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**Professional Practice**

**(Sole Practitioner)**

**Audit Quality Management Manual v1 [Jan-25]**

***Template Instructions***

***1. Review and edit all highlighted text to reflect the needs of your practice.***

***2. Remove highlighting to confirm your Manual is complete and fit for purpose.***

**<Insert Your Practice Name>**



# Overview

This Audit Quality Management Manual (the Manual) is for use by the Institute of Public Accountants (IPA) Professional Practice Certificate (PPC) holders that provide audit and assurance services in Australia. The Manual has been developed by the IPA for use by sole practitioners. Although this Manual has been developed for PPC holders that provide SMSF audit services, the Manual can be adapted and used by PPC holders that provide other audit and assurance services.

This Manual is made available to PPC holders as a template document only. In adopting the Manual, each PPC holder must consider their specific circumstances and add, remove or amend the relevant text, policies and procedures to ensure that their System of Quality Management (SOQM) is accurate, relevant to their practice and up-to-date. The IPA is not liable for any loss, damage, claim or any costs incurred, suffered or occasioned by a PPC holder or any other person doing anything, or refraining from doing anything, as a result of anything contained in this Manual.

PPC holders that provide a broad range of audit and assurance engagement services should also consider the requirements in:

* ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Information* (ASA 220)*;*
* ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Service Engagements* (ASQM 1);
* ASQM 2 *Engagement Quality Reviews* (ASQM 2); and

where relevant, incorporate any applicable requirements into their SOQM.

For PPC holders operating in a Multi-Practitioner practice, IPA has a separate Professional Practice (Multi-Practitioner) Audit Quality Management Manual [insert link] template that provides additional guidance to that contained in this Manual.

PPC holders that provide **non-assurance engagement services,** such as tax/BAS agent services, must also consider the additional requirements in:

* APES 320 *Quality Management for Firms that provide Non-Assurance Services* (**APES 320**); and
* APES 325 *Risk Management for Firms* (**APES 325**).

IPA has separate templates Professional Practice (Sole Practitioner) Quality Management Manual and Professional Practice (Sole Practitioner) Risk Management Manual [insert new links] that address these requirements.

The IPA provides no guarantee that this Manual contains all relevant content for a PPC holder to comply with the requirements in ASA 220, ASQM 1 and ASQM 2, or any other standards or requirements with which a PPC holder may from time-to-time be required to comply. A PPC holder using this Manual bears the responsibility of having in place any additional policies and procedures as needed to meet the requirements of the IPA Constitution, By-laws, Pronouncements, Regulations, APESB professional and ethical standards as well as federal and state legislative requirements, such as the *Superannuation Industry (Supervision) Act 1993*, the *Superannuation Industry (Supervision) Regulations 1994* (SISR), and the *Corporations Act 2001*.

References to some key requirements of ASQM 1 and other general references have been included in the footer of relevant pages of this Manual for ease of reference.

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[***##Template note:*** *The contents page below can be automatically updated using References/Update Table/Update entire table*]

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# Section 1: Practice Details – Philosophy, Objectives, Structure, Range of Audit Services, Location

## 1.1 Philosophy

To offer high-quality professional <SMSF audit> services to clients, through compliance with professional and ethical standards, applicable legal and regulatory requirements and Australian auditing and assurance standards.

## 1.2 Objectives

As a Sole Practitioner audit practice, I aim to:

* professionally serve clients and the accounting profession as a Member of the IPA;
* provide quality [##provide a brief description of the audit/assurance services you provide to clients, for example, SMSF audit] services to clients;
* achieve excellent client service standards through maintaining the highest level of integrity, competence and independence;
* maintain confidentiality at all times;
* avoid any conduct that may undermine public trust or confidence or may discredit the accounting profession;
* uphold and promote the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code); and
* comply with all relevant legislation, regulations and other requirements, including but not limited to Australian auditing and assurance standards, the *Superannuation Industry (Supervision) Act 1993* (SISA), and the *Superannuation Industry (Supervision) Regulations 1994* (SISR). [##add any other legislation, for example, *Corporations Act 2001*]

## 1.3 Structure, Range of Audit Services, Location

The audit practice consists of a Sole Practitioner (Practice).

The Practice only provides SMSF audit services. [##or modify to describe the range of audit/assurance services provided]

The Practice is conducted from one office located at [##insert Practice address].

# Section 2: Risk Assessment Process[[1]](#footnote-1)

## 2.1 Policy

The Practice applies a risk-based iterative approach in designing and implementing a System of Quality Management (SOQM) to establish quality objectives, identify and assess quality risks and implement responses to address those risks.

## 2.1.1 Quality Objectives

The Practice has adopted and annually reviews the following quality objectives from ASQM 1 to achieve the objectives of the Practice’s SOQM.

| **Governance and Leadership** | **Relevant Ethical Requirements** | **Acceptance and Continuance of Client Relationships and Specific Engagements** |
| --- | --- | --- |
| The Practice demonstrates a commitment to quality through a culture that exists throughout the firm, which recognises and enforces:   1. the Practice’s role in serving the public interest by consistently performing quality engagements; 2. the importance of professional ethics, values and attitudes; 3. the responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM, and their expected behaviours; and 4. the importance of quality in the Practice’s strategic decisions and actions, including the Practice’s financial and operational priorities. | The Practice and its personnel:   1. understand the relevant ethical requirements to which the Practice and the Practice’s engagements are subject; and 2. fulfill their responsibilities in relation to relevant ethical requirements to which the Practice and the Practice’s engagements are subject. | Judgments by the Practice about whether to accept or continue a client relationship or specific engagements are considered appropriate and based on:   1. 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 judgements; and 2. the Practice’s ability to perform the engagement in accordance with auditing and assurance standards and applicable legal and regulatory requirements. |
| As a Sole Practitioner, I am responsible and accountable for quality. |  |  |

| **Engagement Performance** | **Resources** | **Information and Communication** |
| --- | --- | --- |
| The Practice understands and fulfills its responsibilities in connection with audit/assurance engagements, including, as applicable, the overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. | *Technological Resources*  Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the Practice’s SOQM and the performance of engagements. | * 1. The information system identifies, captures, processes and maintains relevant and reliable information that supports the SOQM, whether from internal or external sources. |
| * 1. Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. | *Intellectual Resources*   * 1. Appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the Practice’s SOQM and the consistent performance of quality engagements, and such intellectual resources are consistent with auditing and assurance standards and applicable legal and regulatory requirements, where applicable. | Relevant and reliable information is communicated to external parties when required by law, regulation or auditing and assurance standards, or to support external parties’ understanding of the SOQM. |
| * 1. 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 Practice and comply with law, regulation, relevant ethical requirements, or auditing and assurance standards. Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. | *<Service Providers> (if applicable)*   * 1. *Human, technological or intellectual resources from service providers are appropriate for use in the Practice’s SOQM and in the performance of quality engagements.* |  |
| * 1. Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the Practice’s SOQM are brought to the attention of the Practice and resolved. |  |  |

## 2.1.2 Quality Risks

The Practice identifies and assesses quality risks to provide a basis for the design and implementation of responses by:

1. obtaining an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, including:
   1. the nature and circumstances of the Practice, those relating to:
      * the complexity and operating characteristics of the Practice;
      * the strategic and operational decisions and actions, business processes and business model of the Practice;
      * the characteristics and management style of leadership;
      * the resources of the Practice; and
      * law, regulation, auditing and assurance standards and the environment in which the Practice operates.
   2. the nature and circumstances of the engagements performed by the Practice, those relating to:
      * the types of engagements performed by the Practice and the reports to be issued; and
      * the types of entities for which such engagements are undertaken.
2. taking into account, how, and the degree to which, the conditions, events, circumstances, actions or inactions in (a) may adversely affect the achievement of the quality objectives.

## 2.1.3 Responses to Quality Risks

The Practice designs and implements responses to address identified and assessed quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to those quality risks. The Practice’s responses address the requirements of ASQM 1.[[2]](#footnote-2)

Iterative Approach to Continuous Improvement of the Practice’s SOQM

The Practice adopts an iterative approach to continuous improvement of the Practice’s SOQM.

The results of the Practice’s Monitoring and Remediation process, engagement quality reviews and management of complaints and allegations against the Practice may identify issues that provide the Practice with the opportunity to improve the Practice’s SOQM. Assessment of such issues are assessed as they are identified with the view to considering if improvements can be made to:

* establish additional quality objectives or modify existing quality objectives;
* identify new quality risks and/or reassess and modify existing quality risks;
* design and implement new responses or modify existing responses.

## 2.1.4 Practice Risk Assessment Matrix

|  |  |  |
| --- | --- | --- |
| **Governance and Leadership** | | |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| The Practice demonstrates a commitment to quality through a culture that exists throughout the firm, which recognises and enforces:   1. the Practice’s role in serving the public interest by consistently performing quality engagements; 2. the importance of professional ethics, values and attitudes; 3. the responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM, and their expected behaviours; and 4. the importance of quality in the Practice’s strategic decisions and actions, including the Practice’s financial and operational priorities. | Unclear policies/procedures that are not adequately updated.  Policies/procedures not effectively communicated to all personnel.  Insufficient resourcing of SOQM.  <insert additional risks identified> | Section 1 Practice Details – Philosophy, Objectives, Structure, Range of Audit Services, Location.  Section 3.1 Governance and Leadership Policy.  Section 8.1 Information and Communication – Statement of Practice.  Appendix 5 SOQM Evaluation Form. |
| As a Sole Practitioner, I am responsible and accountable for quality. | Not allowing sufficient time to take responsibility and accountability for the Practice’s SOQM.  SOQM is not designed to identify and assess my level of achievement of quality.  <insert additional risks identified> | Section 3.1 Governance and Leadership Policy.  Section 9 Monitoring and Remediation Procedures.  Appendix 5 SOQM Evaluation Form. |

|  |  |  |
| --- | --- | --- |
| **Relevant Ethical Requirements** | | |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| The Practice and its personnel:   1. understand the relevant ethical requirements to which the Practice and the Practice’s engagements are subject; and 2. fulfill their responsibilities in relation to relevant ethical requirements to which the Practice and the Practice’s engagement are subject. | Relevant ethical requirements are not clearly documented and communicated within the Practice.  Relevant ethical requirements are not well understood by all personnel.  Personnel knowledge of relevant ethical requirements are not up-to-date.  <insert additional risks identified> | Section 4 Relevant Ethical Requirements – Policy and Procedures.  Section 7.1 Resources – Statement of Practice: Human Resources.  Section 9.1.3 Complaints and allegations – Procedures.  Appendix 1 Audit Independence and Declaration Checklist.  Appendix 2 Client Screening Form.  Appendix 3 Client Retention Form.  Appendix 5 SOQM Evaluation Form. |

|  |  |  |
| --- | --- | --- |
| **Acceptance and Continuance of Client Relationships and Specific Engagements** | | |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| Judgments by the Practice about whether to accept or continue a client relationship or specific engagements are appropriate based on:   1. 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 judgements; and 2. the Practice’s ability to perform the engagement in accordance with auditing and assurance standards and applicable legal and regulatory requirements. | Adequate information about new and continuing clients is not obtained and/or considered on a timely basis.  Insufficient human resources are available to perform all engagements during peak engagement periods.  <insert additional risks identified> | Sections 5.1 and 5.2 Acceptance and Continuance of Client Relationships – Policy and Procedures.  Appendix 2 Client Screening Form.  Appendix 3 Client Retention Form.  Appendix 5 SOQM Evaluation Form. |

| **Engagement Performance** | | |
| --- | --- | --- |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| The Practice understands and fulfills its responsibilities in connection with audit/assurance engagements, including, as applicable, the overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. | Policies and procedures are not clearly documented and understood.  <SMSF audit software is out of date.>  <insert additional risks identified> | Section 6 Engagement Performance.  Section 7 Resources.  Appendix 5 SOQM Evaluation Form. |
| Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. | Inadequate consideration of risks leads to consultation not being undertaken.  Lack of appropriate processes and follow up leads to consultations not being held or agreed conclusions not being implemented/documented on difficult and/or contentious issues.  <insert additional risks identified> | Section 6 Engagement Performance.  Section 7 Resources.  Appendix 5 SOQM Evaluation Form. |
| 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 Practice and comply with law, regulation, relevant ethical requirements, or auditing and assurance standards. | Engagement documentation procedures have not been clearly communicated to all Practice staff.  Engagement documentation is not assembled and secured on a timely basis after the date of the engagement report.  Engagement documentation is not appropriately maintained and retained to meet the needs of the Practice and comply with professional and ethical standards, applicable legal and regulatory requirements and Australian auditing and assurance standards.  Archived documentation is reopened and revised without approval.  <insert additional risks identified> | Section 6 Engagement Performance.  Section 6.3 Engagement Documentation.  Section 7 Resources.  Appendix 5 SOQM Evaluation Form. |

| **Resources** | | |
| --- | --- | --- |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| *Technological Resources*  Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the Practice’s SOQM and the performance of engagements. | Technological resources are not enabling the operation of the Practice’s SOQM and the performance of <SMSF audit> engagements.  <insert additional risks identified> | Section 7.1 Resources – Statement of Practice – Technology Resources.  Appendix 5 SOQM Evaluation Form. |
| *Intellectual Resources*  Appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the Practice’s SOQM and the consistent performance of quality engagements, and such intellectual resources are consistent with auditing and assurance standards and applicable legal and regulatory requirements, where applicable. | Intellectual resources are not enabling the operation of the Practice’s SOQM and the performance of <SMSF audit> engagements.  Intellectual resources are not consistent with professional and ethical standards, applicable legal and regulatory requirements and Australian auditing and assurance standards.  <insert additional risks identified> | Section 7.1 Resources – Statement of Practice – Intellectual Resources.  Appendix 5 SOQM Evaluation Form. |
| *<Service Providers> (if applicable)*  *Human, technological or intellectual resources from service providers are appropriate for use in the Practice’s SOQM and in the performance of quality engagements.* | Consistent and rigorous procurement, security and implementation policies and procedures for technology and intellectual resources are not used.  Technological resources are not strategically assessed for future capabilities and engagement needs.  Changes to IT systems and programs are not adequately reviewed and approved.  <insert additional risks identified> | Section 7.1 Resources – Statement of Practice – Service Providers.  Appendix 5 SOQM Evaluation Form. |

| **Information and Communication** | | |
| --- | --- | --- |
| **Quality Objective** | **Quality Risks** | **Risk Responses** |
| The information system identifies, captures, processes and maintains relevant and reliable information that supports the SOQM, whether from internal or external sources. | Information systems are not regularly reviewed or updated for operational purposes and engagement performance needs.  Information systems are not tested or evaluated for cyber security on a regular basis.  Back-up of data and key Practice resources is not performed with sufficient frequency.  <insert additional risks identified> | Section 7.1 Resources – Statement of Practice – Technology Resources.  Section 8 Information and Communication.  Appendix 5 SOQM Evaluation Form. |
| Relevant and reliable information is communicated to external parties when required by law, regulation or auditing and assurance standards, or to support external parties’ understanding of the SOQM. | The Practice does not have appropriate policies and procedures to provide personnel with guidance on how to present information, or how to respond to requests for information consistent with professional and ethical standards, applicable legal and regulatory requirements and Australian auditing and assurance standards.  <insert additional risks identified> | Section 8.1 Information and Communication – Statement of Practice – Communication with External Parties.  Appendix 5 SOQM Evaluation Form. |

# Section 3: Governance and Leadership[[3]](#footnote-3)

## 3.1 Policy

The Practice has an overriding commitment to providing quality <SMSF audit> services. The Practice recognises the importance of an effective SOQM in performing all client engagements.

As a Sole Practitioner, I understand that I bear ultimate responsibility for the SOQM and the related policies and procedures that are documented within this Manual.

The contents of this Manual are reviewed annually to ensure that it remains relevant to the needs of the Practice and its clients.

The Practice’s SOQM reflects what the Practice does. The requirements of ASQM 1 and other standards relevant to the <SMSF audit> services provided by the Practice, are adequately addressed by this SOQM.

Although the Practice’s services consist <entirely of SMSF audit> services, all staff are provided with a copy of this Manual on induction or when it is updated. The Practice’s administration and support staff are expected to have a general understanding of the contents of this Manual, although not all the requirements apply to their role.

# Section 4: Relevant Ethical Requirements[[4]](#footnote-4)

## 4.1 Policy

The Practice will comply with all relevant ethical requirements of the Code including:

* acting in the public interest;
* acting with integrity;
* maintaining objectivity;
* exercising professional competence and due care;
* respecting and maintaining confidentiality for all clients; and
* ensuring our professional behaviour is compliant with relevant laws and regulations and does not discredit the profession or the IPA.

## 4.1.1 Independence

The Practice recognises the importance of maintaining independence in providing <SMSF audit> services. Where independence concerns are raised, all actual and potential conflicts of interest must be identified, assessed, documented and disclosed as per the requirements of Part 4 of the Code.

## 4.2 Procedures

When faced with any threats to compliance with the fundamental principles of the Code, the Practice refers to the specific requirements of the Code to determine if safeguards can be put in place to reduce threats to an acceptable level to enable the <SMSF audit> engagement to proceed.

The Practice also uses the [APESB Independence Guide](https://www.publicaccountants.org.au/resources/apesb-independence-guide) for guidance on identifying and assessing independence issues.

If further guidance and support is required, the Practice will consult another professional and/or the IPA for advice. All advice and guidance received is documented.

## 4.2.1 Independence

In addition to the above-stated policy and procedures, the Practice uses an Independence and Declaration Checklist (refer **Appendix 1**) to guide the identification of actual or potential conflicts of interest.

# Section 5: Acceptance and Continuance of Client Relationships[[5]](#footnote-5)

## 5.1 Policy

The Practice will only accept or continue to provide <SMSF audit> services where the Practice:

* has the competence, capabilities, resources and time to adequately perform the engagement;
* has considered the integrity of the client and has concluded that there is no information to indicate that the client lacks integrity; and
* can comply with all relevant professional and ethical requirements.

## 5.2 Procedures

## 5.2.1 New Clients

## 5.2.1.1 Assessing competence, capabilities, and resources

The Practice assesses its ability to undertake engagements by:

* interviewing all clients and/or their representatives/advisers (eg referring accountant) to ensure a clear understanding of the engagement required;
* considering if the Practice has sufficient knowledge, competence and capabilities to manage all issues relating to the engagement;
* determining if there are any issues that require any specific skills or knowledge in order to provide a quality service to the client; and
* considering if there are sufficient resources and time to undertake the engagement in a timely manner and to meet lodgement deadlines.

For new clients, the Practice uses a Client Screening Form to assist with the above assessment (refer **Appendix 2**). For ongoing clients, the Practice uses a Client Retention Checklist to assist with the above reassessment (refer **Appendix 3**).

## 5.2.1.2 Assessing client integrity

Matters that the Practice considers prior to accepting a client engagement include:

* the identity of the client – ensuring this can be verified by legal documentation;
* where relevant, the business reputation of the client’s principal owners, key management and any known related parties;
* the nature of the client’s business operations, including its business practices;
* the attitude of the client towards regulatory compliance;
* whether the client displays an aggressive approach to keeping fees as low as possible;
* signs of inappropriate limits to the scope of the engagement including the client’s inability to provide appropriate documentation or supporting evidence required for the <SMSF audit> and in compliance with lodgement requirements;
* the client’s reasons for seeking to appoint the Practice and for leaving their previous accountant;
* whether acceptance of the client would create any threats to independence that cannot be reduced to an acceptable level by putting adequate safeguards in place; and
* whether acceptance of the client would create any threats to the professional and ethical requirements of the Code that cannot be reduced to an acceptable level by putting adequate safeguards in place.

The Practice uses the following templates to assist with the above assessment:

* Client Screening Form (refer **Appendix 2**);
* Client Retention Checklist (refer **Appendix 3**);
* Ethical clearance letter – refer <https://www.publicaccountants.org.au/resources/templates>.

## 5.2.2 Existing Clients

## 5.2.2.1 Further assessment of client integrity

For existing clients, the Practice reviews if there have been any significant changes to the information previously considered. If any new information comes to hand, the Practice will consider if the impact of the change(s) is likely to impact on:

* the Practice’s ability to continue to provide <SMSF audit> services to the client; and
* whether the Practice should withdraw from the engagement.

The Practice uses the following template to assist with the above assessment:

* Client Retention Checklist (refer **Appendix 3**).

## 5.3 Engagement Letter

The Practice refers to IPA’s engagement letter templates for engagements (refer <https://www.publicaccountants.org.au/resources/templates>), which we adapt to ensure these documents are fit for use in the Practice.

## 5.4 Disengagement Letter

The Practice refers to IPA’s disengagement letter template when ceasing to provide an engagement service (refer <https://www.publicaccountants.org.au/resources/templates>), which we adapt to ensure these documents are fit for use in the Practice.

# Section 6: Engagement Performance[[6]](#footnote-6)

## 6.1 Policy

<SMSF audit> services are performed in accordance with the requirements of Australian auditing and assurance standards, the *Superannuation Industry (Supervision) Act 1993* (SISA), the *Superannuation Industry (Supervision) Regulations 1994* (SISR) and professional and ethical standards. Engagements are planned and performed with professional scepticism and using professional judgment.

## 6.2 Procedures

The Practice uses <toolkits, <insert name of SMSF audit> software, template documents and appropriate guidance material> to deliver consistent quality <SMSF audit> services to clients.

As an experienced Sole Practitioner, I am able to plan, monitor and ensure quality <SMSF audit> services are provided by my Practice. Engagement progress is tracked using <practice management software/<insert name of SMSF audit> software/the workflow management module of our professional services software …>. Difficult or contentious matters are appropriately considered through consultation with <another practitioner/IPA …>, addressed and documented.

## 6.3 Engagement Documentation

All <SMSF audit> engagement files are finalised on a timely basis and within 30 days of the audit report being issued. Once finalised, no modification of the audit documentation is permitted.

The Practice’s IT system includes the following security features:

* <describe security features – eg policy on system passwords/frequency on updating passwords, password protection of documents, controls over issuing passwords and backup policy>.

The Practice retains all <SMSF audit> engagement files for at least five years.

## 6.4 Engagement Quality Review

[The Practice undertakes an Engagement Quality Review (EQR) annually over a selection of <SMSF audit> engagements taking into consideration:

* the level of engagement audit risk – for example, an EQR is required for engagements with high-risk.
* my seniority, proficiency and experience as an SMSF auditor.
* the nature/scale of SMSF audits.
* any EQR conducted on a particular engagement recently or in prior years.
* at least one audit engagement is selected for EQR every <three years>[[7]](#footnote-7).

As a Sole Practitioner, the Practice engages the services of another independent practitioner to perform the role of the Practice’s Engagement Quality Reviewer.

# Section 7: Resources[[8]](#footnote-8)

## 7.1 Statement of Practice

Human Resources

The Practice regularly reviews workflow systems to determine if human resources are sufficient to perform quality <SMSF audit> services to its projected client base.

At present, the Practice operates as a <Sole Practitioner>.

Technology Resources

The Practice uses <describe technology infrastructure essential to enabling the effective operation of IT applications used by the Practice (for example, computer hardware, operating systems and backup systems)>for all the Practice’s general business requirements.

In addition, the Practice uses:

* <name of software> for the provision of <SMSF audit> services and for retaining and maintaining client engagement documentation;
* <name of software> for Practice time management and client billing;
* <name of software> used as part of the Practice’s cyber-security risk management policies/procedures; and
* <identify any other technology resources used. For example: internally developed spreadsheets and other templates that have been reviewed and approved for use, such as data analytic and audit-related tools.>

Use of the Practice’s technology resources must be for legitimate purposes and in accordance with the Code. In all circumstances, Practice staff must be alert to cyber-security risks and take necessary precautions as identified in the Practice’s Risk Management policies/procedures.

The Practice’s cyber-security risk management policies/procedures prohibit the introduction of unauthorised software to the Practice’s technology ecosystem. Access to the Practice’s IT system is secured by password and third-party authentication when accessed remotely. Passwords are not shared and changed at least once every 3 months as prompted by the Practice’s operating system.

Intellectual Resources

Intellectual resources include all systems and information used by the Practice to deliver <SMSF audit> services in compliance with the Practice’s SOQM. This includes all written policies/procedures, audit-related support materials, technical updates, training materials and user guides adopted by the Practice.

Where required, the Practice refers to materials issued by the Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), Auditing and Assurance Standards Board (AUASB), Accounting Professional & Ethical Standards Board (APESB) and the Institute of Public Accountants (IPA) as a guide and to assist in discharging the Practice’s obligation to comply with legislative, Australian audit and assurance standards, and professional and ethical standards.

Service Providers

The Practice <does/does not> contract with third-party service providers.

[When third-party service providers are used:]

When using the resources provided by third-party service providers, the Practice is responsible for ensuring that the resources provided are appropriate for use <in the delivery of SMSF audit services and/or in the SOQM>.

# Section 8: Information and Communication[[9]](#footnote-9)

## 8.1 Statement of Practice

The Practice is committed to investing in information systems that meet our current and anticipated future needs. The Practice’s information systems are an integral component of our SOQM.

A substantial part of our information systems is driven by our technology resources (section 7) however, changes and improvements often originate from thought leadership and discussion with professionals within and external to the Practice.

The Practice encourages an open and communicative environment that enables the sharing of knowledge and experience allowing innovative ideas to feed into and improve the Practice’s SOQM.

The Practice communicates through direct oral communication, manuals of policies and procedures, newsletters, alerts, emails, web-based applications, training and development, social media and webcasts.

Communication with External Parties

The Practice may communicate with various external parties about the Practice’s SOQM and in relation to specific client engagements.

The nature, timing and extent and appropriate form of communication will be determined by <insert name/position of responsible person> and depend on the circumstances.

External communication related to the Practice’s SOQM may include a transparency report or audit quality report, direct conversations with external parties, including direct conversations with regulators (such as ASIC, ATO, TPB and IPA), or management and those charged with governance of clients, and information on the Practice’s website or provided through social media. In this respect, the Practice is subject to IPA’s Quality Review Program.

External communication relating to client activities complies with all relevant legislation, regulations and other requirements, including but not limited to the Code, Australian auditing and assurance standards, SISA, and SISR[[10]](#footnote-10). [##add any other legislation, for example, *Corporations Act 2001, ASIC Regulatory Guide 34 Auditor’s obligations: Reporting to ASIC.*]

# Section 9: Monitoring and Remediation Procedures[[11]](#footnote-11)

## 9.1 Procedures

## 9.1.1 Monitoring

All <SMSF audit> engagements are reviewed by me (pre-sign off review) before the audit report is issued to the client. This pre-sign off review includes reviewing whether the Practice’s SOQM has been adhered to.

Other monitoring activities include:

* a quarterly informal assessment of the Practice’s compliance with the Practice’s SOQM.
* post-engagement quality reviews (EQRs) of a sample of completed <SMSF audit> engagement files – a review of a completed engagement file is selected for each auditor that has signed a <SMSF audit> report on behalf of the Practice. Engagement team members or the pre-sign off reviewer of an engagement are prohibited from performing any post-engagement review of that engagement.
* the Practice participating in IPA’s Quality Review Program.

As a Sole Practitioner, the Practice engages the services of another independent practitioner to perform EQRs (refer section 6.4).

When issues are identified or errors are uncovered from monitoring activities, the SOQM is reviewed and changes are made to reduce the risk of future similar errors occurring (refer Remediation process).

## 9.1.2 Remediation[[12]](#footnote-12)

The <Engagement Quality Reviewer/AQL> evaluates the findings from monitoring activities to determine if deficiencies exist. The severity and pervasiveness of identified deficiencies are evaluated by investigating root cause(s) and evaluating the effect of the identified deficiencies on the SOQM.

The <Engagement Quality Reviewer/AQL> assists the Practice to design and implement remedial actions including timeframes, what effectiveness looks like and how successful implementation can be measured. On further evaluation, if the <Engagement Quality Reviewer/AQL> finds the remedial actions have not been effective, they will determine if any modifications can be adopted for the Practice to achieve effectiveness.

When findings indicate that there is an <SMSF audit> engagement for which procedures required were omitted during the performance of that engagement, the Practice must take appropriate action to comply with Australian auditing and assurance standards, professional and ethical standards and relevant legal and regulatory requirements. When the audit report is considered to be inappropriate, the Practice must consider the implications and take appropriate action, including whether to obtain legal advice.

The <Engagement Quality Reviewer/AQL> should communicate on a timely basis with <insert name/position of responsible person> (the individual who is assigned ultimate responsibility of the Practice’s SOQM – refer section 3).

## 9.1.3 Complaints and allegations[[13]](#footnote-13)

Client complaints

All <SMSF audit> clients are informed about the Practice’s complaints process which can be accessed <insert details – eg email address/web page address>. Clients are also informed that they may also submit a complaint about the Practice directly with IPA, ASIC and/or the ATO.

Complaints and allegations (complaints) are taken seriously with the view to achieving a prompt resolution. A client’s complaint is promptly acknowledged and they are kept informed as to the progress of resolution of their complaint.

All complaints are documented in a Client Complaint Form (refer **Appendix 4**).

Generally, the steps taken to resolve a complaint are:

* listen carefully and with empathy to what the client has to say;
* ask relevant questions to gather all necessary information;
* consider potential options for resolution of the complaint, including options preferred by the client;
* if necessary, apologise without blaming;
* if required, seek assistance/guidance from IPA;
* resolve the complaint effectively and efficiently;
* communicate the resolution of the complaint directly with the client; and
* if the complaint is unable to be resolved, advise the client of alternative actions they may take including referral to an external party such as IPA, ASIC or the ATO.

Every complaint received is carefully examined to determine if there is a weakness or opportunity to improve the Practice’s SOQM.

The Practice’s Professional Indemnity Insurance provider is notified if necessary.

Staff complaints

Practice staff are advised on induction that they are also free to raise concerns without fear of reprisal.

## 9.1.4 Evaluation of SOQM[[14]](#footnote-14)

This SOQM is evaluated annually with the results documented in a SOQM Evaluation Form (refer **Appendix 5**). Following the evaluation, a conclusion is made if the SOQM provides the Practice with reasonable assurance that the objectives of the SOQM are being achieved. Where deficiencies have been identified from monitoring activities and/or reasonable assurance has not been achieved, further measures are taken in line with the requirements of ASQM 1.

# Template Forms and Checklists

**Appendix 1** Audit Independence and Declaration Checklist.

**Appendix 2** Client Screening Form.

**Appendix 3** Client Retention Checklist.

**Appendix 4** Client Complaint Form.

**Appendix 5** SOQM Evaluation Form.

## Appendix 1 Audit Independence and Declaration Checklist

This Checklist is completed by all staff of the Practice on an annual basis.

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Question** | **Yes** | **No** |
| 1 | Are you a director, officer, or trustee of any client? |  |  |
| 2 | Do you hold any management position with any client? |  |  |
| 3 | Are you an employee of any client? |  |  |
|  | Are you connected with a client as a promoter, underwriter or voting trustee, director, or officer? |  |  |
| 4 | Do you have any immediate family member (spouse, parent, child or other close relative) who is a director (or equivalent role) or employee of a client? |  |  |
| 5 | Do you have a direct or indirect material financial interest in a client or its related parties? |  |  |
| 6 | Do you have any immediate family member (spouse, parent, child or other close relative) who has a material financial interest in a client or its related parties? |  |  |
| 7 | Are any billings overdue for clients that are your responsibility? |  |  |
| 8 | Do you have a material financial interest in any major competitors of a client? |  |  |
| 9 | Do you have any business relationship outside the Practice with a client or a client’s director (or equivalent role)/officer/employee that exists for financial and/or other gains? |  |  |
| 10 | Do you have primary engagement responsibility for any client that represents more than 15% of the Practice’s fee income? |  |  |
| 11 | Do you have primary engagement responsibility for any client whose fees are more than 6 months in arrears? |  |  |
| 12 | Do you owe money to any client (other than as a customer under normal commercial terms and conditions)? |  |  |
| 13 | Have you received any inducements, including gifts and hospitality, from a client or in connection with a client engagement, that might be viewed as intending to influence your professional decisions? |  |  |
| 14 | Are you authorised to make payments (e.g. EFTPOS, cheque signatory) for any client? |  |  |
| 15 | Are you aware of any other issues that may affect your independence and objectivity? |  |  |
| 16 | Have you considered any real or apparent material conflict of interest in relation to any activities you undertake for an Australian government agency in a professional capacity? |  |  |

If your response to any of the above items was “yes”, please complete the following table:

|  |  |  |
| --- | --- | --- |
| **Description of circumstances** | **Outline how independence might be compromised** | **Appropriate safeguards applied to eliminate or reduce threats to an acceptable level** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

## Appendix 2 Client Screening Form

|  |  |
| --- | --- |
| **Potential New Client**  [name/email/phone] |  |
| **Referred from**  [name] |  |
| **Initial Appointment**  [date/time] |  |

|  |  |
| --- | --- |
| **Issues for discussion** | **Response** |
| **Individual clients**  [Ask for details about services required, seek information about type/status of employment, sources of income etc]  **Business clients**  [Ask for details about services required, nature and history of their business, nature of client’s operations and business practices, any current concerns about their business etc] |  |
| **Previous accountant**  Who was your previous accountant?  Why have you found it necessary to change?  **Seek client’s permission to contact their previous accountant** |  |
| How did you hear about this practice and what motivated you to approach it/me for tax engagement/other services? |  |
| Are you up to date with all your SMSF reporting obligations? |  |
| Seek information about the specific services required. Confirm appropriate documentation, receipts and other supporting evidence is available |  |
| Inform the client about services that can be provided, what information will be required and when, client service approach, fees, reporting deadlines etc  Note any concerns raised |  |

|  |  |
| --- | --- |
| **Potential New Client Assessment** | |
| **Issues for discussion** | **Response** |
| Do I have the competence and capabilities to manage all issues relating to the engagement? |  |
| **Business clients**  Do I have sufficient knowledge of the relevant industry/sector the client operates in? |  |
| Are there any issues that require the Practice to acquire any specific skills or knowledge in order to provide a quality service? |  |
| Do I have the resources and time to undertake the engagement in a timely manner and to meet lodgement deadlines? |  |
| Are there any significant threats to my independence?  [Refer **Appendix 1** for guidance] |  |
| Will the Practice potentially accept this new client? |  |
| **Summary and Observations** | Date: |

If the new client is potentially accepted, send an ethical clearance letter to the previous accountant [refer <https://www.publicaccountants.org.au/resources/templates>] (if required).

|  |  |
| --- | --- |
| **Ethical Clearance Letter details** | |
| Date sent: |  |
| Date response received: |  |
| Issues raised: |  |
| Proceed with formal acceptance of client? |  |
| Date of decision to accept client: |  |

## Appendix 3 Client Retention Checklist

|  |  |
| --- | --- |
| **Client**  [name/email/phone] |  |
| **Date of original engagement** |  |

|  |  |
| --- | --- |
| **Issues for consideration** | **Review comments** |
| I have considered all information on hand, including any changes to client circumstances, and conclude that client integrity is acceptable/unacceptable  [Note any significant changes to client circumstances]  [Note any potential concerns for future reconsideration] |  |
| Are there any changes to client circumstances that would warrant completing a Client Screening Form (**Appendix 2**)? |  |
| Do I continue to have the competence and capabilities to manage all issues relating to the engagement? |  |
| **Business clients**  Do I continue to have sufficient knowledge of the relevant industry/sector the client operates in? |  |
| Do I have the resources and time to undertake the engagement in a timely manner and to meet lodgement deadlines? |  |
| Are there any significant threats to my independence?  [Refer **Appendix 1** for guidance] |  |
| Are there any fee collection issues? |  |
| **Summary and Observations**  [Include decision to retain or terminate client engagement] | Date: |

## Appendix 4 Client Complaint Form

|  |  |
| --- | --- |
| **Client**  [name/email/phone] |  |
| **Date of complaint** |  |
| **Date complaint acknowledged** |  |
| **Details of complaint** |  |
| **Implications** |  |
| **Consultation with IPA/ASIC/ATO/other?** |  |
| **Action taken**  [include dates] |  |
| **Complaint resolved/unresolved**  [include dates] |  |
| **Potential adjustments to SOQM?** |  |
| **Need to notify PII provider?** |  |

## Appendix 5 SOQM Evaluation Form

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SOQM Evaluation Question** | **Yes** | **No** | **N/A** | **Action Required** |
| Has the Practice documented its SOQM? |  |  |  |  |
| Does the documentation of the SOQM comply with all relevant requirements of ASQM 1? |  |  |  |  |
| Has at least one completed engagement been examined for each engagement partner on a cyclical basis <eg 3 years>? |  |  |  |  |
| Were any deficiencies found that appeared to be systematic, repetitive or otherwise significant and requiring prompt corrective action? |  |  |  |  |
| Is there evidence that an audit report issued by the Practice may have been inappropriate? |  |  |  |  |
| Was there evidence of required engagement procedures not performed? |  |  |  |  |
| Have the underlying reasons for any significant deficiencies been established? |  |  |  |  |
| For files reviewed, have appropriate file inspection checklists been completed and retained in the documentation? |  |  |  |  |

1. Reference: Auditing Standard ASQM 1 paragraph:

   23. The firm shall design and implement a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks. (Ref: Para. A39–A41)

   24. The firm shall establish the quality objectives specified by this ASQM and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management. (Ref: Para. A42–A44)

   25. The firm shall identify and assess quality risks to provide a basis for the design and implementation of responses. In doing so, the firm shall:

   (a) Obtain an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, including: (Ref: Para. A45–A47)

   (i) With respect to the nature and circumstances of the firm, those relating to:

   a. The complexity and operating characteristics of the firm;

   b. The strategic and operational decisions and actions, business processes and business model of the firm;

   c. The characteristics and management style of leadership;

   d. The resources of the firm, including the resources provided by service providers;

   e. Law, regulation, AUASB standards and the environment in which the firm operates; and

   f. In the case of a firm that belongs to a network, the nature and extent of the network requirements and network services, if any.

   (ii) With respect to the nature and circumstances of the engagements performed by the firm, those relating to:

   a. The types of engagements performed by the firm and the reports to be issued; and

   b. The types of entities for which such engagements are undertaken.

   (b) Take into account how, and the degree to which, the conditions, events, circumstances, actions or inactions in paragraph 25(a) may adversely affect the achievement of the quality objectives. (Ref: Para. A48)

   26. The firm shall design 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 shall also include the responses specified in paragraph 34. (Ref: Para. A49–A51)

   27. The firm shall establish policies or procedures that are designed to 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 shall consider the information and when appropriate: (Ref: Para. A52–A53)

   (a) Establish additional quality objectives or modify additional quality objectives already established by the firm; (Ref: Para. A54)

   (b) Identify and assess additional quality risks, modify the quality risks or reassess the quality risks; or

   (c) Design and implement additional responses, or modify the responses. [↑](#footnote-ref-1)
2. Reference: Auditing Standard ASQM 1 paragraph:

   34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116)

   (a) The firm establishes policies or procedures for:

   (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and (Ref: Para. A117)

   (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. (Ref: Para. A118–A119)

   (b) 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.

   (c) 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 this ASQM. (Ref: Para. A120–A121)

   (d) The firm establishes policies or procedures that address circumstances when:

   (i) The firm becomes aware of information subsequent to accepting 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 (Ref: Para. A122–A123)

   (ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement. (Ref: Para. A123)

   (e) The firm establishes policies or procedures that: (Ref: Para. A124–A126)

   (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; (Ref: Para. A127–A129)

   (ii) Address when it is otherwise appropriate to communicate with external parties about the firm’s system of quality management; and (Ref: Para. A130)

   (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. (Ref: Para. A131–A132)

   (f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ASQM 2, and require an engagement quality review for:

   (i) Audits of financial reports of listed entities;

   (ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and (Ref: Para. A133)

   (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). (Ref: Para. A134-A137) [↑](#footnote-ref-2)
3. Reference: Auditing Standard ASQM 1 paragraph:

   **The Firm’s System of Quality Management**

   6. A System of Quality Management operates in a continual and iterative manner and is responsive to changes in the nature and circumstances of the firm and its engagements. It also does not operate in a linear manner. However, for the purposes of the ASQM, a system of quality management addresses the following eight components: (Ref: Para. A3)

   (a) The firm’s risk assessment process;

   (b) Governance and leadership;

   (c) Relevant ethical requirements;

   (d) Acceptance and continuance of client relationships and specific engagements;

   (e) Engagement performance;

   (f) Resources;

   (g) Information and communication; and

   (h) The monitoring and remediation process.

   7. This ASQM requires the firm to apply 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. (Ref: Para. A4)

   8. The risk-based approach is embedded in the requirements of this ASQM through:

   (a) Establishing quality objectives. The quality objectives established by the firm consist of objectives in relation to the components of the system of quality management that are to be achieved by the firm. The firm is required to establish the quality objectives specified by this ASQM and any additional quality objectives considered necessary by the firm to achieve the objectives of the system of quality management.

   (b) Identifying and assessing risks to the achievement of the quality objectives (referred to in this standard as quality risks). The firm is required to identify and assess quality risks to provide a basis for the design and implementation of responses.

   (c) Designing and implementing responses to address the quality risks. The nature, timing and extent of the firm’s responses to address the quality risks are based on and are responsive to the reasons for the assessments given to the quality risks.

   9. This ASQM requires that, at least annually, the individual(s) assigned ultimate responsibility and accountability for the system of quality management, on behalf of the firm, evaluates the system of quality management and concludes whether the system of quality management provides the firm with reasonable assurance that the objectives of the system, stated in paragraph 14(a) and (b), are being achieved. (Ref: Para. A5)

   *Scalability*

   Aus 10.1 In applying a risk-based approach, the firm is required to take into account:

   (a) The nature and circumstances of the firm; and

   (b) The nature and circumstances of the engagements performed by the firm.

   Accordingly, the design of the firm’s system of quality management, in particular the complexity and formality of the system, will vary. For example, a firm that performs different types of engagements for a wide variety of entities, including audits of financial reports of listed entities, will likely need to have a more complex and formalised system of quality management and supporting documentation, than a firm that performs only reviews of financial reports or agreed-upon procedures engagements. [↑](#footnote-ref-3)
4. Reference: Auditing Standard ASQM 1:

   **Relevant Ethical Requirements**

   29. The firm shall establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence: [Ref: Para. A62-A64, A66]

   (a) The firm and its personnel:

   (i) Understand relevant ethical requirements to which the firm and the firm’s engagements are subject; and [Ref: Para. A22, A24]

   (ii) Fulfill their responsibilities in relation to relevant ethical requirements to which the firm and the firm’s engagements are subject. [↑](#footnote-ref-4)
5. Reference: Auditing Standard ASQM 1:

   **Acceptance and Continuance of Client Relationships and Specific Engagements**

   30. The firm shall establish the following quality objectives that address the acceptance and continuance of client relationships and specific engagements:

   (a) Judgements by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on:

   (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 judgements; and (Ref: Para. A67–A71)

   (ii) The firm’s ability to perform the engagement in accordance with AUASB standards and applicable legal and regulatory requirements. (Ref: Para. A72)

   (b) The financial and operational priorities of the firm do not lead to inappropriate judgements about whether to accept or continue a client relationship or specific engagement. (Ref: Para. A73–A74) [↑](#footnote-ref-5)
6. 6. Reference: Auditing Standard ASQM 1 paragraph:

   **Engagement Performance**

   31 The firm shall establish the following quality objectives that address the performance of quality engagements:

   (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. (Ref: Para. A75)

   (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. (Ref: Para. A76–A77)

   (c) Engagement teams exercise appropriate professional judgement and, when applicable to the type of engagement, professional scepticism. (Ref: Para. A78)

   (d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented. (Ref: Para. A79–A81)

   (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. (Ref: Para. A82)

   (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 AUASB standards. (Ref: Para. A83–A85) [↑](#footnote-ref-6)
7. Reference: Auditing Standard ASQM 1 paragraph:

   38(c) Select at least one completed engagement for each engagement partner on a cyclical basis determined by the firm. [↑](#footnote-ref-7)
8. Reference: Auditing Standard ASQM 1 paragraph:

   **Resources**

   32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: (Ref: Para. A86–A87)

   *Human Resources*

   (a) Personnel are hired, developed and retained and have the competence and capabilities to: (Ref: Para. A88–A90)

   (i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; or

   (ii) Perform activities or carry out responsibilities in relation to the operation of the firm’s system of quality management.

   (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 recognised through timely evaluations, compensation, promotion and other incentives. (Ref: Para. A91–A93)

   (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. (Ref: Para. A94)

   (d) Engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements. (Ref: Para. A88–A89, A95–A97)

   (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.

   1. *Technological Resources*

   (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. (Ref: Para. A98–A101, A104)

   1. *Intellectual Resources*

   (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 AUASB standards and applicable legal and regulatory requirements, where applicable. (Ref: Para. A102–A104)

   *Service Providers*

   (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). (Ref: Para. A105–A108) [↑](#footnote-ref-8)
9. Reference: Auditing Standard ASQM 1 paragraph:

   **Information and Communication**

   33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management: (Ref: Para. A109)

   (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. (Ref: Para. A110–A111)

   (b) The culture of the firm recognises and reinforces the responsibility of personnel to exchange information with the firm and with one another.   
   (Ref: Para. A112)

   (c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including: (Ref: Para. A112)

   (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

   (ii) Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.

   (d) Relevant and reliable information is communicated to external parties, including:

   (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 (Ref: Para. A113)

   (ii) Information is communicated externally when required by law, regulation or AUASB standards, or to support external parties’ understanding of the system of quality management. (Ref: Para. A114–A115) [↑](#footnote-ref-9)
10. Reference: In relation to reporting contraventions of SISA and SISR refer [ATO Guidance](https://www.ato.gov.au/forms-and-instructions/auditor-actuary-contravention-report-instructions/reporting-contraventions). [↑](#footnote-ref-10)
11. Reference: Auditing Standard ASQM 1 paragraph:

    **Monitoring and Remediation Process**

    35. The firm shall establish a monitoring and remediation process to: (Ref: Para. A138)

    (a) Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.

    (b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.

    *Designing and Performing Monitoring Activities*

    36. The firm shall design and perform monitoring activities to provide a basis for the identification of deficiencies.

    37. In determining the nature, timing and extent of the monitoring activities, the firm shall take into account: (Ref: Para. A139–A142)

    (a) The reasons for the assessments given to the quality risks;

    (b) The design of the responses;

    (c) The design of the firm’s risk assessment process and monitoring and remediation process; (Ref: Para. A143–A144)

    (d) Changes in the system of quality management; (Ref: Para. A145)

    (e) The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm’s system of quality management and whether remedial actions to address previously identified deficiencies were effective; and (Ref: Para. A146–A147)

    (f) Other relevant information, including 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 this ASQM, information from external inspections and information from service providers. (Ref: Para. A148–A150)

    38. The firm shall include the inspection of completed engagements in its monitoring activities and shall determine which engagements and engagement partners to select. In doing so, the firm shall: (Ref: Para. A141, A151–A154)

    (a) Take into account the matters in paragraph 37;

    (b) Consider the nature, timing and extent of other monitoring activities undertaken by the firm and the engagements and engagement partners subject to such monitoring activities; and

    (c) Select at least one completed engagement for each engagement partner on a cyclical basis determined by the firm.

    39. The firm shall establish policies or procedures that:

    (a) Require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and

    (b) Address the objectivity of the individuals performing the monitoring activities. Such policies or procedures shall prohibit the engagement team members or the engagement quality reviewer of an engagement from performing any inspection of that engagement. (Ref: Para. A155–A156) [↑](#footnote-ref-11)
12. Reference: Auditing Standard ASQM 1 paragraph:

    *Evaluating Findings and Identifying Deficiencies*

    40. The firm shall evaluate findings to determine whether deficiencies exist, including in the monitoring and remediation process. (Ref: Para. A157–A162)

    *Evaluating Identified Deficiencies*

    41. The firm shall evaluate the severity and pervasiveness of identified deficiencies by: (Ref: Para. A161, A163–A164)

    (a) Investigating the root cause(s) of the identified deficiencies. In determining the nature, timing and extent of the procedures to investigate the root cause(s), the firm shall take into account the nature of the identified deficiencies and their possible severity. (Ref: Para. A165–A169)

    (b) Evaluating the effect of the identified deficiencies, individually and in aggregate, on the system of quality management.

    *Responding to Identified Deficiencies*

    42. The firm shall design and implement remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis. (Ref: Para. A170–A172)

    43. The individual(s) assigned operational responsibility for the monitoring and remediation process shall evaluate whether the remedial actions:

    (a) Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and

    (b) Implemented to address previously identified deficiencies are effective.

    44. If the evaluation indicates that the remedial actions are not appropriately designed and implemented or are not effective, the individual(s) assigned operational responsibility for the monitoring and remediation process shall take appropriate action to determine that the remedial actions are appropriately modified such that they are effective.

    Findings About a Particular Engagement

    45. The firm shall respond to circumstances when findings indicate that there is an engagement(s) for which procedures required were omitted during the performance of the engagement(s) or the report issued may be inappropriate. The firm’s response shall include: (Ref: Para. A173)

    (a) Taking appropriate action to comply with relevant AUASB standards and applicable legal and regulatory requirements; and

    (b) When the report is considered to be inappropriate, considering the implications and taking appropriate action, including considering whether to obtain legal advice.

    *Ongoing Communication Related to Monitoring and Remediation*

    46. The individual(s) assigned operational responsibility for the monitoring and remediation process shall communicate on a timely basis to the individual(s) assigned ultimate responsibility and accountability for the system of quality management and the individual(s) assigned operational responsibility for the system of quality management: (Ref: Para. A174)

    (a) A description of the monitoring activities performed;

    (b) The identified deficiencies, including the severity and pervasiveness of such deficiencies; and

    (c) The remedial actions to address the identified deficiencies.

    47. The firm shall communicate the matters described in paragraph 46 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. [↑](#footnote-ref-12)
13. Reference: Auditing Standard ASQM 1 paragraph:

    *Complaints and Allegations* (Ref: Para. 34(c))

    A120. Establishing policies or procedures for dealing with complaints and allegations may assist the firm in preventing engagement reports from being issued that are inappropriate. It also may assist the firm in:

    Identifying and dealing with individuals, including leadership, who do not act or behave in a manner that demonstrates a commitment to quality and supports the firm’s commitment to quality; or

    Identifying deficiencies in the system of quality management.

    A121. Complaints and allegations may be made by personnel, or others external to the firm (e.g., clients, component auditors or individuals within the firm’s network). [↑](#footnote-ref-13)
14. Reference: Auditing Standard ASQM 1 paragraph:

    **Evaluating the System of Quality Management**

    53. The individual(s) assigned ultimate responsibility and accountability for the system of quality management shall evaluate, on behalf of the firm, the system of quality management. The evaluation shall be undertaken as of a point in time, and performed at least annually. (Ref: Para. A187–A189)

    54. Based on the evaluation, the individual(s) assigned ultimate responsibility and accountability for the system of quality management shall conclude, on behalf of the firm, one of the following: (Ref: Para. A190, A195)

    (a) The system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved; (Ref: Para. A191)

    (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 (Ref: Para. A192)

    (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. (Ref: Para. A192–A194)

    55. If the individual(s) assigned ultimate responsibility and accountability for the system of quality management reaches the conclusion described in paragraph 54(b) or 54(c), the firm shall: (Ref: Para. A196)

    (a) Take prompt and appropriate action; and

    (b) Communicate to:

    (i) Engagement teams and other individuals assigned activities within the system of quality management to the extent that it is relevant to their responsibilities; and (Ref: Para. A197)

    (ii) External parties in accordance with the firm’s policies or procedures required by paragraph 34(e). (Ref: Para. A198)

    56. The firm shall undertake periodic performance evaluations of the individual(s) assigned ultimate responsibility and accountability for the system of quality management, and the individual(s) assigned operational responsibility for the system of quality management. In doing so, the firm shall take into account the evaluation of the system of quality management. (Ref: Para. A199–A201) [↑](#footnote-ref-14)