name)

(Client address)

Dear (Name)

Welcome!

We are very pleased to welcome you to [*insert firm name*] and hope that you will be happy with your choice of professional services.

Our firm brings together a wealth of audit and assurance experience through its partners, team members and associates. As progressive Chartered Accountants it is our goal to assist clients achieve their desired business and personal success.

We enclose a letter [5.5], addressed to your previous auditor, advising them that you have chosen our firm as your new auditor. Please sign where indicated and return the letter to our office in the envelope provided as soon as possible.

Once again, welcome and thank you for choosing [*insert firm name*]. We look forward to a long and rewarding association for many years to come.

If you have any queries or require any assistance in the above matter, please contact our office on xx.

Yours sincerely

[*insert name*]

[*insert job title*]

5.5 Ethical letter

Instructions

For potential audit clients your firm must, after receiving permission from the potential client, communicate in writing with the previous auditor before accepting a new client. [Chartered Accountants Australia and New Zealand recommends your firm communicates in writing with the existing or predecessor accountant for all engagements]. We have termed this letter the 'ethical letter'.

You will need to adapt this sample letter to your firm's situation.

(Date)

(Addressee)

(Client name)

(Client address)

Dear (Name)

Ethical clearance letter

We have been approached by the abovementioned to accept nomination as auditor [amend as appropriate].

Please advise if there is any professional or ethical reason why we should not accept this appointment.

If no such reason exists, please forward to us the necessary documentation to ensure continuity of professional service, including:

- > Copies of last year's audit workpapers including basis for audit opinion, summary of audit differences / unadjusted misstatements, matters discussed with senior management or the board (management letter), and management representation letter
- > Copies of last year's signed financial statements and auditors' report
- > Copies of any fixed asset registers or other business schedules
- > Copies of last year's tax assessment notices
- > Any other relevant information you may have in relation to their business and legal affairs¹.

If we can be of any further assistance to you, please contact our offices on [insert phone number] or via email at [insert email address]

Yours sincerely

[insert name]

[insert job title]

Client Name

Client Signature

¹ For more guidance on the ownership, possession and disclosure of client related documents and records refer to Guidance Note N1 *Books and Papers* in the Members' Handbook.

5.6 New client acceptance checklist

Instructions

Your firm is required to obtain information about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgements by the firm about whether to accept a client relationship or specific engagement to comply with paragraph 30(a)(i) of **ASQM 1/PES 3**.

You will need to adapt this checklist to your firm's situation.

Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, in the course of assessing their integrity.

Client:	Date:		
Question	Comments		
Client integrity has been considered and we do not have information that would lead us to conclude that the client lacks integrity? What are the client's initial expectations?			
Competent to perform engagement? Has the firm performed audit of entities of similar size and in the same industry?			
Resources to complete on time? Would the audit complement our staff availability or compete for resource? Is it possible to obtain additional resources where needed?			
Independence checklist completed? [4.2 Annual independence confirmation]			
Is the firm free of any conflicts of interest with the client? If a conflict of interest does exist, how has it been dealt with?			
Fee level/collection issues? Consider matters relating to independence.			
Consideration of client screening questions?			
Genuine reason for leaving previous auditor?			
Any conflicts of interest considered and threat reduced to an acceptable level?			
Ethical letter response considered?			
	Yes	No	
Record-keeping, internal controls and accounting system review visit scheduled	<input type="checkbox"/>	<input type="checkbox"/>	Date: <input type="text"/>
Decision made to accept as client	<input type="checkbox"/>	<input type="checkbox"/>	
Engagement letter sent	<input type="checkbox"/>	<input type="checkbox"/>	
Add to team meeting agenda to inform staff	<input type="checkbox"/>	<input type="checkbox"/>	
Prepared by:	Date:		
Reviewed by:	Date:		

5.7 Client retention checklist

Instructions

Your firm is required to obtain information about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgements by the firm about whether to continue a client relationship or specific engagement to comply with paragraph 30(a)(i) of **ASQM 1/PES 3**. This form should be used at the planning stage of the engagement each year, as a prompt to consider whether the client is still appropriate for the firm.

You will need to adapt this checklist to your firm's situation.

Warning: Practitioners are reminded that care should be taken when completing this checklist to avoid any possibility of defamation of individuals, for example, in the course of assessing their integrity.

Question	Comments
Client integrity has been considered and we do not have information that would lead us to conclude that the client lacks integrity?	
Competent to perform engagement? Are there significant changes / planned developments that need to be considered for the next engagement?	
Resources to complete on time?	
Independence checklist completed? [4.2 Annual independence confirmation]	
Is the firm free of any conflicts of interest with the client? If a conflict of interest does exist, how has the firm managed the threat to independence?	
Fee level/collection issues?	
Consideration of client screening questions?	
Record-keeping, internal controls and accounting system acceptable?	
	Yes No N/A
Decision made to retain client	<input type="checkbox"/>
Lost client form completed	<input type="checkbox"/>
Prepared by:	Date:
Reviewed by:	Date:

5.8 Lost client form

Instructions

This form could be used to document the loss or rejection of a client, and as a checklist that appropriate matters have been dealt with. You will need to adapt this form to your firm's situation.

Client name(s):

(list all entities)

Matter	Comment/how done	Cleared
Contact from client or Decision not to continue documented Letter to client – where appropriate		
Consider the impact of this client leaving on other client relationships and workload		
Response to ethical letter Access to audit workpapers request received?		
Examine work in progress and debtors Take appropriate action if there are any balances. For example, contact client, send debtor statement, raise final fee account, write-off remaining WIP.		
Update firm database > mark as non-client > enter new auditor's contacts > mark as non-client		
ASIC/FMA Resignation as auditor / other process requirements		
Add to agenda for next team meeting to inform all team members of lost client		
Archive remaining correspondence and work paper files		

Prepared by:

Date:

Reviewed by:

Date:

5.9 Disengagement letter

Instructions

Where the engagement with a client is ended, it is best practice to summarise the situation in writing to the client. This will help avoid any confusion as to your firm's responsibility for completion of outstanding matters, and make it an easier transition for the new firm.

You will need to adapt this sample letter to your firm's situation.

(Date)

(Addressee)

(Client name)

(Client address)

Dear (Name)

Ceasing to act as auditor

We wish to clarify matters connected with your decision to replace us as your auditor. This letter replaces our previous letter of engagement dated *[insert date]*.

Authority to provide information and documents

For audits or reviews of financial statements and financial information, should you wish access to working papers to be provided to the incoming auditor, we shall be guided by our professional obligations.



For example, the process stated in the AUASB's Guidance Statement GS 011 *Third Party Access to Audit Working Papers*.

Your written request in a specific format is required.²

Record retention

Attached we return source documentation that should be retained by you. Documentation such as our working paper file will be retained by us for the appropriate statutory time period, with continued confidentiality assured.

² For more guidance on the ownership, possession and disclosure of client related documents and records refer to Guidance Note N1 *Books and Papers* in the Members' Handbook).

Fees

Attached is a final invoice for our services to date, together with a statement also showing prior fees outstanding. By way of acknowledgement, please sign and return the attached copy of this letter, along with settlement of these amounts at your earliest convenience.

Yours sincerely

FIRM NAME

Partner:

Date:

Acknowledgement

We acknowledge this letter which records the agreement between us on your resignation as our auditor.

We authorise you to supply information and documentation to [REDACTED] whom we have appointed as our auditor.

Client name(s):

6 ENGAGEMENT PERFORMANCE

6.1 Engagement performance policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

Engagement performance

Audit, assurance and related services engagements are performed in accordance with the requirements of the applicable auditing and assurance, and professional and ethical standards and are planned and performed with professional scepticism and using professional judgement. The firm aims for consistent quality by using toolkits, industry standard software, template documents and appropriate guidance material.

Team members are informed about the engagement and the objectives of their work. Engagement team shall include experienced team members who have the necessary skills and experience to match the requirements of the engagement, and the allocated resources are balanced and sufficient to perform the audit and achieve quality work. This aim is also achieved with an experienced team leader who delegates yet consistently exercises balanced professional judgement and considers scepticism where appropriate. Work control and client information forms, structure diagrams, organisation charts, and permanent file documents (such as signed management representation letters) help team members to know the client. Engagement letters identify what work is to be completed.

Supervision – the progress of the engagement is tracked using the workflow management module of our professional services software and time budgets. The workflow management module provides indicators to report to the leadership about the reasonableness of the preliminary budget and whether the budget should be revised. Every team member has direct partner contact daily. Job progress is formally reviewed during weekly team meetings. Comprehensible instructions are given to team members on the work control form and in person. The level of supervision varies depending on the seniority of the team member assigned to the engagement.

Review – a partner reviews all work completed and raises significant matters to ensure compliance with professional standards, regulatory/legal requirements and completeness and accuracy of work performed.

Training and coaching – partner reviews are viewed as part of on-the-job training and coaching of staff members. Partners are accessible to assist and clear queries.

Use of experts

We consult with experts with specialist skills. In some instances, we may need to consult with experts outside our regular approved panel to comply with professional standards. For all formal consultations, we document the consultation, monitor the progress, review the findings and implement the conclusions from the consultation.

The engagement partner is responsible for determining when an expert is required for the engagement, the nature, timing and extent of audit procedures, evaluating the expertise, capabilities and objectivity of the expert, and evaluating the adequacy of the expert's work.

Consultations are properly resourced, encouraged and documented, and the conclusions implemented. Documentation of any consultation on client files enables clear understanding of the matters considered, conclusions reached and implementation details. The individual consulted will also document their conclusion around any difficult or contentious matters. The engagement partner is responsible for determining whether a matter is difficult or contentious.

Engagement documentation

All engagement files are to be finalised on a timely basis. At a maximum this must be within 60 days of the audit/assurance report etc. being issued. Once finalised, no modification to the documentation is permitted. An example of a circumstance in which it may be necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties.

All team members are responsible for safeguarding engagement documentation by implementing the following procedures:

- > All workpapers are to clearly identify the preparer and reviewer

- > Any changes to workpapers must clearly indicate the changes and the team member who made the changes
- > Engagement documentation must be filed in the designated area whenever it is not in use by a team member
- > Electronic workpapers are password protected. Team members are not permitted to share their password with any other individual.

Our IT system includes the following security features:

[Tailor to your firm, including policy on password protection of documents, controls over issuing of passwords and backup policy].

The firm does not destroy engagement documentation unless it has obtained legal advice that destruction is appropriate. In all instances the firm will retain engagement documentation for at least 7 years.

Differences of opinion

Any difference of opinion should be identified at an early stage and each step of the processes undertaken to resolve the difference should be documented.

The audit or other report will not be issued until the matter is resolved.

Engagement quality review

An engagement quality review (EQR) must be undertaken for:

- > Audits of financial reports of listed entities;
- > Audits or other engagements for which an engagement quality review is required by law or regulation; and
- > Audits or other engagements for which the firm determines that an engagement quality review is an appropriate response to address one or more quality risk(s).

For all other assurance engagements the engagement partner will consider the following criteria when determining whether an EQR should be performed:

- > level of engagement audit risk – if the level of audit risk is considered to be high then it is more likely that an EQR is required
- > seniority of staff conducting the engagement – the need for an EQR should reduce with the higher levels audit team experience/proficiency
- > any EQR conducted on this engagement in prior years – if an EQR has been conducted in recent years the need for a current year review may be reduced
- > findings/recommendations of any previous EQR – if the EQR revealed few issues, the need for a current year EQR is reduced. The EQR may have recommend the frequency of subsequent EQRs.

The responsibility for the appointment of engagement quality reviewers must be assigned to an individual with the competence, capabilities and appropriate authority within the firm to fulfill the responsibility. Therefore this responsibility has been assigned to the audit quality leader.

The criteria for an individual to be eligible to be appointed as an engagement quality reviewer are:

- > Shall not be a member of the engagement team;
- > Has the competence and capabilities, including sufficient time, and the appropriate authority to perform the EQR;
- > Complies with relevant ethical requirements, including in relation to threats to their objectivity and independence; and
- > Complies with provisions of law and regulation, if any, that are relevant to their eligibility.

There must be a cooling-off period of at least two years before an individual can be appointed as an engagement quality reviewer after previously serving as the engagement partner.

The criteria for an individual to be eligible to assist the engagement quality reviewer are:

- > Shall not be a member of the engagement team;
- > Has the competence and capabilities, including sufficient time, to perform the duties assigned to them; and
- > Complies with relevant ethical requirements, including in relation to threats to their objectivity and independence and, if applicable, the provisions of law and regulation.

The engagement quality reviewer takes overall responsibility for the performance of the EQR.

The engagement quality reviewer is responsible for performing procedures at appropriate points in time during the engagement to provide an appropriate basis for an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon.

The engagement quality reviewer is responsible for determining the nature, timing and extent of the direction and supervision of the individuals assisting in the review, and the review of their work.

When the engagement quality reviewer becomes aware of circumstances that impair their, they shall notify the audit quality leader, and:

- > If the engagement quality review has not commenced, decline the appointment to perform the EQR; or
- > If the engagement quality review has commenced, discontinue the performance of the EQR.

In circumstances in which the engagement quality reviewer's eligibility to perform the engagement quality review is impaired, the audit quality leader will identify and appoint a replacement who meets the eligibility criteria.

In circumstances when the nature and extent of discussions between the engagement quality reviewer and the engagement team about a significant judgement give rise to a threat to the objectivity of the engagement quality reviewer, the engagement quality reviewer shall notify the audit quality leader. The audit quality leader shall evaluate whether such a threat is at an acceptable level. If the audit quality leader determines that the identified threat to the objectivity of the engagement quality reviewer is not at an acceptable level, the audit quality leader shall apply safeguards, where available and capable of being applied, to reduce the threats to an acceptable level. In circumstances in which the threat to objectivity of the engagement quality reviewer cannot be reduced to an acceptable level through the application of safeguards, the audit quality leader will identify and appoint a replacement who meets the eligibility criteria.

The engagement quality reviewer takes responsibility for documentation of the EQR, and such documentation shall be included with the engagement documentation.

The engagement quality reviewer must complete the engagement quality review form [6.6]

The engagement quality reviewer shall notify the engagement partner if they have concerns that the significant judgements made by the engagement team, or the conclusions reached thereon, are not appropriate. If such concerns are not resolved to their satisfaction, they shall notify the audit quality leader that the EQR cannot be completed.

The engagement partner is precluded from dating the engagement report until notification has been received from the engagement quality reviewer that the EQR is complete.

6.2 Work control form

Instructions

You will need to adapt this form to your firm's situation, to be supplemented by engagement specific work papers and checklists.

Client name(s):	Client code:
Period/year end:	Engagement partner:

Work required

Interim to:	OR Final year ended:
Budgeted hours:	
Proposed engagement team:	
Timeframe and resource priority: H/M/L	Date due:

Interview checklist

<input type="checkbox"/>	Engagement letter	<input type="checkbox"/>	Budget analysis
<input type="checkbox"/>	Key concerns / challenges in your business	<input type="checkbox"/>	IT systems and security
<input type="checkbox"/>	Business plan and strategy / goals	<input type="checkbox"/>	Risk management
<input type="checkbox"/>	Tax records	<input type="checkbox"/>	Client retention decision

Interviewed by:	on:
Work mailed in/delivered on:	
Description of records provided by client:	

Job plan:	Person	Time budget	Time spent	Notes
Planning				
Internal controls				
Fieldwork (testing)				
Finalisation (reporting)				
Other				
Partner time (review/supervision)				

Last year fee: \$	Last year write off: \$
This year budget: \$	Fixed fee quoted: \$

Office costing summary (detailed WIP printout attached)

Actual WIP	Write-off/(up)	Final fee	Date	Comments
Prepared by:			Date:	
Reviewed by:			Date:	

6.3 Using experts' work

Instructions

Having a pre-prepared list of specialists is an efficient and effective tool when experts are required. These experts could be in-house specialists, or external to your firm.

You will need to adapt this form to your firm's situation.

	Name	Contact details
Company formation services		
Discretionary/unit trust deed preparation/amendment		
Financial planning		
Risk insurances		
General insurance		
PI insurance		
Mortgage broker		
Finance broker – lease, chattel mortgage		
Stock broker		
Superannuation		
Insolvency – voluntary administration – bankruptcy		
Sustainability/climate		
Independent valuations		
Complex income tax matters		
Complex indirect tax matters		
Income tax planning/structuring		
Company strike-off		
Solicitor/lawyer		
Actuary		

6.4 Checklist for use of outside experts

Instructions

You will need to adapt this checklist to your firm's situation.

Before engaging an expert, consider if the audit evidence requires expertise outside the field of auditing and accounting. Such examples may include valuations, legal judgements or geologist's estimates. If an expert is required, then the firm shall consider the experts competence, capabilities and objectivity, and field of expertise.

It is also necessary to agree with the expert the scope and objective of the work, nature, timing, roles and responsibilities, report format and confidentiality requirements.

When the work is completed, the adequacy of the expert's work, and whether further work is required, needs to be evaluated. The expert's work must be adequately documented in the audit file working papers.

Client name(s):	Client code:
Date:	Prepared by:

Outside expert's name/firm:

Reasons for use:

	Yes	No
Client advised of use	<input type="checkbox"/>	<input type="checkbox"/>
Written brief forwarded to expert	<input type="checkbox"/>	<input type="checkbox"/>
Quote received for estimated cost for expert	<input type="checkbox"/>	<input type="checkbox"/>
Written report received from expert	<input type="checkbox"/>	<input type="checkbox"/>

Prepared by:	Date:
Reviewed by:	Date:

6.5 Differences of opinion resolution

Instructions

The firm must document how it has resolved differences of opinion to comply with paragraphs 37–38 of **ASA/ISA (NZ) 220**.
You will need to adapt this form to your firm's situation.

Facts:

Implication

Treatment/opinion #1

Treatment/opinion #2

Source of information used to resolve the matter

Yes

No

Differences of opinion resolved in accordance with the firm's policies and procedures

Recommended/agreed approach/resolution

Yes

No

Matter finalised with resolved action taken

Prepared by:

Date:

Reviewed by:

Date:

6.6 Engagement quality review form

Instructions

The firm must document these matters to comply with paragraph 30 of **ASQM 2/PES 4**.

You will need to adapt this form to your firm's situation.

Name of the engagement quality reviewer:	
Client file(s) reviewed:	
Year/period ended:	
Name of engagement partner:	
Name(s) of individual(s) who assisted with the EQR:	

	Procedures performed:	Done	N/A
(a)	Read, and obtain an understanding of, information communicated by: <ul style="list-style-type: none"> (i) The engagement team regarding the nature and circumstances of the engagement and the entity; and (ii) The firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgements made by the engagement team. 	<input type="checkbox"/>	<input type="checkbox"/>
(b)	Discuss with the engagement partner and, if applicable, other members of the engagement team, significant matters and significant judgements made in planning, performing, and reporting on the engagement.	<input type="checkbox"/>	<input type="checkbox"/>
(c)	Based on the information obtained in (a) and (b), review selected engagement documentation relating to the significant judgements made by the engagement team and evaluate: <ul style="list-style-type: none"> (i) The basis for making those significant judgements, including, when applicable to the type of engagement, the exercise of professional scepticism by the engagement team. (ii) Whether the engagement documentation supports the conclusions reached; and (iii) Whether the conclusions reached are appropriate. 	<input type="checkbox"/>	<input type="checkbox"/>
(d)	For audits of a financial report, evaluate the basis for the engagement partner's determination that relevant ethical requirements relating to independence have been fulfilled.	<input type="checkbox"/>	<input type="checkbox"/>
(e)	Evaluate whether appropriate consultation has taken place on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations.	<input type="checkbox"/>	<input type="checkbox"/>
(f)	For audits of financial reports, evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgements made and the conclusions reached are appropriate given the nature and circumstances of the engagement.	<input type="checkbox"/>	<input type="checkbox"/>
(g)	Review: <ul style="list-style-type: none"> (i) For audits of financial reports, the financial reports and the auditor's report thereon, including, if applicable, the description of the key audit matters; (ii) For review engagements, the financial report or financial information and the engagement report thereon; or (iii) For other assurance and related services engagements, the engagement report, and when applicable, the subject matter information. 	<input type="checkbox"/>	<input type="checkbox"/>

Details of any concerns that the significant judgements made by the engagement team, or the conclusions reached thereon, are not appropriate?

How were concerns resolved? (N/A if no concerns)

Yes

No

Requirements in ASQM 2/PES 4 have been fulfilled and EQR is complete

--	--

Basis for the above determination

Date of completion:

7 RESOURCES

7.1 Resources policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

General philosophy

We do not perceive team members to be a 'cost'. Instead, a team member is a form of human (intellectual) capital; someone who generates more for the firm than their salary cost plus share of overhead. Therefore, we must invest heavily in training and improving our human capital, to obtain the best possible return on it. The returns, typically, will be in the form of fees, but also from the generation of ideas that improve our efficiencies, and from the introduction of new clients and their retention.

Best practice for employees includes being thorough, passionate about detail, technically proficient, well prepared, able to concentrate, neat and well organised, proactive and forward thinking, and a fast learner. They also have an unrelenting work ethic, are enthusiastic and encouraging, have a positive perspective, are considerate and polite, and are a good communicator and team player.

Productivity hours are 1,300 a year – that is, six hours per day (on average), at an hourly rate that recovers approximately three times remuneration.

Human resources policy

On an ongoing basis, based on recurring reviews of the firm's workflow records, and aged work in progress records, the partners ascertain whether there are sufficient appropriate personnel to perform client engagements.

An appropriate partner is allocated responsibility for all human resource issues.

Human resources is recognised as a critical success area for the firm. It is the largest expense area in our P&L. Partners accept the ultimate responsibility for the quality of the work performed by the firm. Management of and communication with team members is one of the major roles of partners.

The firm is committed to ethical principles. Accordingly, adherence to ethical principles is an important component of all human resources procedures, including performance evaluation, promotion and remuneration. Any personnel not adhering to the firm's ethical principles will be counselled and where appropriate may be subject to disciplinary action.

In order to implement this human resources policy, the firm will follow the procedures listed below:

Recruitment

- > Job descriptions are maintained for all positions
- > Candidates best suited to the job descriptions are interviewed and evaluated, and sections 1 and 2 of the candidate interview and evaluation checklist are completed
- > References are thoroughly checked and documented in section 3 of the candidate interview and evaluation checklist
- > A partner approves the offer/no offer decision, which is documented in section 4 of the candidate interview and evaluation checklist
- > A statutory three-month probationary period is part of the employment agreement
- > Comprehensive orientation is provided for the new team member, firstly by the partner and then using a 'buddy' system with an experienced team member.

Performance evaluation/promotion/remuneration

- > Close supervision and feedback occurs during the probation period
- > Six monthly interactive performance reviews are documented
- > Appropriate recognition and feedback aids career development
- > Promotion to complete more complex work occurs with appropriate supervision and review
- > Remuneration is negotiated in accordance with industry standards based on level of experience, together with an assessment of the recoverability of the resultant charge out rate that is applied.

Capabilities/competence/career development

- > Partners are required to meet Chartered Accountants Australia and New Zealand's continuing professional development requirements
- > All team members who are members of professional accounting bodies are encouraged and supported to meet the training and development requirements of their professional bodies
- > Team members attend relevant external professional education courses
- > All professional staff members are required to maintain a training and development record. A copy of this record will be obtained and put on the staff member's personnel file at the time of staff member's annual review
- > Weekly team meetings contain a strong element of training
- > Coaching and on-the-job training occurs while gaining experience from completing work
- > Independence updates are provided for team members required to be independent
- > Practical issues identified while completing assignments are incorporated into internal weekly training sessions.

Assignment to engagements

Client jobs are assigned to a partner and to team members having given consideration to the complexity of the work and the ability of the available personnel.

Where team members have less experience, partners provide more assistance with the handover and job planning and then supervision through the job milestones.

In order to implement this assignment policy, the firm will implement the following procedures:

- > Partners accept work from clients and enter all details into the firm's workflow management system
- > Key members of the client management are notified of the engagement partner, if not already aware
- > The partner and staff assigned to each job are recorded on the job planning documentation
- > The level and aging of work-in-progress held by each team member is monitored at the weekly firm team meeting.

Technological resources policy

Not all of the firm's technological resources fall within the scope of **ASQM 1/PES 3** as they serve multiple purposes. Resources which do not form part of the system of quality management are outside the scope. The following technological resources are relevant for the purposes of **ASQM 1/PES 3**:

- > Technological resources used in designing, implementing or operating the system of quality management; e.g. IT applications for independence monitoring and client acceptance and continuance.
- > Technological resources used by engagement teams in the performance of engagements; e.g. IT applications used to prepare and compile engagement documentation.
- > Technological resources essential to enabling the effective operation of IT applications; e.g. the operating systems and databases supporting the IT applications used in operating the system of quality management or performance of engagements.

Staff may use the firm's approved technological resources in the performance of engagements. The use of other technological resources is prohibited until such time that it has been determined that they operate appropriately and have been approved for use by the firm [7.8].

Use of the firm's technological resources shall be for legitimate purposes in accordance with privacy laws and any applicable legislation. In all circumstances, staff must be careful against all cyber-security risks and take necessary precautions. The firm will continue to maintain proper support and provide latest information to assist staff with this responsibility, but it is incumbent on staff to remain vigilant and suspicious of any potential threats. Private use of technology resources shall be limited, and prohibited websites must not be accessed.

Staff are not permitted to add on additional unauthorised application software. Staff must protect against malware and virus threats including not opening attachments from unusual sources or accessing inappropriate links. It is also prohibited to circumvent any security controls set up for the technology.

Systems access shall be password-secured to prevent unauthorised use and the protection of confidential information. It is necessary to be aware of your surroundings and risks including at client venues and while working from home. Passwords must not be shared and shall be revised / adapted in accordance with the firm's policy requirements at the time.

Intellectual resources policy

Intellectual resources include the information the firm uses to enable the operation of the system of quality management and promote consistency in the performance of engagements. Common examples of firm's intellectual resources are written policies or procedures, audit methodology or technical updates and user guides.

The firm's intellectual resources are intended for the operations of the firm, primarily the provision of assurance services. Access is limited to permitted users of the resources and, unless intended for a broader audience, should not be shared with other parties. Permitted users must undertake to protect the resources, and any request for access to or reproduction of the intellectual resources must be approved by the engagement partner or equivalent.

The firm's intellectual resources include all works developed by staff in the course of their employment. The firm has copyright ownership for works undertaken by staff. This policy will also be reinforced in individual employment agreements. However, any work developed by employees outside the scope of employment will be excluded. This may include professional technical updates for a professional accounting body.

The firm protects its intellectual resources by reporting to the firm's leadership the range, utilisation and state of such resources. The existing resources will be managed as seen fit by the firm's leadership.

Service providers policy

The firm may choose or be required to use resources that are provided by service providers (individuals and organisations external to the firm), e.g., Confirmation, Audit Assistant, CaseWare etc, but the firm remains responsible for the system of quality management at all times.

When using resources provided by service providers, the firm is responsible for ensuring that the resources are appropriate for use in the system of quality management or performance of engagements. A service provider may be engaged by the firm, or a third party. The use of service providers is prohibited until such time that it has been determined that sufficient due diligence has been conducted and they have been approved for use by the firm [7.9].

Matters to consider when looking to engage a service provider include:

- > Obtaining written quotations from several potential service providers.
- > Reputation of the service provider (e.g. existence of any negative media coverage) and whether reference checks should be conducted to ensure quality.
- > Location of service provider, where the firm's data goes and whether it is secure.
- > The potential for any threats to independence to arise.
- > If a confidentiality agreement is needed to protect the exchange of personal information.
- > In the event of a disaster, does the service provider have resources and facilities to restore operations for business continuity.

7.2 Job descriptions

Instructions

Formalising job descriptions is a useful tool to assist with recruiting and evaluating team members.

Sample job descriptions are provided for:

- > Auditor
- > Office Administrator/Assistant Accountant
- > Pro-forma for new position
- > You will need to adapt these sample job descriptions your firm's situation.



This resource may not be needed by sole practitioners.

Position description – Auditor

JOB TITLE:	Auditor
GENERAL DESCRIPTION:	Responsible for assisting partners to provide clients with assurance and related services to clients.
REPORTS TO:	Partners
RESPONSIBLE FOR:	Timely completion of assigned tasks, keeping track of tasks, clear communication to other team members.

Qualifications and experience:

- > Commerce-related degree completion or in progress
- > Experience in administrative aspects of an auditing firm
- > Aiming to complete professional studies to secure a CA qualification
- > A working knowledge of relevant software including Audit Assistant/CaseWare, Microsoft Office
- > Please refer to our website *[insert firm's website address]*

Accountable for:

- > Ensuring you are consistently asking yourself — 'Am I doing the most important thing that I should be doing?' ... and 'If not, why not?' [time is a valuable resource to be spent wisely and with a sense of balance in mind]
- > Being aware of existing standards, legislation, current developments and technical updates that may impact on the work you are performing for clients
- > Discussing with the partners every week your priorities for the week, and reporting on the progress of all jobs allocated
- > Communicating and working with clients and team members in a professional manner, including critical thinking and the ability to consider other viewpoints
- > Following the firm's current system of work practices and when unclear on the best approach being sure to ask questions in the most appropriate manner
- > For the jobs you are allocated, being aware of the opening time WIP and accumulation of WIP and examining the final WIP when the job is completed
- > Drafting the fee from the work in progress report and make recommendations to partners on the proposed amounts to raise as fees to clients
- > Enjoying your role with self-confidence and maintaining an enquiring mind with professional scepticism
- > Supporting other team members and promoting a positive team environment as all team members have a strong desire to work in a harmonious workplace.

Technical abilities and other professional skills:

- > Resolves all queries raised

- > Continues to improve knowledge of auditing and accounting standards corporations law and other relevant legislation applicable to clients
- > Undertakes training and understands the long-term benefit this will provide
- > Becomes proficient with the firm's audit methodology
- > Drafts engagement for review
- > Holds the confidence of clients, both over the telephone and in person
- > Trains and supervises a trainee auditor, evidenced by the quality of work produced and efficiency with which the work is performed
- > Develops some analytical skills and business acumen e.g. using common sense and logic, can spot areas of concern and errors made by client
- > Develops an understanding of corporate structure e.g. understanding of roles and responsibilities
- > Works to a deadline and can handle pressure
- > Understands the theory of valuing assets
- > In reporting to a partner, or the client, significantly adds value to the relationship
- > In the second year in this position, shows that proficiency in all technical areas is progressing on schedule
- > Learns from mistakes – repeated similar mistakes are rare

Skills matrix:

Minimum level	Skill
Sound	Accounting fundamentals
Sound	Accounting Standards and Auditing Standards
Sound	APES 110/PES 1 and other mandatory ethical pronouncements
High	Audit software
Sound	Audits of trust accounts and SMEs
Sound	Microsoft – Word
Sound	Microsoft – Excel
High	Ability to organise own time
High	Telephone manner
Sound	Communication skills - written
High	Communication skills – verbal

Position description – Office Administrator/Assistant Accountant

JOB TITLE: Office Administrator/Assistant Accountant

GENERAL DESCRIPTION: Responsible for assisting the team and keeping certain information data in order.

REPORTS TO: Partners

RESPONSIBLE FOR: Team administrative matters; learning business services accounting and tax skills.

Qualifications and experience:

- > Competent with Word Processing and Microsoft Office Professional
- > Two years office or other relevant experience.

Accountable for:

- > Answering and forwarding otherwise unanswered incoming phone calls and forwarding messages as required using Outlook
- > Assisting the team and completing allocated assignments/tasks
- > Supporting the team by completing word processing, spread sheeting, data entry and other projects and tasks
- > Maintaining filing system, setting up new files and managing the archiving system
- > Maintaining the network computer filing system and standard letter precedents
- > Drafting standard letters as required
- > Taking responsibility for the petty cash including all receipts, cash and reconciling each week
- > With partners approval, ordering stock, stationery and printing as required
- > Completing some mail, cleaning duties
- > Scheduling appointments for clients to see team members using Outlook Calendar. This will require you to notify team members of any appointments made for them
- > Enjoying work role, supporting other team members and promoting a positive team environment.

Position description – new position

FIRM NAME:
SECTION:
TITLE/POSITION:
REPORTS TO:

PURPOSE:
Primary:
Secondary:
RESPONSIBILITIES:
AUTHORITY:
ACCOUNTABILITIES:
QUALIFICATION:

SKILLS: (High, medium, low)

Level	Skill

Prepared by:
Approved by:
Date:
Amended:

7.3 Candidate interview and evaluation checklist

Instructions

Planning interview questions and documenting the answers is a useful way of making the interviewing and selection process efficient.

- > The interviewer completes sections 1, 2 and 3
- > The partner completes sections 4 and 5.

You will need to adapt this checklist to your firm's situation.



This checklist may not be needed by sole practitioners.

Section 1 – Initial interview

Name of applicant:

Position applied for:

Date of initial interview:

Interviewer:

List any important questions you plan to ask the interviewee during the interview:

Your question:	Interviewee's answer:
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

At some time during the interview, discuss the relevant firm policies on:

- | | | |
|---|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> Advancement | <input type="checkbox"/> Travel | <input type="checkbox"/> Holidays |
| <input type="checkbox"/> Training and development | <input type="checkbox"/> Overtime | <input type="checkbox"/> Benefits |

Rating: Rate the applicant on each of the items below, according to the following scale

- | | | |
|---|---|--------------------|
| 1 | = | outstanding |
| 2 | = | above average |
| 3 | = | average |
| 4 | = | below average |
| 5 | = | not acceptable |
| 6 | = | unable to evaluate |

1 2 3 4 5 6

Education: Does the candidate's educational background/experience appear adequate for the position?

Work experience: Does prior work experience appear to indicate the ability to assume responsibility and work well with other people?

Personality: Did the candidate display a personality conducive to the values and objectives of the firm?

Maturity and judgement: Did the candidate appear to possess maturity and sound judgement?

Communication: Did the candidate express his or her ideas and thoughts in a concise, articulate manner?

Attitude and enthusiasm: Was an appropriate attitude and level of enthusiasm displayed?

Employment objectives: Did the candidate appear to be compatible with the position sought?

Quality of responses: Were the responses to questions indicative of careful thought and sincerity?

Comments:

Recommendation:

- Arrange second interview
 Terminate application

Section 2 – Other information

Attach the following additional information from the candidate:

- Employment application
 Academic record
 Résumé
 References, recommendation letters
 Other – please specify

Section 3 – Reference check

Question	Reference 1	Reference 2	Reference 3
Date of enquiry			
Person making enquiry			
Name of prior employer or reference			
Phone number			
Position held			
Duties and responsibilities			
Would prior employer re-hire applicant?			
Did applicant work well with others?			
Did applicant have advancement potential?			
Does prior employer believe applicant has necessary skills for this position?			
Does prior employer have concerns about applicant's honesty and integrity?			

Section 4 – Summary

- No offer made
- Employment offer made

Date of offer:	Planned starting date:
Starting salary:	
Benefits:	
Approved by:	

Section 5 – Follow up if offer is made

- Offer is accepted (file form in personnel file)
- Offer is rejected (file form in 'not hired' file)

7.4 New staff orientation checklist

Instructions

Orienting new staff in the ways of the office usually means a more efficient and effective introduction to your firm for new staff members.

- > This form is to be completed by the person responsible for welcoming new staff on their first day of work
- > The form should be filed in the employee's personnel file

You will need to adapt this checklist to your firm's situation.



This checklist may not be needed by sole practitioners.

Name of employee:

Starting date:

Checklist completed by:

Done	N/A	Establish a personnel file to include the following:
<input type="checkbox"/>	<input type="checkbox"/>	Candidate interview and evaluation checklist
<input type="checkbox"/>	<input type="checkbox"/>	Résumé and other application forms
<input type="checkbox"/>	<input type="checkbox"/>	Personnel information including insurance, superannuation, banking, etc.
<input type="checkbox"/>	<input type="checkbox"/>	Independence checklist [4.2 Annual independence confirmation]
<input type="checkbox"/>	<input type="checkbox"/>	Contract of employment
<input type="checkbox"/>	<input type="checkbox"/>	Other:

Done	N/A	Tour of office and introductions:
<input type="checkbox"/>	<input type="checkbox"/>	Tour of office – diagram showing team names, emails, and phone numbers numbers
<input type="checkbox"/>	<input type="checkbox"/>	Filing, photocopying, mail, air conditioning
<input type="checkbox"/>	<input type="checkbox"/>	Library
<input type="checkbox"/>	<input type="checkbox"/>	Introduction to other personnel in the practice
<input type="checkbox"/>	<input type="checkbox"/>	Arrange a first-week lunch, if appropriate
<input type="checkbox"/>	<input type="checkbox"/>	Security, access hours, keys
<input type="checkbox"/>	<input type="checkbox"/>	Other:

Done	N/A	Office or work station:
<input type="checkbox"/>	<input type="checkbox"/>	Take new staff member to their office or work station
<input type="checkbox"/>	<input type="checkbox"/>	Computer systems
<input type="checkbox"/>	<input type="checkbox"/>	Explain the telephone system and the firm's answering policies
<input type="checkbox"/>	<input type="checkbox"/>	Explain the importance of adhering to the firm's system of quality management and explain the key office policies and procedures
<input type="checkbox"/>	<input type="checkbox"/>	Explain other less formal, but observed customs (e.g. dress codes etc.)
<input type="checkbox"/>	<input type="checkbox"/>	Other:

Done	N/A	Explain location of or provide copy of (if applicable):
<input type="checkbox"/>	<input type="checkbox"/>	Quality management toolkit
<input type="checkbox"/>	<input type="checkbox"/>	Auditing methodology and software used by the firm
<input type="checkbox"/>	<input type="checkbox"/>	Personnel manual. If the firm does not have a personnel manual explain overtime policy, vacation, office hours, sick pay policy, insurance, etc.
<input type="checkbox"/>	<input type="checkbox"/>	Chartered Accountants Australia and New Zealand Members' Handbook or equivalent including independence and confidentiality rules of the profession, technical and professional standards (refer to CA ANZ's website: https://www.charteredaccountantsanz.com/member-services/member-obligations/members-handbook)
<input type="checkbox"/>	<input type="checkbox"/>	Other:

7.5 Professional staff performance review

Instructions

This form can be used for annual or half yearly reviews, or in relation to specific engagements. The form should be discussed by the reviewer and the staff member, and signed by both. You will need to adapt this form to your firm's situation.

 This form may not be needed by sole practitioners.

Name of Employee:	
Current Job Classification:	
Type of Evaluation:	<input type="checkbox"/> annual <input type="checkbox"/> semi annual <input type="checkbox"/> specific engagement <input type="checkbox"/> other

Rating Scale:

- O = outstanding – indicates extraordinarily high performance, well beyond that expected of someone at this level.
- VG = very good – indicates performance that exceeds usual expectations of someone at this level.
- G = good – indicates performance that meets that expected of someone at this level.
- BN = below normal – indicates that assignments and responsibilities are not being met as expected.
- U = unacceptable – indicates unacceptable performance in need of immediate improvement.
- NA = not applicable – assignments during evaluation period did not call for evaluation of this attribute.

Evaluation of professional skills:

	O	VG	G	BN	U	NA	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Demonstrates a commitment to ethical principles.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to establish workload priorities.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to organise and plan individual jobs.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to supervise work of others including delegation, training and development.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to complete work accurately and in a timely manner.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Understands assignments and follows instructions.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Neatness and clarity of work.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to work independently.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to analyse complex matters.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to make decisions.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to distinguish between material items and immaterial items.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Relations with client personnel and firm associates.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Communication capabilities – written.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Communication capabilities – oral.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Displays enthusiasm for work, especially more advanced or technical projects.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Response to suggestions and guidance from supervisors.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Demonstrates initiative.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Delegation to other staff.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Supervision and review of staff.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	On-the-job training and development of staff.

Technical skills:

O	VG	G	BN	U	NA	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability to comprehend various clients' accounting systems and adapt work as required.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Work paper preparation or review techniques (neat, accurate, comprehensive, and understandable).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Knowledge of accounting theory.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ability in relation to:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	> Financial reporting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	> Auditing
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	> Software
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	> Research techniques
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	> Legislative framework

Personal characteristics:

O	VG	G	BN	U	NA	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Responsibility (trustworthy and conscientious).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Integrity (loyal, sincere, reliable and punctual).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Attitude (co-operative, courteous, friendly and professional).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Commitment (dedication, team spirit).

Strong areas of employee's performance:

Weaknesses of employee's performance and areas for improvement, if any:

Training and development:

Reviewer and staff member discuss the staff member's training and development record, and identify areas of future training and development:

Other comments:

Notes in meeting:

Topics/issues discussed during meeting:	Staff member response:
1.	1.
2.	2.
3.	3.

Name	Signature	Date
Evaluated by:		
Employee:		

7.6 Administrative staff performance review

Instructions

This form can be used for annual or half yearly reviews, or in relation to specific engagements.

The form should be discussed by the reviewer and the staff member, and signed by both.

You will need to adapt this form to your firm's situation

 This form may not be needed by sole practitioners.

Name of Employee:	Position:
Evaluated by:	Date of Evaluation:

Rating Scale:

- O = outstanding – indicates extraordinarily high performance, well beyond that expected of someone at this level.
- VG = very good – indicates performance that exceeds usual expectations of someone at this level.
- G = good – indicates performance that meets that expected of someone at this level.
- BN = below normal – indicates that assignments and responsibilities are not being met as expected.
- U = unacceptable – indicates unacceptable performance in need of immediate improvement.
- NA = not applicable – assignments during evaluation period did not call for evaluation of this attribute.

O VG G BN U NA

O	VG	G	BN	U	NA	
						Personal characteristics reflect a high degree of:
						> Integrity
						> Maturity
						> dependability
						> enthusiasm
						Exercises good work habits to effectively perform assigned duties
						Is well organised, capable of placing priorities and is conscious of the importance of management.
						time management
						Keeps partner/immediate supervisor informed as to:
						> status of projects
						> problems that arise in routine duties
						Readily accepts responsibility and exerts effort beyond demands
						Respects confidentiality of client information and administrative information as appropriate
						Understands and adheres to:
						> firm policy and procedures
						> internal office routines
						Is courteous, tactful and co-operative with others in the firm, recognising the importance of teamwork
						Maintains a positive attitude
						Is loyal and projects a good image of the firm
						Responds positively to constructive criticism
						Is sensitive to appearance of the office
						Uses software effectively
						Communicates effectively

Strong areas of employee’s performance:

Weaknesses of employee’s performance and areas for improvement, if any:

Other comments:

Notes in meeting:

Topics/issues discussed during meeting:	Staff member response:
1.	1.
2.	2.
3.	3.

Name	Signature	Date
Evaluated by:		
Employee:		

7.7 Training and development record

Instructions

Each professional staff member is required to maintain a training and development record. This will be discussed at the staff member’s annual review, and a copy placed on the personnel file.

This sample record is based on Chartered Accountants Australia and New Zealand’s record for use by members in complying with CR7 – Continuing Professional Development.

You will need to adapt this record to your firm’s situation.

Section 1 – Personal details

Name	
Identification number	
Firm/employer	

Section 2 – Training & Development Record details

Training & Development Record for (dates) 1 / 7 / to 30 / 6 /

Please indicate if you hold any of the following registrations/authorities: (tick the applicable box/es)

<input type="checkbox"/> Registered Company Auditor	Type A	<input type="checkbox"/> Registered Company Liquidator	Type L
<input type="checkbox"/> Registered Trustee in Bankruptcy	Type B	<input type="checkbox"/> Australian Financial Services Licensee (AFSL)	Type AF
<input type="checkbox"/> Registered Tax Agent	Type T	<input type="checkbox"/> SMSF Auditor	Type S
<input type="checkbox"/> Business Valuation Specialist	Type BV	<input type="checkbox"/> Reviewer of Second Tier Companies Limited by Guarantee	Type R
<input type="checkbox"/> Licensed Auditor	Type LA	<input type="checkbox"/> Financial Planning Specialist	Type FP
<input type="checkbox"/> Qualified Auditor	Type QA	<input type="checkbox"/> Insolvency Practitioner	Type IP

Please supply details of each Training & Development activity

Date	Organisation presenting T&D activity	Description of T&D activity (refer CR7 – Commentary iii)	Type of specialist hours	Number of T&D hours
Total hours				

Summary of T&D activities completed during the triennium

Specialist hours

Year (dd/mm/yy)	A	B	T	BA	L	AF	S	R	General hours
/ / to / /									
/ / to / /									
/ / to / /									
/ / to / /									
/ / to / /									
Total hours									

Training & Development activity information

Training & Development activities undertaken need **not** be **accounting related** but should be appropriate to your field of work.

The following are examples of activities that qualify as Training & Development:

- > Congresses, conferences, forums, conventions, courses, seminars, workshops, lectures and other professional educational activities presented by Chartered Accountants Australia and New Zealand
- > Meetings of Chartered Accountants Australia and New Zealand or other professional accounting body technical discussion groups
- > Appropriate educational activities provided by the member's employer or practice entity, either in-house or externally by individuals or organisations engaged by the employer
- > Tertiary courses presented by educational institutions
- > Appropriate educational and developmental activities presented under the auspices of academic institutions, commercial establishments or other professional bodies
- > Researching and writing technical publications, preparation and delivery of technical papers. As a guide, three hours preparation may be claimed for each presentation hour

- > Service on technical or research committees under the auspices of Chartered Accountants Australia and New Zealand, other professional bodies or organisations
- > Programmed self-study through a third party provider, including self-study video or audio packages
- > Chartered Accountants Program Workshops and examination markings.

Please note:

120 hours of Continuing Professional Development (CPD) needs to be completed over the triennium.

From 1 July 2021, a triennium shall comprise as a minimum a proportion of 90 verifiable hours and 30 non-verifiable hours. up to 30 hours may be achieved by reading professional journals, technical bulletins, etc. New changes from 1 July 2021 include recognition of on-the-job training as CPD hours and a mandatory minimum 2 hour component of ethics training.

For those with a triennium commencing before 1 July 2021 and ending after the date may complete the existing triennium under the previous requirements. However, they may adopt the requirements under the revised regulation, and must apply all requirements of new regulation on a prorated basis from 1 July 2021.

Section 3 – Acknowledgement

I hereby confirm that this information is a true record of my Training & Development activity for the period stated.

Signature:

Date:

7.8 Technology acquisition request form

Instructions

You will need to adapt this form to your firm's situation.



This form may not be needed by sole practitioners.

Supplier details:

Product details:

Hardware / software / service

Describe the need for the resource requested:

Alternatives considered and reasons for choosing:

Compatibility with existing technology infrastructure:

Yes / No

Impact if resource is not acquired:

Method of acquisition:

Cash/credit purchase

Rental/lease

Lease-purchase

Cost of acquisition:

Prepared by:

Date:

Reviewed by:

Date:

7.9 New service provider request form

Instructions

You will need to adapt this form to your firm's situation.



This form may not be needed by sole practitioners.

Entity/payee name:

Type of business:

Reasons for use:

Details of due diligence conducted (please attach):

Postal address:

Physical address:

Mobile phone:

Other phone:

Email:

Web address:

A.B.N/NZBN:

Contract cost:

Payment terms:

Bank account number:

Prepared by:

Date:

Reviewed by:

Date:

8 INFORMATION AND COMMUNICATION

8.1 Information and communication policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.



This policy statement may not be needed by sole practitioners.

Information systems

We are committed to investing in information systems which meet the needs of our present circumstances and anticipated future changes. Our information systems support our system of quality management. Our information systems may include both information technology such as hardware and software as well as manual or analog processes. The firm will ensure that significant outlays on information systems are undertaken when the leadership reaches an acceptable level of consensus. This is done through a working group or project committee to ensure the future operational requirements are met.

Continuous development, maintenance and upgrade will provide users with information that is current and useful therefore our information system is maintained and updated to respond to changes in our professional environment and available technologies. Changes to the information systems are required to be managed and documented. The firm remains committed to the system's security to ensure that the risks of cyber-security breaches and unauthorised access are managed and minimised. Staff are trained and reviewed based on their contributions to the system's security. Breaches of policies will be investigated and the appropriate action will be taken.

To develop users' confidence in the information system we prioritise ongoing training of existing and new elements of the information systems. The firm also seeks staff feedback on the effectiveness of information systems and technology. A review is undertaken to ensure that the quality of the technology services meets the needs of the firm and represents value-for-money investment.

Culture

To facilitate the system of quality management the firm also supports and encourages a responsible culture to exchange information with one another. The firm encourages the use of its resources including the information systems, to achieve this aim. This cultural quality is essential to the firm's goals and strategies, and annual performance reviews, including consideration of the individual's support for the firm's culture.

Communication

The firm is committed to a positive and informative communication process with internal and external stakeholders. The firm recognises that clear and succinct communication in a professional environment requires development over time. Communication training and role playing are development goals. Where identified as an area for improvement, staff will be encouraged to undertake such training in their performance development plan.

The firm will communicate through various methods, for example, direct oral communication, manuals of policies or procedures, newsletters, alerts, emails, intranet or other web-based applications, training, presentations, social media, or webcasts. In determining the most appropriate method(s) and frequency of communication, the firm may consider factors, including:

- > The audience to whom the communication is targeted; and
- > The nature and urgency of the information being communicated.

In some circumstances, the firm may determine it necessary to communicate the same information through different methods to achieve the objective of the communication. In such cases, the consistency of the information communicated is important.

When performing an audit of a financial report of a listed entity, the engagement partner will communicate with those charged with governance about how the system of quality management supports the consistent performance of quality audit

engagements. This shall be achieved through meetings with those charged with governance at the commencement of the engagement.

The firm may communicate with various other external parties about the firm's system of quality management. The nature, timing and extent and appropriate form of communication will be determined by the audit quality leader and depend on the circumstances.

External communication related to the firm's system of quality management may include a transparency report or audit quality report, direct conversations with external parties, including direct conversations with regulators, or management and those charged with governance of clients, and information on the firm's website or provided through social media.

The firm aims to promote the exchange of valuable and insightful information about the firm's system of quality management with stakeholders, in the most appropriate manner. When there are no requirements in law, regulation or professional standards to communicate externally, the firm will commit to proactively work with external parties to better understand how its system of quality management meets its professional requirements and deliver outcomes to stakeholders. The firm will likely reach out to those parties with a business or operational relationship to communicate about the system of quality management to seek feedback.

We recognise the relevance and reliability of information requires proactive management. The responsibility also includes developing the firm's culture to share and exchange information. Personnel are also rewarded and recognised for their commitment to the responsibility.



Handling whistleblowing disclosures

In accordance with Australia's whistleblowing protection laws in the Corporations Act 2001 (Cth), auditors are 'eligible recipients' and may receive a protected disclosure from a whistleblower in respect of a client. The firm provides staff with regular training on what to do if they receive a potential whistleblower disclosure.

When on the receiving end of a potential whistleblowing disclosure, the individual concerned must *not*:

- > Victimise, cause or threaten to cause detriment to a whistleblower for making their disclosure
- > Disclose a whistleblower's identity or information likely to lead to their identification, unless authorised under law.

Authorised disclosures include:

- > Suspected breaches of the Corporations Act to ASIC (e.g. under sections 311, 601HG and 990K).
- > When it is reasonably necessary to investigate the allegations made in the disclosure, for example, to prevent a serious threat to a person's health or safety.
- > Under certain circumstances auditors may need to report NOCLAR to an appropriate authority.
- > If the whistleblower has consented to the sharing of their identity and the confidential information.
- > Obtaining legal advice about whistleblowing legislation from a lawyer.

Actions the individual should take when on the receiving end of a potential whistleblowing disclosure are:

- > Ask for the whistleblower's consent to share their identifying information to escalate it within the firm.
- > Encourage the whistleblower to make the disclosure to the engagement partner on the client who will be in a better position to take appropriate action.

8.2 Culture assessment – quality

Instructions

Culture is the way things are done and the attitudes of the people doing them.

You may choose to use this form to measure your firm's culture for quality management and to evaluate how conducive your firm is to participation by staff. It should be completed at the same time as the annual evaluation of the system of quality management.

You will need to adapt this assessment to your firm's situation.



This assessment may not be needed by sole practitioners.

		A Agree	B Somewhat Agree	C Somewhat Disagree	D Disagree
1	New ideas are encouraged and are welcome				
2	Work procedures must be followed very closely				
3	Management often tries new methods and techniques				
4	A great deal of conformity to the status quo is required				
5	People really enjoy trying to come up with better ways to do things				
6	It is safe to speak up and tell it like it is				
7	They make a big secret about everything				
8	Important information seldom gets out in time				
9	Management communication is usually frank and honest				
10	Supervisors are interested in listening to the opinions of employees				
11	The responsibility for controlling costs belongs to higher management				
12	Each employee has an important impact on costs, quality and productivity				
13	There are many opportunities to improve product (or services) quality				
14	Supervisors are not interested in performing quality work				
15	Employees are truly interested in performing quality work				
16	People frequently work together in teams or groups				
17	There's a lot of "class distinction" between levels of the organisation				
18	Most decisions are made by higher management				
19	Information is shared with trust and confidence				
20	Supervisors often involve employees when making decisions				
21	There is a great deal of conflict between departments				
22	People are friendly and helpful				
23	The relationship between management and employees is good				
24	Most senior employees try to help newer employees get adjusted				
25	People seem to work well together				
26	Work goals or standards of performance are clear and understandable				
27	Supervisors seldom say what is expected of you				
28	Most work goals or standards are realistic and attainable				
29	Employees are seldom told how well they are doing on their job				

		A Agree	B Somewhat Agree	C Somewhat Disagree	D Disagree
30	Performance measurement information is fairly accurate				
31	The major tools of motivation are reward and punishment				
32	Employees are recognised when they do good work				
33	Rewards are promised but seldom granted				
34	Supervisors help employees gain satisfaction from their work				
35	People are motivated to achieve above average performance				
36	Management is generally against change				
37	Useful new ideas are accepted readily				
38	People prefer to do things the old way				
39	Most employees are eager and willing to try new methods				
40	Change is an accepted way of life				
41	When problems arise people tend to deal with them emotionally				
42	It is easier to develop solutions than to find causes of a problem				
43	If we put our minds to it we can solve our operational problems				
44	Management uses fairly effective problem solving methods				
45	No one seems willing to take responsibility for making a decision				

Scoring Instructions: Determine the point value for your response to each item and enter it in the score column. (A= Agree, etc). Total the scores for all five items in each category and enter in the CATEGORY SCORE box. Enter the scores for each category in the SCORE column of the summary section, total the category scores and enter the sum in the TOTAL CULTURE COUNT box. A culture conducive to employee participation/involvement is indicated by a TOTAL CULTURE COUNT of 135 or more. Scores of less than 15 for any category suggest weaknesses in that dimension.

Creative Climate

Item	A	SWA	SWD	D	Score
1	4	3	2	1	
2	1	2	3	4	
3	4	3	2	1	
4	1	2	3	4	
5	4	3	2	1	
Category Score					

Communication

Item	A	SWA	SWD	D	Score
6	4	3	2	1	
7	1	2	3	4	
8	1	2	3	4	
9	4	3	2	1	
10	4	3	2	1	
Category Score					

Productivity Consciousness

Item	A	SWA	SWD	D	Score
11	1	2	3	4	
12	4	3	2	1	
13	4	3	2	1	
14	1	2	3	4	
15	4	3	2	1	

Category Score

Interpersonal Climate

Item	A	SWA	SWD	D	Score
21	1	2	3	4	
22	4	3	2	1	
23	4	3	2	1	
24	4	3	2	1	
25	4	3	2	1	

Category Score

Motivation

Item	A	SWA	SWD	D	Score
31	1	2	3	4	
32	4	3	2	1	
33	1	2	3	4	
34	4	3	2	1	
35	4	3	2	1	

Category Score

Participation Climate

Item	A	SWA	SWD	D	Score
16	4	3	2	1	
17	1	2	3	4	
18	1	2	3	4	
19	4	3	2	1	
20	4	3	2	1	

Category Score

Goals and Standards

Item	A	SWA	SWD	D	Score
26	4	3	2	1	
27	1	2	3	4	
28	4	3	2	1	
29	1	2	3	4	
30	4	3	2	1	

Category Score

Change

Item	A	SWA	SWD	D	Score
36	1	2	3	4	
37	4	3	2	1	
38	1	2	3	4	
39	4	3	2	1	
40	4	3	2	1	

Category Score

Scoring Instructions: Determine the point value for your response to each item and enter it in the score column. (A= Agree, etc). Total the scores for all five items in each category and enter in the CATEGORY SCORE box. Enter the scores for each category in the SCORE column of the summary section, total the category scores and enter the sum in the TOTAL CULTURE COUNT box. A culture conducive to employee participation/involvement is indicated by a TOTAL CULTURE COUNT of 135 or more. Scores of less than 15 for any category suggest weaknesses in that dimension.

Problem Solving

Item	A	SWA	SWD	D	Score
41	1	2	3	4	
42	1	2	3	4	
43	4	3	2	1	
44	4	3	2	1	
45	1	2	3	4	

Category Score

Category	Score
----------	-------

Creative Climate	
Communication	
Productivity Consciousness	
Participative Climate	
Interpersonal Relationships	
Goals and Standards	
Motivation	
Change	
Problem Solving	
TOTAL CULTURE COUNT	

Action required:

9 MONITORING AND REMEDIATION PROCESS

9.1 Monitoring and remediation process guide

Instructions

Use the following to assist your firm in documenting monitoring and remediation policies, processes, and procedures to comply with paragraph 35 of **ASQM 1/PES 3**:

- > Provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management, and

Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely manner.

Step 1: Use monitoring and remediation templates to implement activities tailored to your firm

The Monitoring and remediation policy statement [9.2] assists in documenting the design and implementation of your firms' monitoring and remediation activities, including activities to monitor the monitoring and remediation process.

The following pro-forma documents gather information around the design, implementation, and effectiveness of the firm's system of quality management which can help in identifying any findings and/or deficiencies:

- > 9.3 Engagement review form
- > 9.4 Firm feedback form
- > 9.5 System evaluation
- > 9.6 Client complaint record
- > 6.7 Engagement quality review form (required to be performed)

Paragraph 37 of **ASQM 1/PES 3** provides several factors which may impact the nature, timing, and extent of monitoring activities required for your firm.

Step 2: Evaluate findings to determine if a deficiency exists

The Findings register [9.7] can be utilised to compile findings from each of the monitoring activities your firm undertakes in one place. Evaluate the impact on the system of quality management to determine if a deficiency exists (you may find that the same deficiency relates to multiple findings).

Use your professional judgment when evaluating the findings and consider the impact on:

- > Quality objectives
- > Quality risks
- > Risk responses
- > Other aspects of the system of quality management

Step 3: Evaluate severity and pervasiveness of identified deficiencies

The Deficiency evaluation worksheet [9.8] assists firms to undertake a:

- > Root cause analysis of the deficiency ([An External Auditor's Guide to Improving Audit Quality Using Root Cause Analysis](#) can be used as guidance on key questions to ask to ensure your firm is undertaking a root cause analysis in a practical way); and
- > Impact assessment of the deficiency on the system of quality management.

Step 4: Document remediation response to evaluated deficiency

Determine the appropriate action to be undertaken to remediate the deficiency which addresses the root cause identified in step 3.

Step 5: Draft and distribute appropriate communications

To comply with paragraph 46 of **ASQM 1/PES 3** the individual(s) assigned operational responsibility for the monitoring and remediation process is required to communicate:

- > A description of the monitoring activities performed;
- > Identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- > Remedial actions

to engagement teams and other individuals assigned activities within the system of quality management to enable them to take prompt and appropriate action in accordance with their responsibilities (paragraph 47 of **ASQM 1/PES 3**).

Step 6: Evaluate the effectiveness of remedial actions and determine if further action required

The individual(s) assigned operational responsibility for the monitoring and remediation process are required to evaluate the effectiveness of the implementation of remedial actions and take appropriate actions to respond to the evaluation.

Use the Evaluation of effectiveness of remedial action section in the Deficiency evaluation worksheet [9.8] to document the evaluation of the design, implementation and effectiveness of the remedial action implemented once the action has been operating for enough time in the system of quality management. As such, this section may be completed at different times for every remedial action implemented.

Paragraph 44 of **ASQM 1/PES 3** notes that additional actions may be required to be implemented if it is determined that the remedial action does not appropriately address the root cause of the identified deficiency.

9.2 Monitoring and remediation policy statement

Instructions

You will need to adapt this policy statement to your firm's situation.

Monitoring

We are committed to the ongoing monitoring of our firm's system of quality management. In determining the nature, timing and extent of the monitoring activities, we take into account:

- > The reasons for the assessments given to the quality risks;
- > The design of the responses;
- > The design of the firm's risk assessment process and monitoring and remediation process;
- > Changes in the system of quality management;

and ensure individuals performing the monitoring activities are required to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively.

All engagements are reviewed by the engagement partner before the report is issued to the client. This engagement review includes reviewing whether the firm's system of quality management has been adhered to. When issues are identified or errors are uncovered during engagement reviews, the system is reviewed and practical changes that should reduce the risk of future similar errors are made. When identified as a requirement, relevant training programs will be arranged to address issues uncovered during monitoring procedures.

Monthly, the individual assigned operational responsibility for the system of quality management, our audit quality leader, conducts an informal assessment of the practice. This is discussed with appropriate team members at team meetings, and appropriate follow-up action implemented.

Annually, the firm's system of quality management is evaluated by the individual(s) assigned ultimate responsibility and accountability for the system of quality management. This includes the inspection of completed engagements – a review of an engagement file for each partner will be conducted at least once every three years. Engagement team members or the engagement quality reviewer of an engagement are prohibited from performing any inspection of that engagement.

Monitoring activities include a quality culture assessment, focusing on the firm's commitment to quality.

The firm is also subject to review and oversight by Chartered Accountants Australia and New Zealand. The firm is supportive of this process.

Remediation

The audit quality leader evaluates the findings from the monitoring activities to determine whether deficiencies exist. The severity and pervasiveness of identified deficiencies are evaluated by investigating the root cause(s) of the identified deficiencies, and evaluating the effect of the identified deficiencies, individually and in aggregate, on the system of quality management.

Remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis are designed and implemented.

The audit quality leader evaluates whether the remedial actions are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented. The audit quality leader also evaluates whether the remedial actions implemented to address previously identified deficiencies are effective.

If the evaluation indicates that the remedial actions are not appropriately designed and implemented or are not effective, the audit quality leader takes appropriate action to determine that the remedial actions are appropriately modified such that they are effective.

When findings indicate that there is an engagement(s) for which procedures required were omitted during the performance of the engagement(s) the firm takes appropriate action to comply with applicable auditing and assurance, and professional and ethical standards and relevant legal and regulatory requirements. When the report is considered to be inappropriate, the firm considers the implications and takes appropriate action, including considering whether to obtain legal advice.

The audit quality leader communicates on a timely basis to the individual(s) assigned ultimate responsibility and accountability for the system of quality management a description of the monitoring activities performed; the identified deficiencies, including the severity and pervasiveness of such deficiencies; and the remedial actions to address the identified deficiencies. The firm communicates these same matters to engagement teams to enable them to take prompt and appropriate action in accordance with their responsibilities.

Complaints and allegations

Complaints and allegations about failures to perform work in accordance with applicable auditing and assurance, and professional and ethical standards and relevant legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in this AMM are taken seriously by the firm. Complaints are to be acknowledged with the client, and investigated by a partner not involved in the engagement. As we are a small firm this investigation will be referred to a consultant or another firm in instances where the complaint is designated 'serious'. The managing partner has responsibility for designating complaints as 'serious'.

A prompt resolution must be sought and the clients must be kept informed as to the progress of the resolution.

Every formal complaint received is examined to determine if a weakness in the firm's system of quality management exists which is in need of improvement.

A record of client complaint form is completed to aid in satisfactorily resolving the matter [9.6 Client complaint record].


PI insurers are notified, if necessary.

Staff are free to raise concerns with the engagement partner or managing partner without fear of reprisal.

9.3 Engagement review form

Instructions

Documenting the review of an engagement file is an essential procedure to demonstrate that the review has been conducted. Using a form like this one is useful to clearly record review points, and that they have been cleared. You will need to adapt this form to your firm's situation.

 This form may not be needed by sole practitioners.

Year/period ended:

Client:

Review point	Response	Cleared

Signed off by partner as complete (all queries cleared):

Date:

9.4 Firm feedback form

Instructions

This form can be used to monitor the firm's system of quality management and work environment on an informal basis between annual evaluations.

You will need to adapt this form to your firm's situation.



This form may not be needed by sole practitioners.

Date:

Team member:

	Poor		Good		Excellent
Reception – appearance and performance	1	2	3	4	5
Telephone manner	1	2	3	4	5
Team refreshments	1	2	3	4	5
Kitchen cleanliness	1	2	3	4	5
Tidiness and maintenance of office	1	2	3	4	5
Mail distribution	1	2	3	4	5
Filing	1	2	3	4	5
Stationery supply	1	2	3	4	5
Equipment problems	1	2	3	4	5
Internal communication system	1	2	3	4	5
Completion of processing forms	1	2	3	4	5
Computer processing	1	2	3	4	5
Work presentation	1	2	3	4	5
Reviewing	1	2	3	4	5
Work flow (Auditors)	1	2	3	4	5
Work flow (Support)	1	2	3	4	5
Assistance when required	1	2	3	4	5
Availability of board/interview rooms	1	2	3	4	5
Stress levels in office	1	2	3	4	5
Communication among team members	1	2	3	4	5
Personal skills development	1	2	3	4	5
Team morale	1	2	3	4	5

Comments/suggestions:

Any comments clients made this month:

9.5 System evaluation

Instructions

The individual assigned ultimate responsibility and accountability for the system of quality management is required to evaluate the system of quality management at least annually to comply with paragraph 53 of **ASQM 1/PES 3**.

You will need to adapt this form for your firm's situation.

Evaluation questionnaire

The report will consist primarily of answers to the following questions.

For each of the questions with a "No" answer, include your observations, conclusions, and recommendations (if appropriate)

	Yes	No	N/A	Action Required
1. Does the individual(s) assigned operational responsibility for the system of quality management have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the system of quality management? (Paragraph 22, ASQM 1/PES 3)				
2. Is ultimate responsibility and accountability, and operational responsibility, for the system of quality management assigned to individual(s) that have the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfill their assigned responsibilities; and understand their assigned roles and that they are accountable for fulfilling them? (Paragraph 20, ASQM 1/PES 3)				
3. Has the firm documented its system of quality management? (Paragraph 57, ASQM 1/PES 3)				
4. Does the documentation of the system of quality management conform in all relevant respects with the requirements of ASQM 1/PES 3 ?				
5. Have the results of the comparison of the documented system of quality management with ASQM 1/PES 3 requirements been communicated to the person(s) responsible for the system of quality management in the firm (including details of missing or inappropriate, policies, procedures, and documentation)?				
6. Has at least one completed engagement been examined for each engagement partner every three years? (Paragraph 38(c), ASQM 1/PES 3)				
7. For engagements reviewed, did you (as monitor) ensure that you were neither a member of the engagement team, nor the engagement quality reviewer (EQR) on the engagement?				
8. Were any deficiencies found that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action?				
9. Is there evidence that a report issued by the firm may have been inappropriate?				
10. Was there evidence of required engagement procedures not performed?				
11. Have all deficiencies been reported in writing to the individual assigned ultimate responsibility and accountability for the system of quality management within the firm? (Paragraph 46(b), ASQM 1/PES 3)				
12. Have the underlying reasons for all significant deficiencies been established? (Paragraph 41(a), ASQM 1/PES 3)				
13. For files reviewed, have appropriate file inspection checklists been completed and retained in the documentation?				
14. Is there evidence that the individual assigned ultimate responsibility for the system of quality management in the firm has communicated at least annually to appropriate partners and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies? (Paragraph 55(B)(ii), ASQM 1/PES 3)				

System of quality management evaluation report

Review conducted between (beginning date) and (ending date)

Period Covered: From (beginning date) to (ending date)

Conclusion [Select one]:

[(a) The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved;

[(b) Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the system of quality management, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; or

[(c) The system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved.]

Basis for conclusion:

1. Ultimate responsibility and accountability; and operational responsibility, for the system of quality management in the firm appears to *[be/not to be]* assigned to an individuals that have the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfill their assigned responsibility; understand their assigned roles and that they are accountable for fulfilling them.

(Insert explanation if the conclusion is negative)

2. The firm *[does/does not]* have a written quality management manual (QMM) and/or quality management policies and procedures.

(Insert explanation if the conclusion is negative)

3. In my opinion, the content of the written quality management manual (QMM) *[does/does not]* conform in all relevant respects with the requirements of **ASQM 1/PES 3**.

(Insert explanation if the conclusion is negative)

4. I *[found/did not find]* missing or inappropriate policies, procedures, and/or documentation in the QMM.

(Insert explanation if the conclusion is negative)

5. I *[found/did not find]* evidence that the individual assigned ultimate responsibility and accountability for the system of quality management in the firm has communicated at least annually to appropriate partners and others regarding the monitoring procedures performed over the past year, conclusions drawn from such procedures, and a description of any systemic, repetitive or other significant deficiencies found and action taken to resolve such deficiencies.

(Insert explanation if the conclusion is negative)

6. I have reviewed at least one engagement for each partner every three years.

For engagements reviewed, I verified that I was neither a member of the engagement team, nor an engagement quality reviewer (EQR) on the engagement.

(Insert details of each engagement selected, including partner name, engagement type, client name, and year-end date)

7. I *[found/did not find]* deficiencies within the file engagements that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action.

(Insert details of any deficiencies found)

8. I *[found/did not find]* evidence indicating that a report issued by the firm may have been inappropriate.

(Insert details of evidence indicating the possibility that an issued report may not have been appropriate)

9. I *[found/did not find]* evidence that engagement procedures required either by standards or the firm were not performed

(Insert details of evidence indicating that required procedures were not performed including a reference to the requirement)

10. I have reported all deficiencies found in the course of my review to the individual assigned ultimate responsibility and accountability for the system of quality management in the firm.

11. For files reviewed, I have completed the appropriate file inspection checklists and these are attached to this report as appendices.

9.6 Client complaint record

Instructions

The firm is required to deal with complaints and allegations appropriately to comply with paragraph 34(c) of **ASQM 1/PES 3**. You will need to adapt this record to your firm's situation.



This form may not be needed by sole practitioners.

Client name:	Date:
Engagement partner:	Partner dealing with complaint:

Details of complaint

Implications of the client's concerns

Action taken

Solution agreed with / communicated to client

Professional Indemnity Insurers / Broker to be advised? YES / NO

(Document reasons here)

System weaknesses identified? YES / NO

(Document improvements here)

Signed off as matter complete:	Date:
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9.7 Findings register

Instructions

You will need to adapt this register to your firm’s situation. Use the findings register to compile findings from each of the monitoring activities your firm undertakes in one place.

Note: Paragraph 45 of **ASQM 1/PES 3** - findings which indicate that required engagement procedures were omitted means firms must:

- > Take appropriate action to comply with applicable auditing and assurance, and professional and ethical standards and relevant legal and regulatory requirements; and
- > considers the implications of an inappropriate report (if applicable) and take appropriate action, including considering whether to obtain legal advice.

#	Finding description	Date	Engagement	Source	Evaluation of impact on system of quality management	Deficiency reference	Comments
1						D1	

9.8 Deficiency evaluation worksheet

Instructions

You will need to adapt this worksheet to your firm's situation.

Deficiency evaluation worksheet

Deficiency reference	<i>Alphanumerical reference to link to findings in Findings register [9.7].</i>	D1
Deficiency summary	<i>Detail the deficiency</i>	
Completed by	<i>Name of individual completing this worksheet</i>	

(a) Evaluate the severity and pervasiveness of identified deficiency

To comply with paragraph 41 of **ASQM 1/PES 3** firms are required to evaluate the severity and pervasiveness of deficiencies by:

1. Investigating the root cause of the deficiency; and
2. Evaluating the impact of the deficiency individually and in aggregate on the system of quality management.

1. Root cause analysis

When investigating the root cause of the deficiency to determine appropriate remedial action consider the:

- > *Design and implementation of aspects of the system of quality management*
- > *Process for investigating the root cause*
- > *Underlying factors which contributed to the deficiency occurring*
- > *Compensating factors which may have reduced any impact on the system of quality management*

2. Impact assessment of the deficiency on the system of quality management

When undertaking an impact assessment of the deficiency, consider the:

- > *Aspects of the system of quality management that the deficiency impacted i.e., quality objective, quality risk, risk response*
- > *Nature of the deficiency and if it has been previously identified on other engagements and/or aspects of the system of quality management*

(b) Remediation

To comply with paragraphs 42-43 of **ASQM 1/PES 3** firms are required to design and implement remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis. The individual(s) assigned operational responsibility for the monitoring and remediation process shall evaluate whether the remedial actions:

- > Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and
- > Implemented to address previously identified deficiencies are effective (**refer to Evaluation of effectiveness of remedial action section (d) below**)

Action to remediate	<i>Detail the action required to remediate deficiency</i>
Evaluation of remedial actions	<i>Evaluate the appropriateness of the design of the remedial action and if it addresses the root cause identified</i>
Due date	<i>Date action needs to be implemented</i>
Effectiveness evaluation date	<i>Date effectiveness of implementation to be evaluated by</i>
Responsible person	<i>Detail who is accountable for addressing action</i>

(c) Communication

To comply with paragraph 46 of **ASQM 1/PES 3** the individual(s) assigned operational responsibility for the monitoring and remediation process is required to communicate:

- > A description of the monitoring activities performed;
- > Identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- > Remedial actions

To the individual(s) assigned responsibility and accountability and operational responsibility for the system of quality management and engagement teams and other individuals assigned activities within the system of quality management to enable them to take prompt and appropriate action in accordance with their responsibilities.

Document evidence of meeting these communication requirements below.

Individual communicated to	Key matters communicated	Date of communication
<i>[Insert Name and Role]</i> The individual assigned ultimate responsibility and accountability for the system of quality management		
<i>[Insert Name and Role]</i> The individual assigned operational responsibility for the system of quality management		
<i>[insert Name and Role]</i> Engagement team and other individuals		

(d) Evaluation of effectiveness of remedial action

This is to be completed by the individual(s) assigned operational responsibility for the monitoring and remediation process **once the remedial action has been implemented and has been operating for a sufficient time in the system of quality management.**

1. Has the remedial action been operating for enough time to determine effectiveness in the system of quality management?	Yes <input type="checkbox"/>	<i>Proceed to question 2</i>
	No <input type="checkbox"/>	<i>Complete evaluation once action has been operating for sufficient time</i>
2. Has the remedial action been effective in addressing the identified deficiency?	Yes <input type="checkbox"/>	<i>No further work required</i>
	No <input type="checkbox"/>	<i>Detail further action below</i>
3. Detail further action taken/required		