



KEY ELEMENTS THAT CREATE AN ENVIRONMENT FOR AUDIT QUALITY

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at
Sirikwa Hotel, Eldoret
14th March 2019

Uphold public interest

Firm Policy



- Based on International Standards on Quality Control 1 (ISQC 1) and ISA 220.
- ISQC 1 focuses on quality control at the firm level; other pronouncements issued by the IAASB may set out additional standards and guidance for quality control at the engagement level for specific types of engagements.

Firm Policy



- Every practice unit regardless of its size is expected to have a system of quality control for its practice.
- Quality control is based on policies and procedures applicable to audit services provided by the firm.

Firm Policy



- For example, those that perform audits of financial statements need to comply with ISA 220, Quality Control for an Audit of Financial Statements in order to represent compliance with the ISAs in the auditor's report
- Every practice unit regardless of its size is expected to have a system of quality control for its practice.

Firm Policy



- Q1. How does ISQC 1 address the fact that the characteristics of a smaller firm are significantly different from those of a larger firm?
- Q2. How might the implementation of ISQC 1 in a smaller firm differ from that in a larger firm?
- Q3. How does ISQC 1 help guide smaller firms in implementation of a system of quality control?
- Q4. How do sole practitioners or firms with few partners comply with ISQC 1's requirements relating to engagement quality control review?
- Q5. What are relevant considerations for smaller firms, including sole practitioners, as it relates to the “monitoring” element of ISQC 1?

Elements of a System of Quality Control



1. Leadership responsibilities for control within the firm

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- Promote internal culture that quality is essential
- Partner assumes ultimate responsibility
- Assigned operational responsibility

Elements of a System of Quality Control



2. Ethical requirements

IESBA Code establishes the fundamental principles of professional ethics .

- **Independence**
- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behavior

NOTE: If there is a threat, the firm MUST establish safeguards to the threats

Elements of a System of Quality Control



3. Acceptance and continuance of client relationships and specific engagements.

- Integrity of client
- Industry knowledge
- Competence
- Capabilities
- Resources
- Reporting deadlines

Note: If a firm declines an engagement, the reasons should be communicated to the firm.

Elements of a System of Quality Control



4. Human resources

- Recruitment
- Performance evaluation
- Capabilities
- Career development
- Competence
- Promotion
- Compensation
- Estimation of personnel needs.

Elements of a System of Quality Control



5. Engagement performance

“consistence in the quality of engagement performance”

- Team briefing
- Compliance with applicable engagement standards
- Supervision, staff training and coaching
- Review of work performed
- Documentation of work performed
- Processes and procedures to keep policies current.

Elements of a System of Quality Control



6. Monitoring

- Relevancy of policies of QC – Adherence to professional standards and applicable legal and regulatory requirements.
- Effective operations of the policies- design and implementation.
- Compliance with the policies- Application.

Elements of a System of Quality Control



7. Documentation of the system of QC

“The form and content of documentation is judgmental and depends on a number of factors e.g.

- Size of firm and number of offices
- Nature and complexity of firms practice and organization.

END



Questions



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