

Top Ten things to consider when Preparing or Updating your Firm's Quality Control Manual

1. Standards Update

Be aware of any standards changes that might require updates or modifications to be made to the firm's quality control manual and related documentation. If there is a time of the year when you typically attend professional development courses, consider updating your quality control manual after these sessions.

2. Select a Format

There are different ways for firms to meet the standards set out in the Canadian Standard for Quality Control (CSQC1).

Many practitioners have been customizing "off-the-shelf" resources such as the Quality Assurance Manual (QAM) published by CPA Canada and the Quality Control Manual available as part of the CGA Public Practice Manual (PPM) subscription. These templates provide a good foundation from which to start your own quality control manual.

If you prefer to do it yourself, you could consider creating a document with each CSQC 1 requirement at the top of the page and document your firm's established policies and procedures to ensure compliance with the requirements.

Remember, there is no requirement to use the generic templates provided by various subscriptions. Your requirement is to meet the standards that are set out in CSQC1 and any related engagement specific quality control guidance such as the Canadian Auditing Standards CAS 220 Quality Control for an Audit of Financial Statements. It's entirely up to you to choose the format that works best for your practice.

3. Select the Appropriate Location for Accessibility

Consider where you will maintain the manual and how it will be made available to staff, if you have any. You might print the quality control manual and distribute it to staff or you might keep an easily accessible electronic version of the manual on your local network.

Putting your quality control manual into Caseware is an option that seems to be often overlooked. This option makes copying or updating forms or working papers from the manual into client files easy and is familiar to staff.

Regardless of the form, it is important that all staff members have continuous access to the manual and that they use it as a resource to ensure that the quality control policies and procedures are followed when issues arise.

4. Identify and Correct Inconsistencies

When performing cyclical file monitoring, a frequent observation is the lack of consistency between the documented quality control policies and procedures and what the firm is actually doing.

A common example relates to the documentation of compliance with the firm's client acceptance procedures. Often, the policy is that the partner should approve acceptance prior to starting work on an engagement and document this approval on a specific working paper. This wouldn't be an issue except

for that the working paper is more often than not signed-off and dated at the end of the engagement, during the final file review. Does this mean that there was no consideration at the beginning of the engagement? Possibly not. However, as we have all heard, “If it’s not documented, it’s not done.”

As part of the ongoing monitoring requirements, you are required to ensure that all of the policies and procedures in your quality control manual are being completed for each engagement file. Should you identify any inconsistencies, you are required to rectify them, potentially altering your current workflow.

5. Integrate Internal and External Observations

Review the results and recommendations of any monitoring that occurred during the year. At a minimum, you should have the ongoing monitoring results that are required to be completed annually. You might also have feedback on your policies, procedures, and specific file comments from either provincial practice inspection or cyclical file monitoring.

6. Tailor Templates to Your Firm

Both the QAM and the PPM include sample templates for firm policies and procedures; however, they must be tailored to your firm.

The lack of customization is often evident in the criteria for establishing when an Engagement Quality Control Review (EQCR) is required. The sample in the QAM includes considerations such as engagements with more than 25 stakeholders, fees over \$15,000, or where three high risks have been identified. Is this set of criteria appropriate for your firm? Might you want to establish a policy to complete an EQCR on all assurance engagements? If not, you should consider some of the following factors as well:

- the debt levels of your larger clients;
- your liability insurance coverage;
- the experience and background of new partners or partner-equivalents;
- assurance engagements being issued by a partner who specializes in non-assurance areas such as tax; and
- engagements where significant deficiencies were noted during cyclical monitoring.

The purpose of the EQCR policy is for the firm to decide when it would be appropriate to have another practitioner involved in the file to consider the appropriateness and completeness of engagement deliverables and documentation. This is typically a risk-based decision, you must make this work for your practice – don’t strictly take the list from the sample!

7. Consolidate Firm Resources

Unless you specifically integrate the quality control manual into your firm’s operating practice, it can become a document that is updated and stored on a shelf until the following year or the next practice inspection. Do you have an office policy and procedures manual, a staff training manual, or a document summarizing what your firm requires to be included in engagement files? If so, take the opportunity to integrate the quality control policies and procedures into the firm’s everyday activities by consolidating all of these documents.

8. Integrate Appendices and Practice Aids

There are a number of appendices and practice aids included in the QAM from CPA Canada. Your manual should only include those that your firm is using. Make sure to put those forms or worksheets in the relevant engagement files. For example, the Engagement Quality Control Assessment worksheet needs to be included in each file to document that you have considered your firm's criteria for an EQCR and concluded, at the beginning of the engagement, whether an EQCR is required.

If you subscribe to QAM, you need to ensure that all appendices and practice aids are up-to-date and that the forms are included in the engagement template (Caseware, Caseview, Jazz-It, or Word document) where appropriate. When the appendices and practice aids are updated, ensure that the forms are updated in all locations.

9. Obtain Partner Approval

Unless you are a sole practitioner, all the partners in the firm are required to sign-off on updates to the quality control manual. Be sure to circulate the draft of the updated manual to all partners for detailed review and consideration. This is the ideal time for partners to acknowledge their assigned duties or tasks related to quality control.

10. Communicate with Staff

There should be, at a minimum, annual communication to all staff about the firm's quality control policies and procedures. This communication could be an email, especially when the updates or changes are minimal and staff members are familiar with the requirements of the quality control manual. However, the preferred approach is a staff meeting. A meeting allows questions to be asked and requirements clarified, and provides an opportunity to ensure that staff members understand their professional requirements. A meeting is easy to document through a detailed agenda and you can also simultaneously obtain the signed annual confirmations of compliance and independence.