

PROPOSED INTERNATIONAL STANDARD ON QUALITY CONTROL 1
QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF
HISTORICAL FINANCIAL INFORMATION, OTHER ASSURANCE
AND RELATED SERVICES ENGAGEMENTS PRACTICES

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This International Standard on Quality Control (ISQC) applies to a firm's system of quality control for ~~its practices in the areas of audits and reviews of historical financial information,~~ other assurance and related services engagements.

This ISQC contains basic principles and essential procedures (identified in bold ~~type black~~ lettering) together with related guidance in the form of explanatory and other material. The basic principles and essential procedures are to be understood and applied ~~interpreted~~ in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of the ISQC to understand and apply the basic principles and essential procedures.

~~To understand and apply the basic principles and essential procedures together with the related guidance, it is necessary to consider the whole text of the ISQC including explanatory and other material contained in the ISQC, not just that text which is black lettered.~~

The nature of the ISQC requires firms to exercise professional judgment in applying the ISQC. In exceptional circumstances, it may be judged necessary to depart from a basic principle or essential procedure in this ISQC ~~in order to~~ achieve more effectively ~~achieve~~ the objective of the firm's ~~a~~ system of quality control ~~for a firm's practices in the areas of audit, assurance and related services.~~ When such a situation arises, the firm should be prepared to justify the departure.

In circumstances where specific basic principles, essential procedures or guidance contained in the ISQC are not applicable in a public sector environment, or when additional guidance is appropriate in such an environment, the Public Sector Committee of the International Federation of Accountants so states in a Public Sector Perspective (PSP) at the end of the ISQC. When no PSP is added, the ISQC is applicable in all material respects to the public sector.

~~The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISQC. Where no PSP is added, the ISQC is applicable in all material respects to the public sector.~~

Introduction

1. The purpose of this International Standard on Quality Control (ISQC) is to establish standards and provide guidance ~~on regarding~~ a firm's responsibilities relating to its system of quality control for its practices in the areas of audits and reviews of historical financial information, other assurance and related services engagements. This ISQC is to be read in conjunction with Parts A and B of the IFAC *Code of Ethics for Professional Accountants* (the IFAC Code).
2. Additional standards and guidance on the responsibilities of firm personnel regarding quality control procedures for specific types of engagements are set out in other pronouncements of the International Auditing and Assurance Standards Board (IAASB). ISA 220 "Quality Control for Audits of Historical Financial Information Engagements," for example, establishes standards and provides guidance on quality control procedures for audit ~~engagements~~ of historical financial information.
- ~~32.~~ **The firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances.**
- ~~43.~~ A system of quality control ~~is a process that~~ consists of policies ~~and procedures, including monitoring,~~ designed to achieve the objectives set out in paragraph ~~32~~ above and the procedures necessary to implement and monitor compliance with those policies.
- ~~45.~~ This ISQC applies to all firms ~~;- however, individual~~ Individual firms ~~are free to may~~ develop differing policies and procedures suited-tailored to their particular circumstances ~~provided they meet the requirements of this ISQC~~. The nature, timing and extent of those policies and procedures will depend on many factors, including the size and operating characteristics of the firm.

Definitions

- ~~65.~~ In this ISQC, the following terms have the meanings attributed below:
 - (a) "Engagement partner" – the partner or other person ~~with sufficient and appropriate experience and authority~~ in the firm who has responsibility for the engagement and its performance, ~~and;~~ for issuing the report on the subject matter on behalf of the firm, ~~and who is permitted by law, regulation or a professional body to act in the role in the relevant jurisdiction;~~
 - (b) "Engagement quality control review" – in connection with an engagement, a process designed to provide an objective evaluation, before the report is issued, of the significant judgments made by the engagement team and the conclusions reached in formulating the report;
 - (c) "Engagement quality control reviewer" – a partner, other person in the firm or suitably qualified external consultant, or a team made up of such individuals, who has sufficient and appropriate experience and authority to provide an

objective evaluation, before the report is issued, of the significant judgments made by the engagement team and the conclusions reached in formulating the report;

(~~db~~) “Engagement team” – ~~the individuals involved all professionals participating in performing~~ an engagement, including any experts employed or engaged by the firm in connection with that engagement;

(~~ee~~) “Firm” – a sole practitioner, partnership, ~~or~~ corporation or other legal entity of professional accountants;

(f) “Inspection” – in relation to completed engagements, those monitoring procedures designed to provide evidence about whether engagement teams have complied with the firm’s quality control policies and procedures;

(~~gd~~) “Listed entity” – an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body;

(h) “Monitoring” – a process that comprises both an ongoing consideration and evaluation of the firm’s system of quality control, and a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively;

(~~ei~~) “Network firm” – an entity under common control, ownership or management with the firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being under common control, ownership or management with the firm ~~part of the firm nationally or internationally;~~

(~~if~~) “Partner” – any individual with authority, ~~whether through office or otherwise,~~ to bind the firm with respect to the performance of a professional services engagement;

(~~kg~~) “Personnel” – partners and staff;

(~~lh~~) “Professional standards” – IAASB engagement standards and relevant ethical requirements, which ordinarily comprise Parts A and B of the IFAC Code of Ethics for Professional Accountants and relevant national ethical requirements;

(m) “Reasonable assurance” – a high, but not absolute, level of assurance;

(~~ni~~) “Staff” — individuals ~~professionals~~, other than ~~the engagement~~ partners, ~~involved in performing engagements,~~ including any experts employed ~~or engaged~~ by the firm in connection with ~~that an~~ engagement;

(~~oj~~) “Suitably qualified external consultant” – an individual who possesses the capabilities and competencies to act as an engagement partner, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, other assurance or related services engagements, or of an organization that provides relevant review quality

control services.

Elements of a System of Quality Control

67. The firm's system of quality control ~~should~~includes policies and procedures, appropriately documented and communicated, addressing each of the following elements:

- (a) Leadership responsibilities for quality within the firm~~Leadership and responsibilities within the firm.~~
- (b) Ethical requirements.
- (c) Acceptance and continuance of client relationships and specific engagements.
- (d) Human resources.
- (e) Engagement performance.
- ~~(f) Engagement quality control review.~~
- ~~(f)~~ Monitoring.

Leadership Responsibilities for Quality within the Firm~~Leadership and Responsibilities within the Firm~~

8. The firm should establish policies and procedures designed to promote an internal culture that is based on the recognition that quality is essential in performing engagements. Such policies and procedures should require the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent) to have ultimate responsibility for the firm's system of quality control.

~~7.~~ The firm should:

- ~~(a) Promote an internal culture that recognizes that quality is essential in performing engagements;~~
- ~~(b) Develop, document and implement quality control policies and procedures;~~
- ~~(c) Communicate those quality control policies and procedures to all engagement teams and others within the firm who need to be aware of them; and~~
- ~~(d) Give positive recognition to compliance with its quality control policies and procedures, and set out an appropriate disciplinary framework for non-compliance with those policies and procedures.~~

89. The internal culture of the firm is significantly influenced by the "tone at the top" of that firm's leadership and the examples that the leadership sets. The promotion of a quality-oriented internal culture depends on clear, consistent and frequent actions and messages ~~and actions~~, from all levels of the firm's management emphasizing the firm's quality control policies and procedures, and the importance of requirement to:

- (a) Performing ing work that complies with professional standards and applicable regulatory and legal requirements; and

(b) Issuing reports that are appropriate in the circumstances.

Such actions and messages ~~and actions~~ encourage a culture that recognizes and rewards high quality work ~~and compliance with the firm's quality control policies and procedures~~. They may be communicated by training seminars, meetings, formal or informal dialogue, mission statements, newsletters or briefing memoranda. They are incorporated in the firm's internal documentation and training materials, and in partner and staff appraisal procedures. They are designed to:

(a) Support and reinforce the firm's view on the importance of quality and how it is to be achieved; and

(b) Provide practical suggestions on how to achieve quality.

10. Of particular importance is the need for the firm's leadership to recognize that the firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all the engagements that the firm performs. Accordingly:

(a) The firm's management structure is designed to prevent commercial considerations from taking precedence over the quality of work performed;

(b) The firm's policies and procedures addressing performance evaluation, compensation and promotion (including incentive systems) with regards to its personnel are designed to demonstrate the firm's overriding commitment to quality; and

(c) The firm devotes sufficient resources for the development, documentation and support of its quality control policies and procedures.

~~9. The development and documentation of quality control policies and procedures assist the firm by establishing a framework for meeting professional standards and applicable regulatory and legal requirements, and for issuing reports that are appropriate in the circumstances. Such a framework includes appropriate communications between the firm and engagement personnel.~~

~~10. To assist in effective implementation, (~~The firm communicates its quality control policies and procedures to all its personnel ~~and others within the firm who need to be aware of them~~. Such communication includes a description of the quality control policies and procedures and the objectives they are designed to achieve, and includes the message that each individual concerned has a personal responsibility for quality.

~~11. Positive recognition for compliance with the firm's quality control policies and procedures is achieved through methods that include:~~

- ~~• Partner and staff appraisals; and~~
- ~~• Promotion and remuneration policies.~~

12. While compliance with the firm's quality control policies and procedures is expected of all personnel, a ~~An~~ appropriate ~~disciplinary~~ framework for dealing with non-compliance with the firm's quality control policies and procedures includes a

process to investigate and confirm alleged non-compliance, a process to consider and take appropriate remedial action, and sets out clear penalties for instances of non-compliance together with guidance on how and in what circumstances such penaltiessanctions will be applied.

132. ~~The firm's policies and procedures should acknowledge that the chief executive officer (or equivalent) of the firm has ultimate responsibility for the firm's system of quality control. However, if the firm's~~ chief executive officer or managing board of partners assigns operational responsibility for the firm's quality control system to one or more individuals, ~~the chief executive officer the should appoint a person or persons~~ appointed should havewith sufficient and appropriate experience and ability and the necessary authority to assume that operational responsibility.

143. Sufficient and appropriate experience and ability enable the person or persons responsible for the system of quality control to identify and understand quality control issues and develop appropriate policies and procedures. Necessary authority enables the person or persons to implement those policies and procedures.

Ethical Requirements

145. The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.

156. Relevant ethical requirements relating to audits and reviews of historical financial information, other assurance and related services engagements ordinarily comprise Parts A and B of the IFAC Code together with applicable national requirements where these are more restrictive. The IFAC Code establishes the fundamental principles of professional ethics which are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality;
- (e) Professional behavior; and
- (f) Technical standards.

167. The IFAC Code identifies the main categories of threat to the fundamental principles and general and specific safeguards against those threats. Part B of the IFAC Code includes a conceptual approach to independence for assurance engagements that takes into account threats to independence, accepted safeguards and the public interest.

187. The firm's policies and procedures emphasize the fundamental principles, which are reinforced by, in particular, the leadership of the firm, education and training, monitoring and a disciplinary process dealing with non-compliancees. ~~†~~The significance of independence for assurance engagements is such that it is addressed separately in paragraphs 189 – 278 below.

Independence

198. The firm should establish policies and procedures to provide it with reasonable assurance that the firm, ~~and~~ its personnel and, where applicable, others subject to independence requirements (including external experts engaged by the firm and network firm personnel), maintain independence in circumstances where required by the IFAC Code and applicable national pronouncements. Such policies and procedures should be designed to enable the firm to:

- (a) Communicate its independence requirements to its personnel and, where applicable, others subject to independence requirements; and
- (ba) ~~Enable the firm to i~~Identify and evaluate circumstances and relationships that ~~may~~ create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by the application of safeguards, or, if considered appropriate, to withdraw from the engagement; ~~and~~
- (b) ~~Provide reasonable assurance of compliance with the independence requirements specified in the IFAC Code and national pronouncements.~~

1920. Such policies and procedures should include requirements for:

- (a) Engagement partners to take responsibility ~~teams~~ to provide the firm with relevant information about client engagements, including the scope of services provided to that client, to enable the firm ~~it~~ to evaluate the overall impact, if any, on independence requirements;
- (b) Personnel to notify the firm in a timely manner of matters circumstances and relationships that ~~may pose create~~ a threat to independence, other than those that are clearly insignificant, where applicable, so that appropriate action can be taken; and
- (c) The accumulation and communication of relevant information to appropriate personnel in order to enable:
 - (i) The firm and its personnel to determine whether they satisfy relevant independence requirements;
 - (ii) The firm to maintain and upkeep up to date ~~its~~ records relating to independence; and
 - (iii) The firm to take appropriate action regarding identified threats to independence on specific engagements.

201. The firm should establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and appropriate actions are taken to resolve such situations. The policies and procedures should include requirements for:

- (a) Personnel and, where applicable, others subject to independence requirements, to notify the firm in a timely manner of independence breaches of which they become aware;
- (b) Prompt communication by the firm of identified breaches of the firm's policies and procedures to:
 - ~~(i) The relevant engagement partner of identified breaches of the firm's policies and procedures,~~ where such breaches ~~represent a threat to independence on~~ relate to engagements for which that engagement partner is responsible and that need to be addressed by the engagement partner in conjunction with the firm; and
 - (ii) Other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action in conjunction with the firm; and
- (c) Prompt communication, if necessary, by the engagement partner and the other individuals referred to in paragraph (b)(ii) above to the firm regarding the action taken to resolve the matter to enable the firm to determine whether it should take further action.

221. Comprehensive guidance on threats to independence and safeguards, including application to specific situations, is set out in Section 8 of the IFAC Code. The policies and procedures required by paragraphs 198 – 210 above address the independence requirements of the IFAC Code and applicable national requirements, including the following:

- The identification of threats to the independence of the firm ~~and its personnel,~~ including, for example, those arising from:
 - The provision of services ~~by the firm;~~
 - Business relationships.
 - ~~Personal and business f~~financial interests, ~~;~~ and
 - Family and Ppersonal ~~and business~~ relationships.;
- ~~The identification of relationships that exist between the firm and its network firms and client entities and their related entities that may reasonably be thought to bear on the firm's independence and the objectivity of engagement teams, and the communication of such relationships to relevant engagement partners.~~
- Action to be taken if threats to independence or breaches of the policies and procedures are identified.

- Potential safeguards necessary to maintain independence; (for example, the recording of relevant information about client relationships and engagements that require the firm, ~~or~~ its personnel and others subject to independence requirements to be independent ~~or that may impact on other engagements that require independence~~, in such a way that it is easily accessible to relevant personnel).
- The identification and fulfillment of requirements for ~~additional~~ education on independence.

223. Notification to the firm of breaches of independence policies and procedures enables prompt communication, where appropriate, of relevant information to engagement partners and others in the firm and, where applicable, network firms who need to take appropriate action. The firm and the relevant engagement partner are then able to take the necessary actions. ~~Such actions may~~ including e the following:

- Application of appropriate safeguards to eliminate the threats to independence or to reduce them to an acceptable level.
- ~~Disciplinary action where the firm's policies and procedures have been knowingly breached.~~
- ~~Education or other corrective action to guard against future breaches.~~
- ~~Withdrawal from the engagement.~~

234. The firm should obtain, at least annually, written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by the IFAC Code and applicable national pronouncements.

245. Confirmation may be in written paper or electronic form. By obtaining such confirmation and taking any appropriate action on the resulting information, the firm demonstrates the importance that it attaches to independence and makes the issue current for, and visible to, ~~for~~ its personnel.

265. The IFAC Code discusses the familiarity threat that may arise from using the same senior personnel on an assurance engagement over a long period of time and the safeguards that might be appropriate to address such a threat. ~~T~~Accordingly, the firm should establish policies and procedures:

- (a) **Requiring the rotation of the engagement partner after a specified period of time for all audits of financial statements of listed entities, in compliance with the IFAC Code and applicable national pronouncements where these are more restrictive; and**
- (b) **Setting out criteria for evaluating the necessity of rotating the engagement partner after a specified period against which for all other audits and reviews of historical financial information, other assurance and related services engagements, and rotating the engagement partner when these**

~~criteria are met, should be evaluated for the purpose of determining whether the engagement partner should be rotated after a specified period; and~~

~~(c) Requiring the rotation of the engagement partner for all engagements meeting the criteria established in compliance with (b) above.~~

267. Using the same engagement partner on an ~~audit assurance~~ engagement over a prolonged period may create a familiarity threat ~~to independence~~ or otherwise impair the quality of performance of the engagement. The IFAC Code recognizes that the familiarity threat ~~to independence~~ is particularly relevant in the context of financial statement audits of listed entities. Consequently, for such engagements, the IFAC Code requires the rotation of the engagement partner after a pre-defined period, normally no more than seven years, and provides standards and guidance on this matter. ~~Other n~~National requirements may establish shorter rotation periods.

287. Using the same engagement partner on engagements other than audits of financial statements of listed entities ~~over a prolonged period~~ may also create a familiarity threat ~~to independence~~ or otherwise impair the quality of performance of the engagement. ~~Therefore, T~~the firm considers whether it is appropriate to rotate the engagement partner for those engagements after a pre-defined period. Criteria that the firm considers when determining which engagements other than audits of financial statements of listed entities are to be subject to consideration of the necessity of engagement partner rotation ~~of the engagement partner~~ include the following:

- The adequacy of other safeguards available to address the familiarity threat to independence.
- ~~The number and range of stakeholders who may use the subject matter of the report to make decisions.~~The nature of the engagement and the extent to which the subject matter and the report involve the public interest.
- ~~The extent to which the subject matter and the report are of interest to the public, or may affect the public's confidence in public institutions or public administration.~~
- ~~The identification of specific circumstances or risks in an engagement.~~Whether there are legal or regulatory requirements for engagement partner rotation.

Acceptance and Continuance of Client Relationships and Specific Engagements

289. The firm should establish policies and procedures for acceptance and continuance of client relationships and specific engagements, designed to provide it with reasonable assurance that it undertakes or continues only those relationships and engagements where it:

- (a) Has considered the integrity of the client and does not have any information that would lead it to believe conclude that the client lacks integrity;

- (b) Is competent to perform the engagement and has the time and resources to do so; and
- (c) Can comply with ethical requirements, ~~including those relating to independence where applicable.~~

Such policies and procedures should be applied before accepting an engagement with a new client, when deciding whether to continue an existing engagement and when considering acceptance of a new engagement with an existing client. Where issues have been identified, and the firm decides to accept or continue the client relationship or specific engagement, the manner in which the issues have been resolved should be documented.

2930. With regard to the integrity of a client, matters that the firm considers include, for example:

- ~~(a)~~—The identity and business reputation of the client's principal owners, key management, related parties and those charged with its governance;
- ~~(b)~~—The nature of the client's operations, including its business practices;
- ~~(c)~~—The information concerning the client's attitude of the client's principal owners, key management and those charged with its governance towards such matters as aggressive interpretation of accounting standards and the internal control environment;
- Whether the client is predominantly concerned with maintaining the firm's fees as low as possible;
- Indications of an inappropriate limitation in the scope of work.
- The risk that the client might be involved in money laundering or other criminal activities.
- The reasons for the proposed appointment of the firm and non-reappointment of the previous firm. and
- ~~(d)~~—Further information if necessary.

31. Where appropriate, information on these such matters is may be obtained through, for example:

- ~~Discussions with third parties, Communications with including~~ existing or previous providers of professional accountancy services to the client in accordance with the IFAC Code, and discussions with other third parties.
- ~~Obtaining references Inquiry of other firm personnel or soliciting information~~ from third parties such as bankers, legal counsel and industry peers.
- Background searches of relevant databases.

32. The satisfactory completion of acceptance and continuance procedures does not eliminate the need for the firm to maintain appropriate professional skepticism with regard to the client's integrity throughout the firm's relationship with that client.

303. Consideration of whether the firm has the capabilities, competencies, time and resources to undertake a new engagement from a new or an existing client includes reviewing the specific requirements of the engagement and existing partner and staff profiles at all relevant levels. Matters that the firm considers include, for example, whether:

- Firm personnel have Kknowledge of relevant industries or subject matters.
- Firm personnel have Eexperience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge in an effective manner.
- The firm has Ssufficient ~~staff personnel~~ with the necessary capabilities and competencies.
- Experts are available, wWhere necessary, ~~the availability of experts~~.
- ~~Where applicable, the availability of I~~individuals meeting the criteria and eligibility requirements ~~able~~ to perform engagement quality control review are available, where applicable.
- ~~Ability~~ The firm is able to complete the engagement within the reporting deadline.

314. The firm also considers whether accepting an engagement from a new or an existing client may give rise to an actual or perceived conflict of interest with existing clients. Where a potential conflict is identified, the firm considers whether it is appropriate to accept the appointment.

325. The decision on whether to continue a client relationship includes consideration of significant matters that have arisen during the current or previous engagements and their implications for the continuance of that relationship. For example, a client may have started to expand its business operations into an area where the firm does not possess the necessary competenciesknowledge or expertise.

363. **Where the firm has obtained information that would have caused it to decline an appointment to an engagement had that information been obtained earlier, policies and procedures on the continuance of the engagement and the client relationship should include consideration of:**

- (a) **The professional and legal responsibilities applicable in the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and**
- (b) **The possibility of withdrawing from the engagement or from both the engagement and the client relationship.**

347. Policies and procedures on withdrawal from an engagement or from both the engagement and the client relationship address issues that ~~may~~ include the following:

- Discussion with the appropriate level of the client's management and those charged with its governance regarding the appropriate action that the firm might take based on the relevant facts and circumstances.
- If the firm determines that it is appropriate to withdraw, ~~D~~discussion with the appropriate level of the client's management and those charged with its governance regarding the withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.
- Consideration of whether there is a professional, regulatory or legal requirement for the firm to remain in place or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, and together with the reasons for the withdrawal, to regulatory authorities.
- ~~Consideration of whether it may be in the interests of the person or persons who made the appointment or the intended users of the report for the firm to remain in place and consideration of the impact of the information on the procedures performed by the engagement team and the report, or other communication necessary in the circumstances.~~
- Documentation of significant issues, consultations and the basis for the conclusions reached.

Human Resources

358. The firm should establish policies and procedures to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competencies and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and applicable regulatory and legal requirements, and to enable ~~the issuance of reports by~~ the firm or engagement partners to issue reports that are appropriate in the circumstances.

369. Such policies and procedures address recruitment, performance evaluation, capabilities, competence, career development, promotion, compensation and the estimation of personnel needs in order to ascertain the number and characteristics of the individuals required for the firm's engagements. The firm's recruitment processes include procedures to help determine whether recruits are individuals of integrity who have the capacity to develop the capabilities and competencies necessary to perform the firm's work.

3740. Capabilities and ~~C~~ompetencies are developed through methods that may include the following:

- Professional education.
- Continuing professional development, including training.

- Work experience.
- Coaching by more experienced staff, for example, other members of the engagement team.

41. The continuing competence of the firm's personnel depends to a significant extent on an appropriate level of continuing professional development so that personnel maintain their knowledge and capabilities up to date. Accordingly, the firm emphasizes in its policies and procedures the need for continuing training at all levels of firm personnel, and provides the necessary training resources and assistance to its personnel to enable them to develop and maintain the required capabilities and competence. Where the firm does not have the necessary technical and training resources internally to support that objective, or where it otherwise chooses to do so, it may use a suitably qualified external person or group for that purpose.

~~3842.~~ The firm's performance evaluation, compensation and promotion procedures give due recognition and reward to the development and maintenance of competence attainment of appropriate competencies and commitment to ethical principles. Partners and staffPersonnel:

- (a) Are made aware of the firm's expectations regarding performance and ethical principles;
- (b) Are provided with evaluation of, and counseling on, performance, progress and career development; and
- (c) Understand that career advancement to positions of greater responsibility depends, among other things, upon performance quality and adherence to ethical principles, and that failure to adhere to comply with the firm's policies and procedures may result in disciplinary action.

43. The structure of the firm's performance evaluation process varies according to the size and circumstances of the firm. Smaller firms, in particular, may employ less formal methods of evaluating the performance of their personnel.

~~39. The firm assists in the development and maintenance of technical competencies by providing access to relevant information and support services. Firms may use a suitably qualified person or group outside the firm to provide the necessary technical resources.~~

Assignment of Engagement Teams

~~404.~~ **The firm should assign an engagement partner to each engagement to take responsibility for that engagement on behalf of the firm. The firm should establish policies and procedures requiring that:**

- (a) **The identity and role of the engagement partner are communicated to key members of client management and those responsible for governance; ~~and~~**
- (b) **The engagement partner has ~~both~~ the appropriate necessary capabilities, competencies, authority and ~~sufficient~~ time to perform the role; and**

(c) The responsibilities of the engagement partner are clearly defined and communicated to the engagement partner.-

451. The firm should also assign appropriate staff with the necessary **capabilities and competencies** to perform engagements in accordance with professional standards and applicable regulatory and legal requirements, and to enable ~~the issuance of reports by~~ the firm or engagement partners **to issue reports** that are appropriate in the circumstances.

462. The firm establishes procedures to assess ~~the knowledge, skills and abilities of its professional staff's~~ **capabilities and competence**. The **capabilities and** competencies considered when assigning engagement teams include the following:

- Understanding and practical experience of ~~similar~~ engagements **of a similar nature and complexity** through appropriate training and participation.
- Understanding of professional standards and applicable regulatory and legal requirements.
- Appropriate technical knowledge, including relevant information technology knowledge.
- Knowledge of ~~specific relevant~~ industries **in which the clients operate**.
- Ability to apply professional judgment.
- Understanding of the firm's quality control policies and procedures.

Engagement Performance

437. The firm should establish policies and procedures to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable regulatory and legal requirements, and that the reports that are issued by the firm or engagement partners are appropriate in the circumstances.

448. Such policies and procedures address matters on which the firm seeks to establish consistency in the quality of engagement performance by its personnel. Often, this is accomplished by establishing written or electronic manuals, software tools or other forms of standardized documentation, and industry or specific subject matter guidance materials. Matters addressed include the following:

- How engagement teams are briefed on the engagement to obtain an understanding of the objectives of their work.
- Processes for ensuring that applicable engagement standards are followed.
- Processes of engagement supervision, staff training and coaching.
- Methods of reviewing the work performed, the significant judgments made and the form of report being issued.
- Appropriate documentation of **the work performed and of** the timing and extent of the review.

- Processes to keep all policies and procedures current.

459. It is important that all members of the engagement team understand the objectives of the work they are to perform. Appropriate team-working and training are necessary to assist less experienced members of the engagement team in clearly understanding the objectives of the work they are assigned.

5046. Supervision includes the following:

- Tracking the progress of the engagement.
- Considering the capabilities and competencies of individual members of the engagement team, whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
- Addressing significant issues arising during the engagement, considering their significance and modifying the planned approach as appropriate.
- Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.

4751. Work performed by members of the engagement team is reviewed by more experienced engagement team members, including ~~or~~ the engagement partner. Reviewers consider whether:

- (a) The work has been performed in accordance with professional standards and applicable regulatory and legal requirements ~~and, where applicable, in accordance with the work program;~~
- (b) Significant matters have been raised for further consideration;
- (c) Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- (d) There are indications that suggest a need to revise the nature, timing and extent of work performed;
- (ed) The work performed supports the conclusions reached and is appropriately documented;
- (f) Evidence obtained is sufficient and appropriate to support the report; and
- (eg) The objectives of the engagement procedures have been achieved.

Consultation

4528. **The firm should establish policies and procedures to provide it with reasonable assurance that:**

- (a) **Appropriate consultation takes place on difficult or contentious matters;**
- (b) **Sufficient resources are available to enable appropriate consultation to take place;**
- (c) The nature and scope of, and ~~C~~conclusions resulting from, such

consultations are documented; and

(d) Conclusions resulting from consultations are implemented.

4539. Consultation includes discussion, at the appropriate professional level, with individuals within or outside the firm ~~or outside of it~~ who have specialized expertise, in order to resolve a difficult or contentious matter.

504. Consultation uses appropriate research resources as well as the collective experience and technical expertise of the firm and ~~reduces the risk of error~~helps to promote quality. It also improves the application of professional judgment. The firm seeks to establish a culture in which consultation is recognized as a strength and encourages ~~partners and staff~~personnel to consult when they are considering a difficult or contentious matter.

515. Effective consultation with other professionals requires that those consulted be given all the relevant facts that will enable them to provide informed advice, whether on technical, ethical or other matters. Consultation procedures are designed so that individuals with appropriate knowledge, seniority and experience within the firm (or, where applicable, outside the firm) are consulted on significant technical, ethical and other matters, and that the conclusions resulting from consultations are properly implemented and documented.

526. A firm needing to consult externally, for example, a ~~small~~ firm without appropriate internal resources, may take advantage of advisory services provided by other firms, professional and regulatory bodies, ~~and or~~ commercial organizations that provide relevant services. ~~In such circumstances, appropriate arrangements are made to safeguard client confidentiality.~~

537. The documentation of ~~significant~~ consultations with other professionals that involve difficult or contentious matters is agreed by both the individual seeking consultation and the individual ~~that was~~ consulted, and is sufficiently complete and detailed to enable an understanding of:

(a) The issue on which consultation was sought; and

(b) The results of the consultation, including any decisions taken, the basis for those decisions and the manner in which they were implemented.

Differences of Opinion

548. The firm should establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and between the engagement partner and, where applicable, the engagement quality control reviewer. Conclusions reached should be documented and implemented.

559. Such procedures encourage identification of ~~issues~~ differences of opinion at an early stage, ~~and~~ provide clear guidelines as to the successive steps to be taken thereafter, and require documentation regarding the resolution of the differences and the implementation of the conclusions reached. If a difference remains at the end of the consultation process, the firm's policies and procedures determine the person or

persons, other than the engagement partner, with responsibility for the final resolution of the issue. Ordinarily, such person or persons are those who have ultimate responsibility for the firm's quality control system.

5660. When a firm uses ~~a~~ suitably qualified external consultant to conduct an engagement quality control review, it recognizes that differences of opinion can occur and establishes procedures to resolve such differences, for example, by consulting with another practitioner or firm, or a professional or regulatory body.

Engagement Quality Control Review

5761. The firm should establish policies and procedures requiring, for appropriate engagements, that an engagement quality control review is performed to provide an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures should~~that~~:

- (a) Require the performance of an engagement quality control review for all audits of financial statements of listed entities;
- (b) Set out criteria against which all other audits and reviews of historical financial information, other assurance and related services engagements should be evaluated for the purpose of determining whether an engagement quality control review should be performed in each instance; and
- (c) Require the performance of an engagement quality control review for all engagements meeting the criteria established in compliance with (b) above;~~;~~ and

- 62.~~(d)~~ The firm's policies and procedures should ~~R~~require the completion of the engagement quality control review before the report is issued. The completion of this review should include the~~(including~~ resolution to the satisfaction of the engagement quality control reviewer of issues raised, ~~and~~ after following, if necessary, the procedures for resolving differences of opinion) ~~before the issuance of the report.~~

5863. The firm considers whether engagements other than audits of financial statements of listed entities require an engagement quality control review. Criteria that a firm considers when determining which engagements other than audits of financial statements of listed entities are to be subject to an engagement quality control review include the following:

- The nature of the engagement and the extent to which the subject matter and the report involve the public interest.
- ~~The number and range of stakeholders who may use the subject matter of the report to make decisions.~~
- ~~The extent to which the subject matter and the report are of interest to the public, or may affect the public's confidence in public institutions or public administration.~~

- The identification of ~~specific~~ circumstances or risks in an engagement or class of engagements.
- Whether a modified report is expected to be issued.
- Whether there are legal or regulatory requirements for an engagement quality control review.

5964. The firm should establish ~~sets out in its~~ policies and procedures setting out:

- (a) The nature, timing and extent of an engagement quality control review;
- (b) Criteria for the eligibility of engagement quality control reviewers; and
- (c) Documentation requirements for an engagement quality control review.

Nature, ~~and Extent~~ Timing and Extent of the Engagement Quality Control Review

60. ~~An engagement quality control review should include an objective evaluation of:~~

- ~~• The significant judgments made by the engagement team;~~
- ~~• The conclusions reached in formulating the report; and~~
- ~~• Other significant matters that have come to the attention of the engagement quality control reviewer.~~

61. ~~The engagement quality control reviewer's work is designed to provide a basis to conclude whether any matters have come to the reviewer's attention that would cause the reviewer to believe that the engagement was not performed in accordance with professional standards and applicable regulatory and legal requirements or that the report was not appropriate in the circumstances.~~

625. An engagement quality control review ordinarily involves discussion with the engagement partner, a review of the financial statements or other subject matter and the report, and, in particular, consideration of whether the report is appropriate. It also involves, ~~to the extent considered necessary by the engagement quality control reviewer,~~ a review of selected working papers. The extent of the engagement quality control review depends on the complexity of the engagement and, the risks ~~associated with the engagement~~ that the report issued by the firm or the engagement partner might not be appropriate in the circumstances ~~and the experience of the engagement team~~. It does not reduce the responsibilities of the engagement partner.

66. The scope of an engagement quality control review includes consideration of the following:

- The engagement team's evaluation of the firm's independence in relation to the specific engagement.
- The significant risks identified during the engagement and the responses to those risks.
- The judgments made, particularly relating to significant risks.

- Whether appropriate consultation has taken place on difficult or contentious matters and the conclusions arising from those consultations.
- The significance and disposition of corrected and uncorrected misstatements.
- ~~Whether appropriate.~~ The matters ~~have been considered for to be~~ reported to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
- Whether ~~the selected~~ documentation reviewed reflects the work performed and supports the conclusions drawn as a result of that work.
- Whether the report issued is appropriate in the circumstances.

637. The engagement quality control reviewer conducts the review in a timely manner at appropriate stages throughout during the engagement to allow for significant matters identified ~~during the review process~~ to be resolved on a timely basis to the reviewer's satisfaction before the ~~issuance of the~~ report is issued.

648. Where the engagement quality control reviewer makes recommendations that the engagement ~~team partner~~ does not accept and the matter is not resolved to the reviewer's satisfaction, ~~then the report is~~ should not be issued until the matter is resolved by following the firm's procedures for dealing with differences of opinion.

Criteria for the Eligibility of Engagement Quality Control Reviewers

65. ~~An engagement quality control reviewer is a partner, other person in the firm, or suitably qualified external consultant with sufficient and appropriate experience and authority to perform an engagement quality control review.~~

696. The firm's policies and procedures should address the appointment of engagement quality control reviewers and should establish their on the eligibility of engagement quality control reviewers should address through:

- (a) The technical qualifications required to perform the role, including the necessary experience and authority; and
- (b) The degree to which ~~the an~~ engagement quality control reviewer can be involved consulted with on the engagement without compromising the ~~role~~ reviewer's objectivity.

670. The firm's policies and procedures on the technical qualifications of engagement quality control reviewers address the technical expertise and experience necessary to perform the role. The determination of what constitutes sufficient and appropriate technical expertise and experience depends on the circumstances of the engagement. In addition, wWhere an engagement quality control review is performed for an audit of the financial statements ~~audit~~ of a listed entity, the engagement quality control reviewer is an individual with sufficient and appropriate experience and authority to act as an audit engagement partner on audits of financial statements of listed entities.

68. ~~Where sole practitioners and small firms identify engagements requiring engagement quality control review, a suitably qualified and experienced external~~

~~consultant may be engaged to conduct that review. Alternatively, some sole practitioners and small firms may wish to establish arrangements with other firms to facilitate engagement quality control reviews. When using an external consultant, or the services of an engagement quality control reviewer obtained from another firm, appropriate arrangements are made to safeguard client confidentiality. Such arrangements are set out in writing.~~

6971. The firm's policies and procedures are designed to maintain the objectivity of the engagement quality control reviewer and the reviewer's independence from the engagement team. For example, the engagement quality control reviewer:

- (a) Is not selected by ~~a partner or other person with sufficient and appropriate experience and authority in the firm other than~~ the engagement partner;
- (b) Does not otherwise participate in the performance of the engagement or any other engagement involving the same client during the period of review;
- (c) Does not make decisions on behalf of the engagement team; and
- (d) Is not subject to other considerations that would threaten the reviewer's objectivity.~~Did not participate in the performance of an audit, assurance or related services engagement involving the same client and with respect to the same subject matter for the preceding period or, in the case of an audit of financial statements of a listed entity, for a period of twenty four months before the start of the period covered by the current engagement; or~~
- (e) ~~Does not act as engagement partner in the performance of an audit, assurance or related services engagement involving the same client and with respect to the same subject matter for the period immediately following acting as engagement quality control reviewer, or in the case of an audit of financial statements of a listed entity, for a period of twenty four months following acting as engagement quality control reviewer.~~

702. The engagement quality control reviewer may be consulted by the engagement partner during the course of the engagement.— Such consultation need not compromise the engagement quality control reviewer's eligibility to perform the role. Where the ~~volume and~~ nature and extent of the consultations becomes significant, care is taken to maintain the reviewer's objectivity and independence from the engagement team. Where this is not possible, another individual within the firm or a suitably qualified external consultant is appointed to take on the role of either the replacement engagement quality control reviewer is appointed or the person to be consulted on the engagement.

743. The firm's policies provide for the replacement of the engagement quality control reviewer where the ability to perform an objective review may be impaired, for example, where an immediate family member of the engagement quality control reviewer has ~~undertaken the engagement quality control review of a client for several years~~ become a key member of the client's management, or where the engagement quality control reviewer has been assigned responsibility for another assurance engagement with the same client.

74. Where sole practitioners and small firms identify engagements requiring engagement quality control review, a suitably qualified external consultant may be engaged to conduct that review. Alternatively, some sole practitioners and small firms may wish to establish arrangements with other firms to facilitate engagement quality control reviews. Where the firm engages external consultants, the firm follows the requirements and guidance in paragraphs 69 – 73.

Documentation of the Engagement Quality Control Review

725. Policies and procedures on documentation of the engagement quality control review should require the ~~include~~ evidencing of:

- (a) The fact that the procedures required by the firm's policies on engagement quality control review have been performed; and
- (b) The completion of the engagement quality control review, including the resolution to the engagement quality control reviewer's satisfaction of the matters, if any, arising from the review, before the ~~issuance of the report is issued~~; and.
- (c) ~~That there are no unresolved matters that have come to the attention of the engagement quality control reviewer that would cause the engagement quality control reviewer to believe that the engagement was not performed in accordance with professional standards and applicable regulatory and legal requirements.~~

Monitoring

736. The firm should establish policies and procedures to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include:

- (a) An ongoing consideration and evaluation of each of the other elements of the system of quality control set out in paragraph 7 above; and
- (b) The periodic inspection of a selection of completed engagements.

774. The firm entrusts responsibility for the monitoring process to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility. Monitoring of the firm's system of quality control is performed by competent individuals and covers both the appropriateness of the design and the effectiveness of the operation of the system of quality control ~~includes both an ongoing consideration and evaluation of the elements of the system of quality control as set out in paragraph 6 above, and the periodic inspection of a selection of completed engagements.~~

785. Ongoing consideration and evaluation of the system of quality control includes, for example, the following:

- Analysis of:
 - New developments in professional standards and applicable regulatory and legal requirements, and the manner in which they are reflected in the firm's policies and procedures where appropriate;
 - Results of independence confirmations;
 - Continuing professional development and other training or education undertaken by personnel; and
 - Decisions related to acceptance and continuance of client relationships and specific engagements.
- Determination of corrective actions to be taken and improvements to be made in the system, including the provision of feedback into the firm's policies and procedures relating to education and training.
- Communication to appropriate firm personnel of weaknesses identified in the system or in the level of understanding or compliance therewith.
- Follow-up by appropriate firm personnel such that necessary modifications are made to the quality control policies and procedures on a timely basis.

769. The inspection of a selection of completed individual engagements is ordinarily performed on a cyclical basis. An inspection cycle ordinarily spans no more than three years, with ~~the~~ the selection of engagements for inspection designed to includes at least one engagement for each engagement partner at least once in every inspection cycle. The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, including the following:

- The size of the firm.
- The number and geographical location of offices.
- The results of previous monitoring procedures.
- The degree of authority afforded to both personnel and offices (for example, whether individual offices are authorized to conduct their own inspections or whether only the head office is authorized to conduct inspections).
- The nature and complexity of the firm's practice and organization.
- The risks associated with the firm's clients and specific engagements.

7780. _____ The inspection of individual engagements includes the selection of engagements, some of which are may be selected without prior notification to the engagement team where practicable. Individual engagements are inspected by individuals who were not involved in performing either the engagement or, where applicable, the engagement quality control review. In determining the scope of the

inspections, the firm may, where appropriate, have regard to the scope or conclusions of an independent external monitoring program.

781. Small firms and sole practitioners may wish to use the services of a suitably qualified external consultant, who may or may not be appointed by an external monitoring program, or another firm to carry out engagement inspections and other monitoring procedures. Alternatively, they may wish to establish arrangements to share resources with other appropriate organizations and thereby facilitate monitoring activities.

7829. The purpose of monitoring compliance with quality control policies and procedures for completed engagements is to provide an evaluation of:

- (a) Adherence to professional standards and applicable regulatory and legal requirements;
- (b) Whether the reports that are issued by the firm or engagement partners are appropriate in the circumstances; and
- (c) Whether the firm's quality control policies and procedures have been appropriately applied.

803. The firm should evaluates the effect of ~~significant~~ deficiencies noted as a result of the monitoring process and should determines whether they are either:

- (a) **Isolated instances that do not necessarily indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances; or**
- (b) ~~Deficiencies~~ Systemic or repetitive deficiencies that may indicate that further investigation and corrective action may be ~~appropriate~~ necessary.

814. The firm's evaluation of either type of deficiency~~ies~~ ordinarily will result in recommendations for appropriate courses of action. These actions may include the communication of the findings to those responsible for training and professional development, changes to the quality control policies and procedures, and disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.

825. Where the firm identifies deficiencies relevant to a specific engagement, these are communicated to the engagement partner and other appropriate individuals within the firm, together with appropriate remedial actions.

836. Where deficiencies are identified in that part of the firm's system of quality control comprising policies and procedures regarding independence, the firm communicates these findings to appropriate firm personnel promptly, and takes immediate steps to remedy the situation.

847. Where the results of the monitoring procedures indicate that a report may be inappropriate, the criteria against which the subject matter was measured or

~~evaluated~~ ~~whereas inaccurate-unsuitable,~~ or procedures were omitted during the performance of the engagement in question, the firm should ~~considers~~determine what further action is appropriate in compliance with relevant professional standards and applicable regulatory and legal requirements. It should also ~~may wish to consider~~ obtaining legal advice.

858. Appropriate ~~documentation-procedures~~ relating to monitoring include the following:

- (a) Settings out monitoring procedures, including the procedure for selecting completed engagements subject to inspection~~for review~~;
- (b) ~~Records the results obtained from the e~~Evaluating~~on of~~ the other elements of the system of quality control (see paragraph 7);
- (c) ~~Provides an e~~Evaluating~~on of~~:
 - (i) Adherence to professional standards and applicable regulatory and legal requirements;
 - (ii) Whether the design of the quality control system is appropriate and has been effectively implemented~~reports that are issued by the firm or engagement partners are appropriate in the circumstances~~; and
 - (iii) Whether the firm's quality control policies and procedures have been appropriately applied, thereby ensuring that reports that are issued by the firm or engagement partners are appropriate in the circumstances; and
- (d) ~~Identifies the~~ Considering deficiencies noted, evaluating their effect, setting out the basis for determining whether further action is necessary and detailing that action where applicable.

869. The firm should ~~communicates~~ information on the results of the monitoring process of its ~~system of~~ quality control system on at least an annual basis. ~~The information is communicated to engagement partners and other appropriate individuals within the firm, including the firm's chief executive officer of the firm (or equivalent), engagement partners and other staff as appropriate or, if appropriate, its managing board of partners (or equivalent). Such communication should enable the firm and these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities. It—Information communicated should~~ includes the following:

- A description of the monitoring procedures performed.
- The conclusions drawn from the monitoring procedures.
- Where relevant, a description of systemic or repetitive deficiencies and of the actions taken to resolve or amend those deficiencies.

90. To maintain client confidentiality, the reporting of identified deficiencies to individuals other than the relevant engagement partners ordinarily does not include

an identification of the specific engagements concerned, unless such identification is necessary for the proper discharge of these individuals' responsibilities.

8791. Some firms operate as part of a network and, for consistency reasons, may apply some or all of their monitoring procedures on a network basis. Where firms within such a networks place reliance on such a systems;

(a) appropriate ~~The network~~ communication ~~takes place on~~ the overall scope, extent and results of the monitoring process on at least an annual basis ~~to appropriate individuals within the network firms~~;

(b) The network communicates promptly any identified deficiencies in the quality control system to the appropriate individuals within the network firm or firms concerned to enable these firms to take the necessary action; and

(c) Engagement partners in the network firms are entitled to rely on the results of the monitoring process applied at the network level, unless advised otherwise by their firms or the network.

Complaints and Allegations

8892. The firm should establish policies and procedures ~~that~~ to provide it with reasonable assurance that it deals appropriately with ~~formal~~ complaints and allegations about whether the work performed by the firm ~~in its practices in the areas of audit, assurance and related services~~ fails to comply with professional standards and applicable regulatory and legal requirements.

893. Complaints and allegations (which do not include those that are clearly frivolous) may originate from within or outside the firm. They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.

904. The firm investigates such complaints and allegations in accordance with established policies and procedures ~~. The investigation is under the supervision of~~ a partner with sufficient and appropriate experience and authority within the firm but who is not otherwise involved in the engagement, and ~~takes appropriate action to respond, including~~ involving legal counsel as necessary. Small firms and sole practitioners may use the services of a suitably qualified external consultant or another firm to carry out the investigation. Complaints, allegations and the responses to them are documented.

95. Where the results of the investigations of the complaints and allegations indicate the existence of deficiencies in the design or operation of the firm's quality control policies and procedures, the firm takes appropriate action as discussed in paragraph 84.

Documentation

961. The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.

927. The manner in which such matters are documented is for the firm to determine. For example, large firms may use electronic databases to document matters such as independence confirmations, performance evaluations and the results of monitoring inspections. Smaller firms may use more informal methods such as manual notes, checklists and forms.

98. Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:

- The size of a firm and the number of offices.
- The degree of authority afforded to both personnel and offices.
- The nature and complexity of the firm's practice and organization.

939. Documentation is retained for a period of time sufficient to permit an evaluation of the extent of the firm's compliance with its system of quality control by those performing monitoring procedures or for a longer period as may be required by applicable law or regulation.

Effective Date

94100. This ISQC is effective beginning as of January 1, 2005.

Public Sector Perspective

1. *This ISQC is applicable in all material respects to the public sector. The general principles contained in ISQC 1 are applicable to the auditors of public sector entities.*
2. *Some of the terms used, such as "engagement partner" and "firm," should be read as referring to their public sector equivalents. In addition, the term "listed entity" should be read to include all public sector entities. Audits of significant public sector entities should be subject to the same standards as audits of listed entities. The significance of a public sector entity may be assessed by reference to a number of factors including business risk, public interest, political and/or public significance and the number and range of affected stakeholders.*
3. *In the public sector, auditors may be appointed in accordance with statutory procedures. Accordingly, considerations regarding the acceptance and continuance of client relationships and specific engagements, as set out in paragraphs 289 – 347 of ISQC 1, may not apply.*
4. *Similarly, the independence of public sector auditors may be protected by statutory measures, with the consequence that certain of the threats to independence of the nature envisaged by paragraphs 189 – 278 of ISQC 1 are unlikely to occur.*