

SSQC1 APPLICATION

YOUR FIRM'S TOP FIVE "TO-DO" LIST

There has never been a time of such sweeping change in the accounting profession as we are experiencing today. Not all practitioners are fully aware of the implications of the standard on quality control – Singapore Standard on Quality Control 1 (SSQC 1) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

It is critical that the public accounting firms act now to understand the requirements of SSQC 1 and take the necessary steps to fully comply. SSQC 1 addresses the policies and procedures firms must put in place to establish and maintain a system of sufficient quality control to meet professional, legal and regulatory requirements. It also addresses the policies and procedures firms should establish to provide reasonable assurance that the assurance reports issued are appropriate, given individual circumstances. Furthermore, firms must have procedures in place to implement and monitor compliance with these policies.

YOUR FIRM'S TOP FIVE TO-DO LIST

Leading accounting firms are already well into their implementation of SSQC 1. However, if your firm does

not fall into that category, it is not too late to do what is necessary to comply with the requirements. It is important to act now to get your firm ready. The key steps in preparing for adherence can be summarised in the following Top Five To-Dos:

1 READ & REVIEW

First and foremost, practitioners should read SSQC 1 to ensure they understand the full requirements. Don't fall into the trap of only reading recaps or executive summaries. Without reading the full standard, there is a real risk that aspects of the requirements will get missed.

Secondly, your firm should designate a firm representative to review the current system of quality

control. Does it meet all of the SSQC 1 requirements? Then, highlight the differences for review by the firm and consider what changes need to be made. If your current system of quality control does not meet all of the SSQC 1 requirements, a more comprehensive analysis needs to be performed. During the course of such review, the firm representative should consider if your firm has any significant changes in its operation or structure in recent years. For example, if your firm has accepted a new partner, started providing new services, or accepted new types





IF YOUR CURRENT SYSTEM OF QUALITY CONTROL DOES NOT MEET ALL OF THE SSQC 1 REQUIREMENTS, A MORE COMPREHENSIVE ANALYSIS NEEDS TO BE PERFORMED.

of clients, it may be indicative that the current system of quality control may need to be updated.

2

DOCUMENT

Once a gap analysis has been performed between the current system of quality control and the requirements of SSQC 1, the current system of quality control must be updated for the necessary changes. New policies and procedures should be adopted where necessary, and all of these revisions and additions must be adequately documented within the quality control manual. The

quality control manual represents a key communication tool between all partners and staff to set expectations and to use as a benchmark for evaluating performance.

Firms should look for good practices and consider adding further policies and procedures to best meet the overall goal of promoting lasting quality in the firm's processes.

3

IMPLEMENT

It is not too early to start making changes to the policies and procedures of the firm. For example, the SSQC 1 requirement to complete the engagement quality

control review (EQCR) prior to dating the audit report represents a change in process for some firms. Firms may have to plan for EQCR reviews to be performed at appropriate stages throughout the audit engagement to allow for ample time to successfully complete the EQCR before the dating of the audit report. A good practice approach is to involve the engagement quality control reviewer at appropriate stages of the audit on a timely basis. This promotes a higher quality and more efficient audit as audit issues are addressed earlier in the process, while the engagement team still has full access to the client

and any additional records required to finalise their audit work. A change in policy such as this matter must be identified, documented and implemented within the firm. Performance must then be monitored and tracked to determine if the changes have been

fully implemented as designed. Firms should consider setting individual target dates for engagement reviews and tracking such metrics as the first date of audit, last day of fieldwork, date of reviews, and audit report date.

In an engagement requiring an EQCR, the date of completion of the EQCR must be documented in the file. The substance of the review and any differences of opinion must be resolved before dating of the report.

4

ASSESS NEEDS

Firms should assess the resource needs to implement policies and procedures which

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comply with SSQC 1. The internal or external resource requirement should be deliberated. For example, SSQC 1 specifically prohibits the use of engagement personnel involved with performing an engagement from also performing an inspection of that particular file. This means firms must create a system for assigning monitoring duties across audit teams to meet this requirement.

The monitoring programme must be cyclical, although not necessarily annual. For non-risky engagements, a three-year cycle may be appropriate. For risky engagements, or engagements where quality has been a concern in the past, the firm may consider more frequent reviews, such as on a one- or two-year cycle. Firms may also build a system to obtain adequate coverage across industries and types of assurance engagements into their monitoring plan. Further, firms may consider targeting more file reviews for year-ends affected by the new audit and accounting standards to ensure their staff have updated procedures and approaches appropriately.

This independent monitoring requirement poses a unique challenge to smaller firms and sole proprietors. As such, these firms should assess their resource needs and consider seeking assistance from outside their firm. Firms that fall into this category

may consider making arrangements with other smaller firms or sole proprietors to perform a monitoring inspection of each others' files as required by the monitoring requirements.

This process need not be time-consuming and will likely result in a beneficial sharing of ideas relating to quality improvement and audit efficiency.

5 EDUCATION & TRAINING

Firm-wide training on SSQC 1 requirements is essential for a smooth transition. It is integral for firms to create an awareness of the impending changes, along with detailed guidance as to what the changes are, how the system of quality control has been updated as a result, and instruction regarding all changes to firm policies and procedures.

By providing firm-wide training to all partners and staff, firms can deliver a consistent message to all.

IN AN ENGAGEMENT REQUIRING AN EQCR, THE DATE OF COMPLETION OF THE EQCR MUST BE DOCUMENTED IN THE FILE. THE SUBSTANCE OF THE REVIEW AND ANY DIFFERENCES OF OPINION MUST BE RESOLVED BEFORE DATING OF THE REPORT.

Firms can use the SSQC 1 to help promote the firm's commitment to quality and the use of best practices. An initial training session to launch the SSQC1 requirements should be followed up and reinforced with periodic reminders of the firm's responsibility to adhere to the requirements and spirit of SSQC 1.

IN CONCLUSION

The adoption of SSQC 1 provides the public accounting firms with the opportunity to further promote an internal culture that recognises that quality is essential in everything they do. Firms should act now on the Top Five To-Dos to successfully comply with SSQC 1. **CPA**

Adapted from "The New Quality Control Standard: Your Firm's Top 5 To-Do List", with permission of the Canadian Institute of Chartered Accountants, Toronto, Canada. Any changes to the original material are the sole responsibility of Institute of Certified Public Accountants of Singapore, and have not been reviewed or endorsed by CICA.

For further information on the above or other initiatives of ICPAS QA, please contact us at qualityassurance@icpas.org.sg

ICPAS INITIATIVES

- + ICPAS Quality Assurance Department (QA) has issued its SSQC 1 Practice Guides (the Guides) to provide useful guidance to practitioners, particularly those from SMPs, in implementing SSQC 1.
- + A series of articles on SSQC 1-related topics have been published by ICPAS QA in *CPA Singapore* journal from November 2012 to increase practitioners' understanding and appreciation of SSQC 1.

DID YOU KNOW



- + ICPAS QA has also conducted SSQC 1 workshops in March and April 2013 for ICPAS members to provide them with the knowledge in applying the Guides effectively when implementing SSQC 1.
- + ICPAS QA has launched the Quality Assurance Review Programme, a voluntary review programme aimed at improving audit quality by reviewing practitioners' audit engagement files, and providing recommendations on the areas for improvement.