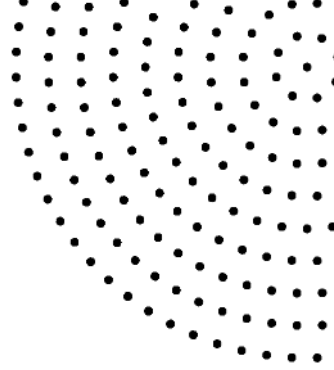


# Quality Management

2021

PRESENTED BY  
CARYN MAITLAND



# WHO WE ARE

The Southern African Institute for Business Accountants NPC is the #1 Professional Body for Accountants and Finance Executives in Africa. With more than 9000 members working as employed or self-employed accountants in all industries we are making business better from the Cape to Cairo.

Our CPD policy is compliant with IFAC IES7.

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SAIBA DESIGNATIONS

# ABOUT THE PRESENTER

## **CARYN MAITLAND**

Caryn is a qualified CA(SA) and RA.

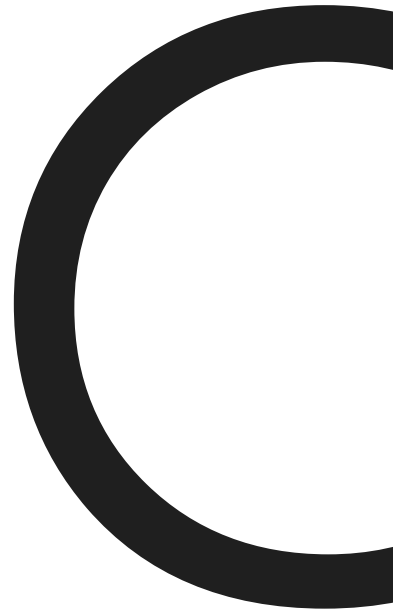
She lectured at UKZN up until 2011 and was appointed Section Head of Financial Accounting and Deputy Head of the School of Accounting (managing the Pietermaritzburg campus) prior to leaving UKZN. She was appointed as a visiting Associate Professor to the University of Limpopo tasked with mentoring their Financial Accounting staff (Aug 2011 to Dec 2013).

Caryn has conducted independent workshops and seminars for professional accountants since 2006 and is a platform presenter for various institutes as well as many small to medium accounting practices across the country and into Southern Africa.

Since January 2011, she has focused on her own business as technical freelance consultant and trainer to those working within the accounting profession. Caryn is a technical advisor specialising in financial reporting (IFRS, IFRS for SME's and general accounting), assurance, legislation and ethics. Caryn has a passion for Corporate Governance, which together with her Companies Act specialism and Financial Management for Non-Financial Management lecturing background, has served her well in consulting and advising various Boards of Directors in recent years.



# CPD CERTIFICATE



To obtain your CPD certificate complete the questions in the Quiz section. A CPD certificate will automatically be issued when you obtain above 75% within 3 attempts.

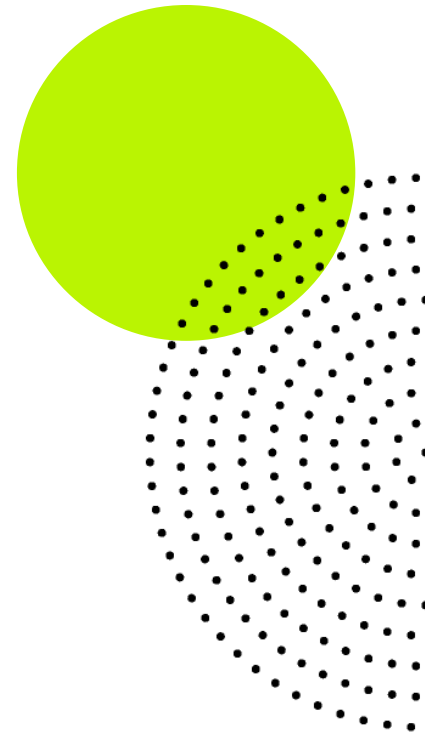
Queries regarding your CPD can be send  
[cpd@saiba.org.za](mailto:cpd@saiba.org.za)

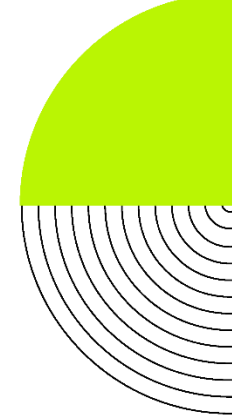
# QUESTIONS & ANSWERS

Email questions to:

**[technical@saiba.org.za](mailto:technical@saiba.org.za)**

Questions and Answers will be shared later in the Q&A section.





# Disclaimer

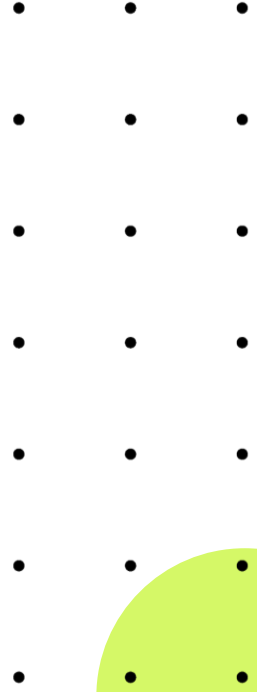
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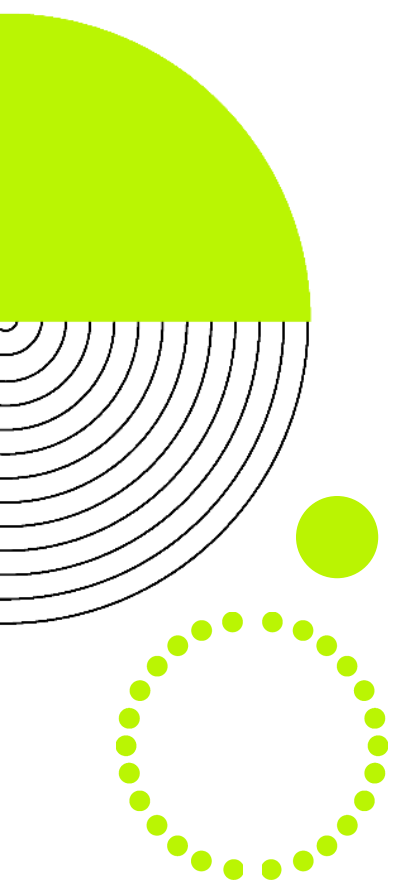
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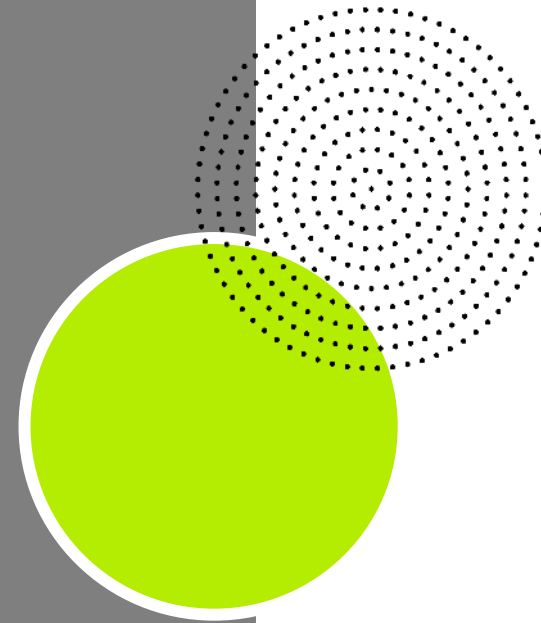
# Resources

1. Quality Management Guide (TBA)

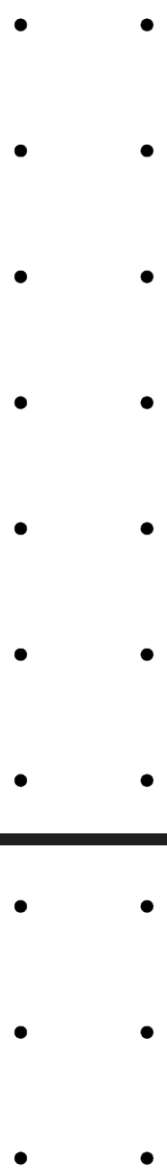


# CPD INDEX

1. Who needs to comply with Quality Management Practices
2. Principles of Quality Management
3. 8 Component Framework
4. Professional Scepticism



# 1. Who needs to comply with Quality Management Principles



# 1 . All practices need to comply

Accountants that offer the following services need to implement a system of quality management:

- Bookkeeping
- Compilation
- Tax services
- Company Secretarial
- Independent Reviews
- Agreed upon procedures
- Other assurance engagements
- Any other work....



# 2. PRINCIPLES OF QUALITY MANAGEMENT



# 2. Principles of Quality Management

Quality Control vs Quality Management

## **Quality Control:**

a system of maintaining standards in manufactured products by testing a sample of the output against the specification.

## **Quality Management:**

Quality management is the act of overseeing all activities and tasks that must be accomplished to maintain a desired level of excellence. This includes the determination of a quality policy, creating and implementing quality planning and assurance, and quality control and quality improvement

In general, quality management focuses on long-term goals through the implementation of short-term initiatives.

(Investopedia)



## 2. OBJECTIVE OF QM

Responsibility to comply with laws, regulations, professional standards and conduct engagements accordingly

Engagement reports must be appropriate

**Public interest** is served by consistent performance of quality management

Role of service providers

Similar to King IV

- Scalability and can change it up

- Can address more



# 2. ASSESSING QUALITY RISKS

## Threshold criteria

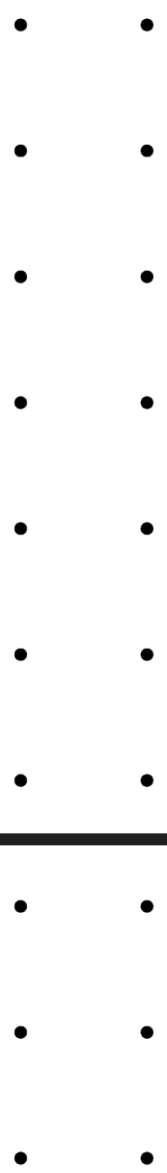
The quality risk has a reasonable possibility of occurring; and

If the quality risk were to occur, it may, individually or in combination with other quality risks, have a significant effect on the achievement of a quality objective(s).

The firm is required to document the identified quality risks and their assessment



# 3. 8 COMPONENT FRAMEWORK





# 3. 8 Component Framework

1. Firm risk assessment process
2. Governance and leadership
3. Relevant ethical requirements
4. Acceptance and continuance of client relationships and specific relationships
5. Engagement performance
6. Resources
7. Information and communication
8. Monitoring and remediation process



# 3. Part 1: RISK ASSESSMENT PROCESS

NEW  
Management function

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# 3. Part 1: RISK ASSESSMENT PROCESS

NEW  
Management function

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# 3. Part 1: RISK ASSESSMENT PROCESS

TYPES OF RISK:  
Strategic risk  
Operational risk  
Financial risk  
Compliance risk

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# 3. Part 1: RISK ASSESSMENT PROCESS

Principles of the risk management process is an iterative process

- assists organizations in setting strategy, achieving objectives and making informed decisions
- forms part of governance and leadership
- fundamental to how the organization is managed at all levels
- includes interaction with stakeholders
- considers the external and internal context of the organization, including:
  - human behaviour and cultural factors.
- based on the principles, frameworks and processes, adapted or improved so that managing risk is efficient, effective and consistent.



# 3. Part 1: RISK ASSESSMENT PROCESS

Principles of the risk management process is an iterative process

Step 1: Establishing the context

Step 2: Risk identification

Step 3: Risk assessment

Step 4: Risk evaluation

Step 5: Risk response

Step 6: Risk monitoring and reporting



# 3. Part 1: RISK ASSESSMENT PROCESS

Probability Rating	Criteria
<b>Certain</b> 5	99% probability, or <ul style="list-style-type: none"><li>• impact is occurring now, or</li><li>• could occur within “days to weeks”</li></ul>
<b>Almost certain</b> 4	>50% probability, or <ul style="list-style-type: none"><li>• balance of probability will occur, or</li><li>• could occur within “weeks to months”</li></ul>
<b>Likely</b> 3	>20% probability, or <ul style="list-style-type: none"><li>• may occur shortly but a distinct probability it won’t, or</li><li>• could occur within “months to years”</li></ul>
<b>Possible</b> 2	>5% probability, or <ul style="list-style-type: none"><li>• may occur but not anticipated, or</li><li>• could occur in “years to decades”</li></ul>
<b>Unlikely</b> 1	<5% probability occurrence requires exceptional circumstances exceptionally unlikely, even in the long term future only occur as a “100 year event”

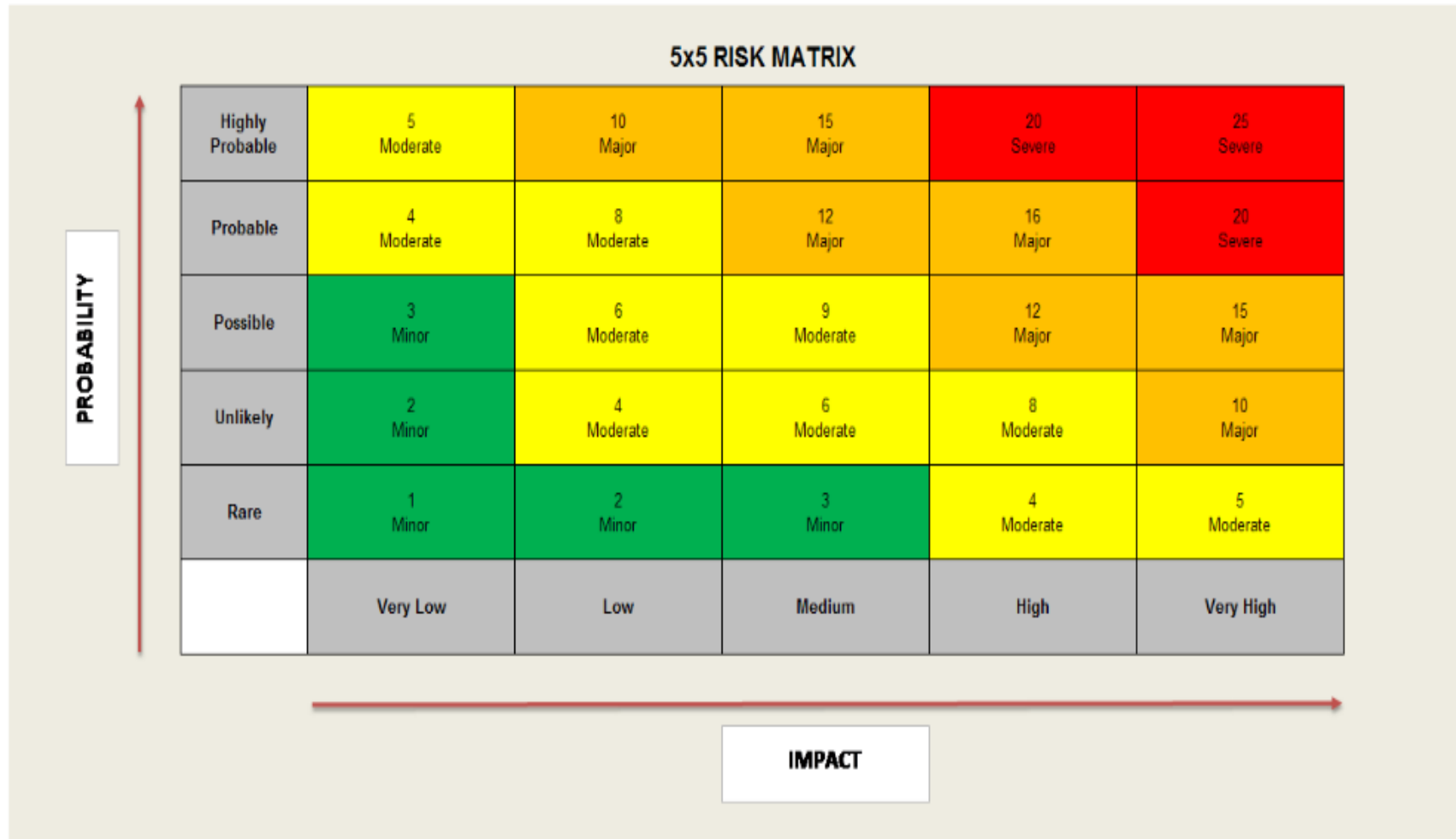


# 3. Part 1: RISK ASSESSMENT PROCESS

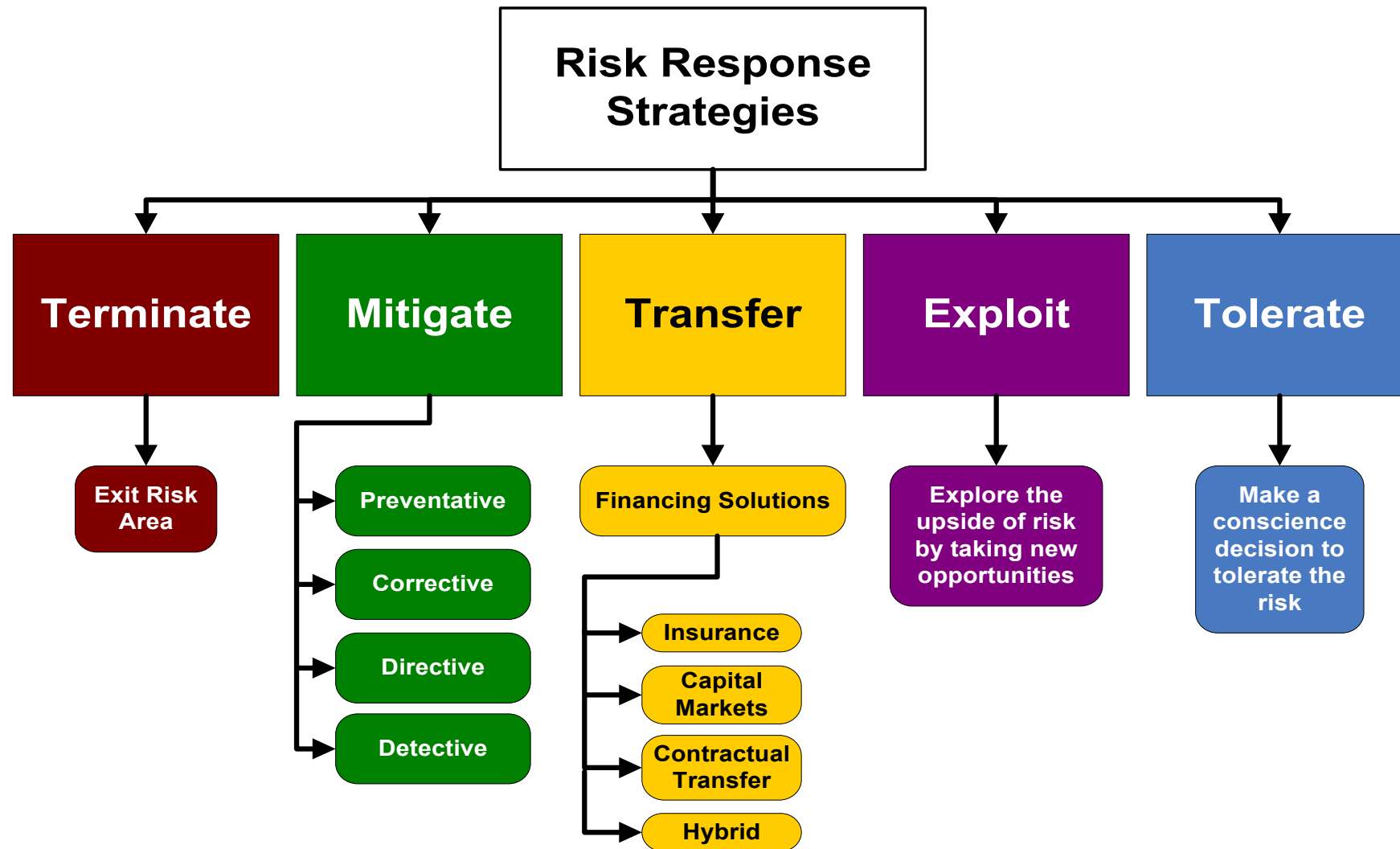
Consequence	Critical Success Factors					
	Safety	Quality of Services	Reputation	Environment	Cost	Legal/Contractual
<b>Severe</b>	Would cause loss of life.	Severe impact on the quality of services provided by the Council resulting in a significant increase in complaints from the community (increase of 50% or more).	External Reputation irrevocably destroyed or damaged. Severe impact on staff turnover (increase of >20% above average levels)	Would cause catastrophic environmental damage leading to fines against the Council and significant resources to rectify.	>2.5M	<b>Legal.</b> Numerous Major Litigations. <b>Contract.</b> Termination of Contract for default.
<b>Major</b>	Would cause serious casualties resulting in the long-term physical impairment of personnel.	Considerable impact on the quality of services provided by the Council resulting in a marked increase in complaints from the community (increase of 25-50%).	External Reputation severely damaged: considerable effort and expense required to recover. Major impact on staff turnover (increase of 10-20% above average levels)	Would cause extensive environmental damage requiring significant resources to rectify.	\$1M-2.5M	<b>Legal.</b> Single Major litigation or numerous Moderate Litigations. <b>Contract.</b> Receive written notice from the contractor threatening termination if not rectified.
<b>Moderate</b>	Would cause several casualties that require hospitalisation with no long-term effects.	Some impact on the quality of services provided by the Council resulting in an increase in complaints from the community (10-25%).	External Reputation damaged: some effort and expense required to recover. Moderate impact on staff turnover (increase of 10-20% above average levels)	Would cause some environmental damage requiring the allocation of some resources to rectify.	\$500k-1M	<b>Legal.</b> Single Moderate litigation or Numerous Minor Litigations. <b>Contract.</b> Receive verbal advice that, if breaches continue, a default notice may be issued.
<b>Minor</b>	Would cause several minor casualties that require medical attention off-site with no long-term effects.	Minor impact on the quality of services provided by the Council resulting in an increase in complaints from the community (<10%).	External Reputation minimally affected. Little effort or expense required to recover. Minor impact on staff turnover (increase of 5-10% above average levels)	Minor environmental damage. Rectification occurs from within existing budget.	\$100k-500k	<b>Legal.</b> Single Minor litigation. <b>Contract.</b> Results in meeting between two parties in which contractor expresses concern.
<b>Insignificant</b>	Would cause minor injuries that are able to be treated at the site with no long-term effects.	No impact on the quality of services delivered by Council.	External Reputation not affected. No effort or expense required to recover. No impact on staff turnover	No environmental damage.	\$0-100k	<b>Legal.</b> Threat of litigation requiring small compensation. <b>Contract.</b> No affect on contract performance.



# 3. Part 1: RISK ASSESSMENT PROCESS



# 3. Part 1: RISK ASSESSMENT PROCESS



# 3. Part 2: GOVERNANCE AND LEADERSHIP

Crucial  
Commitment through culture

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# 3. Part 3: RELEVANT ETHICAL REQUIREMENTS

Crucial  
Commitment through culture  
Code of Conduct



# 3. Part 4: ACCEPTANCE AND CONTINUANCE OF CLIENT & SPECIFIC RELATIONSHIPS

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# 3. Part 5: ENGAGEMENT PERFORMANCE

Pre Engagement  
Planning  
Performance  
Evaluation  
Conclusion  
Reporting

Review process  
Allocation of staff  
Capacity

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# 3. Part 6: RESOURCES

Human  
Technological  
Intellectual  
Service Providers

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# 3. Part 7: INFORMATION AND COMMUNICATION

System  
Internal vs external  
documentation

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# 3. Part 8: MONITORING AND REMEDIATION

Detect and correct....

Feedback loop

Skills required to monitor

Finding, identifying, and evaluating deficiencies

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# 3. SPECIFIC RESPONSES

Documentation of ethical threats

Independence compliance

A system to receive, investigating and resolving complaints

Having to decline or exit an engagement once started...

Auditing listed companies

External communication regarding firms QM

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# 3. NETWORK ISSUES

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# 4. PROFESSIONAL SKEPTICISM



# 4. DEFINITION

**Professional skepticism** – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

Role and Mindset expectations of Professional Accountants

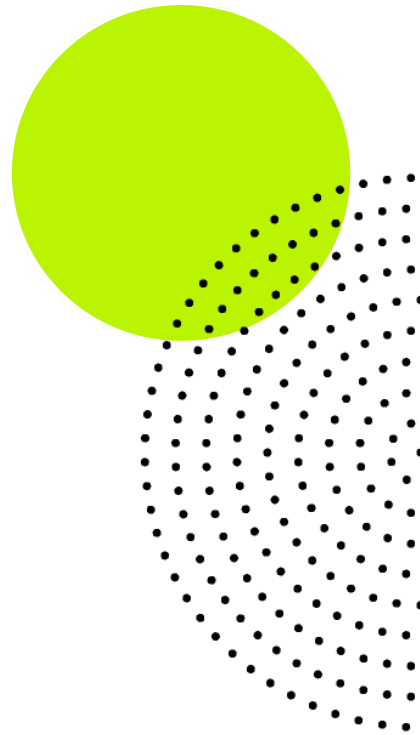
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# QUESTIONS & ANSWERS

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# THANK YOU

For joining us for the event.

