

4 November 2025

ISCA Audit Bulletin 3

AB 3 (Revised Nov 2025): Implementation of Quality Management Standards

Revised to incorporate FAQs 4.8 to 4.10.



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ISCA's Auditing and Assurance Standards Committee (AASC) comprises practitioner members with significant experience in the field of auditing and assurance, and public members from regulatory bodies, academia and the business sector.

AASC's terms of reference include the development of high-quality auditing and assurance standards; monitoring policy and implementation issues relating to the development of auditing and assurance standards internationally and in Singapore and giving consideration to the need for guidance; and raising public awareness and understanding of the standard setting process and the standards.

The terms of reference are executed through AASC with the support of three Sub-Committees, namely the Core Sub-Committee, the AGS 1 Sub-Committee and the Data Analytics Sub-Committee.

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1. Background

In October 2021, ISCA issued three new quality management standards at the firm and engagement level, including engagement quality reviews.

Quality Control Standards	Quality Management Standards (new)	Effective Date
SSQC 1 ¹	SSQM 1 ²	Systems of quality management to be designed and implemented by 15 December 2022
–	SSQM 2 ³	Periods beginning on or after 15 December 2022
SSA 220 ⁴	SSA 220 (Revised) ⁵	Periods beginning on or after 15 December 2022

The quality management standards will supersede the quality control standards at the effective dates indicated above.

2. Scope of this Audit Bulletin (AB)

This audit bulletin contains frequently asked questions to assist firms that perform audits or reviews of financial statements, or other assurance or related service engagements on the implementation of the quality management standards.

3. Objective of Quality Management

The objective of the firm is to design, implement and operate a system of quality management (SOQM) for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

¹ Singapore Standard on Quality Control (SSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

² Singapore Standard on Quality Management (SSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

³ SSQM 2, *Engagement Quality Reviews*

⁴ Singapore Standard on Auditing (SSA) 220, *Quality Control for an Audit of Financial Statements*

⁵ SSA 220 (Revised), *Quality Management for an Audit of Financial Statements*

4. Frequently Asked Questions – SSQM 1

4.1 What are the benefits of implementing the Quality Management Standards?

The benefits of complying with the Quality Management Standards include but are not limited to:

- Managing the firm's risks and liabilities through managing the quality of the firm's engagements and reports issued. This reduces the risk of non-compliance with professional standards and legal and regulatory requirements, incurring financial losses and suffering reputational damages.
- Formalising and streamlining the firm's internal processes to achieve optimisation, resulting in a more efficient firm overall. For example, by having a process to track personnel chargeable hours, a firm may be better able to identify areas where resources are inefficiently allocated or engagements where the audit fee is not commensurate with the audit effort.
- Aligning the objectives of the firm's personnel with the firm's quality objectives can lead to a more committed and motivated workforce. Transparency over the firm's leadership and governance matters, through timely communication, can also instil trust and confidence across the firm.

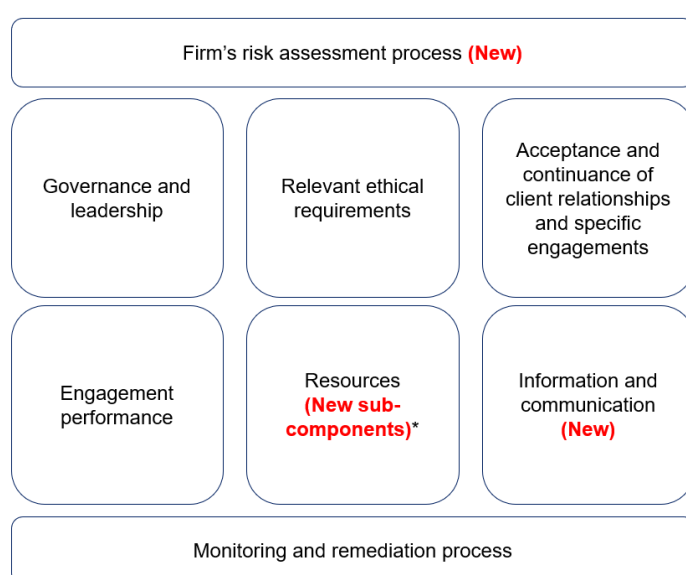
4.2 What are the key changes of SSQM 1 from SSQC 1?

Risk-based approach

The key change is the shift from a procedures-based approach under SSQC 1 to a risk-based approach towards quality management. A risk-based approach helps the firm tailor its SOQM to the firm's circumstances, as well as the circumstances of the engagements performed by the firm. This allows the standard to be scalable to the needs of the firm.

Components of the SOQM

SSQM 1 comprises eight interrelated components that deal with the key aspects of the SOQM.



*Resources component now includes technological and intellectual resources, in addition to human resources.

The firm is required to establish quality objectives specified by the standard for each component⁶. There are no quality risks prescribed by the standard, as firms are supposed to identify and assess their own quality risks. However, there are specified responses⁷ that need to be implemented and additional responses to fully address all quality risks identified.

The SOQM is intended to operate in a continual and iterative manner and respond to changes in the nature and circumstances of the firm and its engagements. Firms need to be able to react to external factors that can result in quality risks (for e.g. work from home arrangement arising from Covid-19). However, this also means that firms can remove risks that are no longer relevant.

4.3 What responsibilities do firms need to assign over the SOQM?

SSQM 1 requires the firm to assign responsibilities for the SOQM and hold individuals accountable for their assigned roles. Individuals assigned these responsibilities are required to have the appropriate experience, knowledge, time, influence and authority.

Below are the responsibilities that need to be assigned:

Ultimate responsibility and accountability for the SOQM	• CEO or managing partner, or managing board of partners (if appropriate) • Responsible for firm achieving objectives of SSQM 1
Operational responsibility for the SOQM	• Responsible for design, implementation and operation of SSQM 1
Operational responsibility for specific aspects of the SOQM	• Responsible for compliance with independence requirements, monitoring and remediation process and other specific aspects (as determined by the firm)

In a less complex firm, ultimate responsibility and accountability for the SOQM may be assigned to a single managing partner with sole responsibility for the oversight of the firm. This individual may also assume responsibility for all aspects of the SOQM, including operational responsibility for the SOQM, compliance with independence requirements and the monitoring and remediation process [SSQM 1.A35].

For clarity and accountability, a firm could establish an organisation chart which maps out the responsibilities of various personnel over the processes within the SOQM. Depending on the size and complexity of the firm, it may also consider setting up a task force, which would help to better facilitate the implementation of the SOQM.

A governance team may also be established internally for the oversight of the monitoring and remediation aspects of the SOQM. This process can also be undertaken by an external service provider in instances where it is challenging to identify appropriate individuals within the firm

⁶ Quality objectives required by SSQM 1 can be found under paragraphs 24, 28, 29, 30, 31, 32 and 33.

⁷ Specified responses required by SSQM 1 can be found under paragraph 34.

to form an effective governance team (for e.g. a sole proprietorship or small firm with few partners).

4.4 What are some challenges that firms may face during implementation?

(a) Aligning the firm's mission, vision and core values to quality management

If the firm finds that its mission, vision and core values are not aligned with the objective of quality management (see Section 3), for instance, if the firm has financial and operational priorities that affect the firm's commitment to quality, the firm should take the opportunity to recalibrate their priorities to incorporate the objective of quality management (see Section 3). This would help define the firm's purpose in this regard and effectively communicate its commitment to quality to employees and external stakeholders.

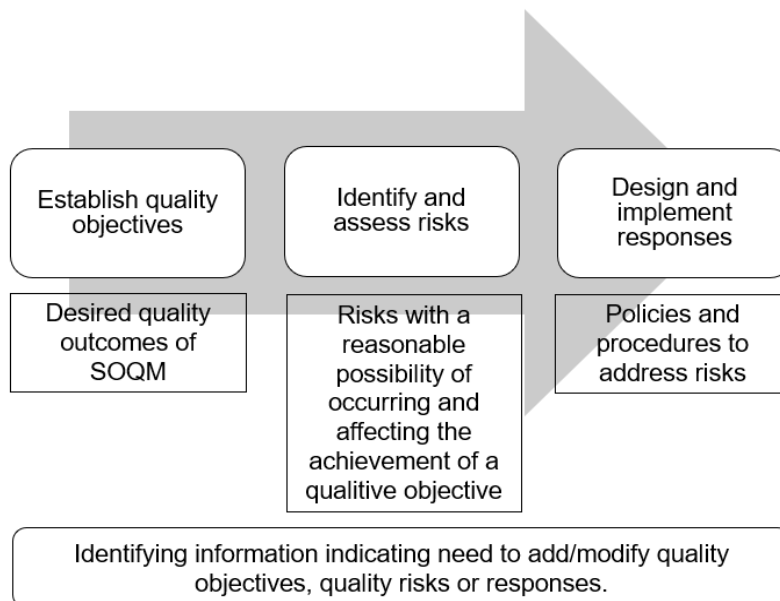
(b) Managing the implementation process

Below are some tips in managing the implementation process:

- **Importance of tone from the top to drive implementation** – Clear and consistent communication by leaders of the firm is essential to drive implementation. When leaders demonstrate their commitment to quality and lead by example, the firm's personnel would be motivated to do the same.
- **Setting up an implementation roadmap with key milestones** – An implementation roadmap that details the sequence of activities, responsible parties and key milestones will be helpful to help the firm keep track of its progress.
- **Obtaining inputs from working-level staff on the firm's operations vis-à-vis quality management** – This would not only help to identify operational pain points impacting quality management for more targeted responses, but also allows the staff to feel engaged in the implementation process. Such inputs could be obtained through focus groups or informal engagement with firm personnel of varying functions and seniority.
- **Involving personnel from other relevant functions** – Other than the client servicing functions (such as Audit / Assurance function), other supporting functions within the firm such as Information Technology and Human Resources (HR) functions are expected to be involved. Hence, it is important for personnel from other relevant functions to be adequately informed of the changes expected/required in the implementation of the SOQM. This is also applicable where these functions are outsourced to an external service provider.
- **Performing a gap analysis during the risk assessment process to identify focus areas** – If the results of the analysis indicates that robust processes are in place, the focus of the implementation exercise could be mainly on documentation of its policies and procedures. However, for a firm that has identified significant gaps, management should immediately take action to address the gaps and more time and effort is expected to be expended.

(c) Carrying out the risk assessment process

The **risk assessment process**, which is an overarching component in the SOQM, is performed for each component of the SOQM, as follows:



Policies or procedures may be implemented at firm level, engagement level, or a combination of both.

Application in Practice – Example of performing risk assessment on a “governance and leadership” component

Step 1: Establish quality objective

The firm establishes the quality objectives required by the standard. For instance:

Quality objective required under SSQM 1.28 (a)

Firm’s governance and leadership establishes the environment that supports the SOQM:

The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces:

- (i) The firm’s role in serving the public interest by consistently performing quality engagements;
- (ii) The importance of professional ethics, values and attitudes;
- (iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behaviour; and
- (iv) The importance of quality in the firm’s strategic decisions and actions, including the firm’s financial and operational priorities.

Step 2: Identify and assess risks

Next, think about the risks that may impede the achievement of the quality objectives established.

A quality risk is defined as a risk that has a reasonable possibility of:

- Occurring; and
- Individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.

[SSQM 1.16(r)]

Not all risks meet the definition of a quality risk. It is up to the firm’s professional judgement to determine whether a risk is a quality risk based on the above definition. The assessment of quality risks need not comprise formal ratings or scores, although firms are not precluded from using them [SSQM 1.A48].

Examples of quality risks

- 1) Lack of strong tone from the top in creating a firm culture that emphasises on performing quality engagements.
- 2) Firm's mission/vision and core values relating to quality are not effectively communicated to the employees.
- 3) Incentives are not aligned to key performance indicators (KPIs) that relate to quality.

[Note: Abovementioned risks are for illustrative purposes and are non-exhaustive. Firms may identify additional quality risks that are unique to their circumstances.]

Quality Risk Identified and Assessed

Quality risk 1: Lack of strong tone from the top in creating a firm culture that emphasises on performing quality engagements.

The firm may assess that tone from the top would have a strong influence over the firm's culture and the behaviour of its personnel. Hence, the firm may determine that there is high likelihood that leadership's actions and behaviour will significantly affect the firm's culture on quality.

Quality risk 2: Firm's mission/vision and core values relating to quality are not effectively communicated to the employees.

The firm may view the mission/vision and core values to be important focal points to guide the actions and behaviour of its personnel. Hence, lack of effective communication may result in high likelihood that its personnel will not be aligned in their actions and behaviour to pursue quality.

Quality 3: Incentives are not aligned to KPIs that relate to quality.

The firm may assess that such misalignment may be detrimental in motivating its personnel to strive for quality. Hence, there may be high likelihood that its personnel will not be focused on quality since their remuneration is not dependent on it, negatively affecting the firm's culture on quality.

[Note: Above assessment is for illustrative purposes only.]

Step 3: Design and implement responses

Some possible responses (policies and procedures) that the firm could implement to address the quality risks identified include, but are not limited to:

Quality Risk Identified	Possible Response
Quality risk 1: Lack of strong tone from the top in creating a firm culture that emphasises on performing quality engagement.	Leadership promotes a culture of quality through: • Interactions with its personnel by reiterating the firm's emphasis on quality (such as through day-to-day meetings, on the job coaching etc). • Emphasis on training by implementing minimum training hours firm-wide • Addressing issues on quality promptly through communiques
Quality risk 2: Firm's mission/vision and core values relating to quality are not effectively communicated to the employees.	The firm's mission/vision and core values are formally documented in its staff handbook and public domains such as the firm's website. The firm's leadership regularly highlights, clarifies and discusses the firm's mission/vision and core values with its personnel to ensure their understanding, buy-in and commitment in working towards achieving them. The firm communicates how it is achieving its mission/vision and core values relating to quality on an annual basis to its personnel during the firm's town hall.
Quality risk 3: Incentives are not aligned to key performance indicators that relate to quality.	Performance evaluation of personnel to be based on an evaluation framework with weightages linked to audit quality factors. Such factors could include: • Internal and external quality review results • Compliance with professional standards / firm's quality management policies and procedures (such as audit documentation requirements and Continuing Professional Education requirements)

- | | |
|--|---|
| | <ul style="list-style-type: none">• Compliance with independence / ethical requirements |
|--|---|

[Note: Abovementioned responses are for illustrative purposes and are non-exhaustive. Firms may identify additional responses where necessary.]

As the SOQM is intended to operate in a continual and iterative manner, the responses to address quality risks identified under one component can apply to quality risks identified under other components. For example, the response to quality risk 2 could also address quality risks identified under the “information and communication” component.

Subsequent to the implementation of responses, the firm will review if any residual risks are reduced to an acceptable level, otherwise additional responses should be implemented.

For more examples of the quality risks and responses, a good reference point would be to refer to the ISCA Quality Management Toolkit (in progress). Firms should customise the quality risks and responses accordingly to the nature and circumstances of their firm.

(d) Managing information and communication

Information and communication is another new component in the SOQM, which addresses obtaining, generating or using information regarding the SOQM, and communicating information within the firm and to external parties appropriately to support the SOQM.

Information and communication is an important component because it is needed to support the functioning of all the other components, for example:

- Personnel need to provide information on their independence to the firm to fulfill the requirements under relevant ethical requirements
- Engagement teams need information on the firm's clients to assess whether to accept or continue client relationships
- HR / administrative function need information on staff competency / experience to facilitate the assignment of staff to engagements
- Leadership needs to communicate the firm's commitment to quality to its employees
- Technical updates need to be communicated to the staff to support engagement performance
- Findings from the monitoring and remediation process need to be communicated to the staff

Firms might find it worthwhile to utilise digital platforms to facilitate a more efficient and seamless flow of information across functions / departments. Digital tools such as shared drive, cloud storage, resource scheduling and client relationship management tools can be helpful in this regard.

Less complex firms with fewer personnel and direct involvement of leadership may not need rigorous policies or procedures that specify how information should be identified, captured, processed and maintained. [SSQM 1.A111] For example, a firm that does not have engagements in specialised industries would not need to subscribe to specific regulatory updates (for example, regulatory notices for the insurance sector) whereas another firm that has such clients would likely need to set up a formal process to ensure that such updates are captured and disseminated to the relevant personnel handling such engagements. Although policies or procedures can be less rigorous, firms still need to be able to demonstrate compliance with the standard.

4.5 How do I assess whether a finding identified as part of the monitoring and remediation process is a deficiency? When a deficiency is identified, how should the root cause analysis be performed?

Monitoring and remediation is performed to monitor and review the SOQM and identify areas of deficiencies⁸. Not all findings, including engagement findings, will be a deficiency.

The firm exercises professional judgement in determining whether findings, individually or in combination with other findings, give rise to a deficiency in the SOQM. SSQM 1.A160 includes examples of factors the firm may consider in determining whether a finding is a deficiency:

⁸ As defined under SSQM 1.16(a), a deficiency in the firm's system of quality management exists when:

- (i) A quality objective required to achieve the objective of the system of quality management is not established;
- (ii) A quality risk, or combination of quality risks, is not identified or properly assessed;
- (iii) A response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response(s) is not properly designed, implemented or operating effectively; or
- (iv) Another aspect of the system of quality management is absent, or not properly designed, implemented or operating effectively, such that a requirement of this SSQM has not been addressed.

Quality Risks and Responses

- If the findings relate to a response:
 - How the response is designed, for example, the nature of the response, the frequency of its occurrence (if applicable), and the relative importance of the response to addressing the quality risk(s) and achieving the quality objective(s) to which it relates.
 - The nature of the quality risk to which the response relates, and the extent to which the findings indicate that the quality risk has not been addressed.
 - Whether there are other responses that address the same quality risk and whether there are findings for those responses.

Nature of the Findings and Their Pervasiveness

- The nature of the findings. For example, findings related to leadership actions and behaviours may be qualitatively significant, given the pervasive effect this could have on the system of quality management as a whole.
- Whether the findings, in combination with other findings, indicate a trend or systemic issue. For example, similar engagement findings that appear on multiple engagements may indicate a systemic issue.

Extent of Monitoring Activity and Extent of Findings

- The extent of the monitoring activity from which the findings arose, including the number or size of the engagements selected for monitoring.
- The extent of the findings in relation to the selection covered by the monitoring activity, and in relation to the expected deviation rate. For example, in the case of inspection of engagements, the number of engagements selected where the findings were identified, relative to the total number of engagements selected, and the expected deviation rate set by the firm.

When a deficiency is identified, the firm needs to investigate the root cause of the deficiency and take appropriate actions to address the deficiency.

Application in Practice – Example of assessing whether a finding is a deficiency and performing a root-cause analysis

The firm is required to ensure 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 professional standards.

[SSQM 1.31(f)]

The firm identifies the following quality risks in relation to the above quality objective:

- (a) Engagement documentation was not assembled within 60 days after the date of the engagement report.
- (b) Existing engagement documentation was modified / additional engagement documentation was included subsequent to assembly of the final audit file without proper reasons and documentation.

Background Information on Firm's Processes

The firm uses an audit software to manage its audit engagements. Engagement documentation may comprise electronic and physical files. Where there are physical files, engagement teams are required to complete a manual form that is signed off by the filing department upon receipt of the final audit files for archival.

As part of the firm's process, an automated reminder is sent to engagement teams 30 days before the deadline to finalise and archive the audit files. Engagement teams are required to complete the archival before day 60 from the date of the auditor's report. At day 60 from the date of the auditor's report, electronic files are automatically archived by the system. However, the engagement partner can approve a request for the IT team to unlock the electronic file.

Scenario 1

As part of the monitoring and remediation process, the firm observed that there were five engagements that were not archived on time during the year. The affected engagements teams consist of different partners and staff.

During the year, a technical glitch happened during the month of July, which prevented the engagement teams from archiving the electronic files. The electronic files were also not automatically archived at day 60 due to the technical glitch. The technical glitch was rectified by the end of July.

Assessing whether finding is a deficiency

All five engagements were due to be archived in July but were not archived at day 60 due to the technical glitch. Subsequent to the archival date, no modifications to the engagement documentation were identified, based on the system's audit trail. The firm assessed that the late archival was not a deficiency as it arose because of the technical glitch, which was rectified subsequently. It was also noted that the physical files were sent to the filing department before the archival deadline.

Given the above, the firm concludes that the finding is not a deficiency.

Scenario 2

As part of the monitoring and remediation process, the firm observed that subsequent to archival, there were two instances where engagement files were unlocked and modified. The affected engagements teams were under the same engagement partner.

Assessing whether finding is a deficiency

The firm observed that the electronic files were unlocked by the engagement partner and modifications were made to the engagement documentation. However, there was no documentation of the reasons for the modifications, when the modifications were made, and who made the modifications. As this contravenes the requirements of paragraph 16 of SSA 230 *Audit Documentation*, and there were insufficient controls in place to avoid such subsequent modifications, the firm assessed that the finding is a deficiency.

Performing root-cause analysis

For effective resolution of deficiencies, when performing the root-cause analysis, the firm should conduct a comprehensive review to identify the underlying reasons. While the process can be straightforward, probing questions should be asked to uncover the underlying root-causes.

A session with the affected engagement teams was conducted, led by HR department, to find out the underlying reason for the subsequent modification of the engagement documentation. The results of the session indicated that the engagement teams were aware of the requirements of the auditing standards and the firm's policy and procedures on archival. However, the subsequent modification of the engagement documentation arose because the engagement teams did not have sufficient time to complete the necessary documentation as they were not allocated sufficient time on the engagement.

Based on the results of the root-cause analysis, the firm identified resource allocation as the root-cause of the deficiency. The HR function disseminated a firm-wide memo to emphasise proper staff allocation, which takes into account the time needed by staff when they are required to follow-up on prior engagements. HR also introduced additional measures such as reviewing timesheets and arranging feedback sessions with the staff from time to time to assess the situation on the ground.

To enhance the controls over subsequent modifications of archived files, the request for the IT team to unlock archived electronic files has to be further approved by the managing partner.

Scenario 3

During Covid-19 lockdown, the firm implemented the guidance issued by ISCA under its Covid-19 FAQ which deals with late archival of files arising from an extraordinary event.

As part of the monitoring and remediation process, the firm observed two engagements that were not archived on time during the year due to the inability of the engagement teams to assemble physical files as a result of office closure during Covid-19 lockdown. However, the engagement teams had adhered to the guidelines under the FAQ. It was noted that the only activities undertaken by the engagement teams subsequent to the archival deadline was to assemble the physical files and submit them to the filing department.

The firm determines that the finding is not a deficiency as the engagement team had adhered to the firm's policy consistent with ISCA's guidelines in response to the extraordinary event.

4.6 How can firms apply scalability to SSQM 1?

Quality risks are affected by the nature and circumstances of the firm and its engagements, which in turn drives the nature, timing and extent of the responses implemented by the firm. As compared to larger and more complex firms, smaller and less complex firms are likely to have different quality risks and thereby responses, or implement responses that are different in nature, timing and extent.

Application in Practice – Example of how scalability can be applied

Example 1

Quality objective: 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.

Quality risk: Engagements are not properly carried out due to inadequate resources.

Risk response:

Less Complex Firm	More Complex Firm
In a less complex firm with fewer personnel and engagements, this could be monitored less formally but more easily, since the movement of staff can be easily tracked.	In contrast, a more complex firm with more staff and client engagements may need a more formal and structured staff allocation process to be in place. For example, a formal budgeting and resource forecast process and using a resource planning system to formalise the allocation of personnel across engagements for proper allocation.

Example 2

Quality objective: Relevant and reliable information is communicated effectively to engagement teams to enable them to carry out their audits properly.

Quality risk: Findings from inspections and internal practice reviews are not communicated to engagement teams.

Risk response:

Less Complex Firm	More Complex Firm
For a less complex firm handling less complex engagements, such communication could be achieved through less formal means such as via email or on the job coaching.	For a more complex firm handling more complex engagements, such communication is likely to be more formalised and achieved through means such as formal and more detailed circulars, technical town halls and training sessions.

4.7 What is the extent of documentation of the SOQM required?

The firm is required to prepare documentation of its SOQM sufficient to:

- Support a consistent understanding of the SOQM by personnel.
- Support the consistent implementation and operation of the responses.
- Provide evidence of the design, implementation and operation of the responses, to support the evaluation of the SOQM.

Documentation is important because it:

- Helps personnel understand their roles and responsibilities in relation to the SOQM, which in turn drives effective implementation.
- Provides information to allow the person who is assigned ultimate responsibility for the SOQM to conclude whether the SOQM is achieving its objectives.
- Provides evidence to external parties (such as regulators) that SOQM is properly implemented.

In a less complex firm, the documentation of quality objectives, quality risks and responses may be less extensive than for a more complex firm (e.g. it may be documented in a single document) [SSQM 1.A39].

Also, it may not be necessary to have documentation supporting matters communicated because informal communication methods may be effective. Nevertheless, a less complex firm may determine it appropriate to document such communications, as best practice, to provide evidence that they have occurred [SSQM 1.A203].

4.8 As part of engagement performance, is implementing a timesheet system mandatory to demonstrate that engagement team members have spent sufficient time on an engagement?

The quality management standards require firms to implement responses that address risks to achieving the following quality objectives:

- 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. [SSQM 1.31(a)]
- 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. [SSQM 1.31(b)]
- 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. [SSQM 1.32(d)]

To achieve these quality objectives, responses implemented should effectively track time, manage resources and provide clear and reliable evidence of the time spent. The choice of tools or method of tracking may vary depending on factors contributing to the assessed risks of meeting these quality objectives, such as firm size, volume of workload and complexity of engagements.

While not mandatory, a timesheet system is an effective tool that can support firms in achieving these quality objectives. Benefits of implementing a timesheet system include:

- Monitoring that sufficient time is spent by each staff grade and that appropriate time is allocated across different phases of the audit (such as planning, execution and completion). Emphasis should be placed on the involvement of senior engagement team members at critical phases of the audit, particularly for complex or higher risk engagements.
- Monitoring audit milestones and identifying backlogs to ensure that engagements are progressing according to planned timelines.
- Managing staff workloads, such as identifying individuals with excessive chargeable hours that could signal potential overload.
- Monitoring chargeability, including overruns and enabling the firm to estimate audit costs and fees more reliably.

Firms should maintain the necessary documentation in accordance with SSQM 1.57, including demonstrating how their implemented responses address the risks to achieving the abovementioned quality objectives.

4.9 Are firms that do not perform audits of publicly traded entities (“PTEs”) expected to perform verification procedures on staff’s declaration of independence obtained in accordance with SSQM 1.34(b)?

The objective of obtaining at least an annual declaration of independence from staff is one of the means that firms can undertake to help ensure compliance with relevant independence requirements, including those related to financial interests, holding of directorships and family and personal relationships, by proactively identifying, monitoring and addressing potential threats to independence. In designing and performing monitoring activities, firms are required to design and perform monitoring activities to provide a basis for the identification of deficiencies [SSQM 1.36] and take into account the factors under paragraph 37 in determining the nature, timing and extent of monitoring activities.

Examples of verification procedures may involve a combination of the following, including but not limited to:

- Cross-checking of staff declarations against external data sources such as central depository records, broker statements / transaction history, bank statements or publicly available corporate registries. This also includes reviewing declarations that indicate no interests or relationships to identify any potential omissions or discrepancies.
- Corroborating declarations against internal databases, such as checking against HR records to confirm that no family members are employed or hold roles in restricted entities.

- Requesting staff to provide documentation for high-risk disclosures (for e.g. proof of divestment or resignation where required due to a new client relationship).

In applying the principle of scalability in designing and performing monitoring activities, firms may consider factors such as:

- Size and complexity of the firm – Larger firms with more personnel, involvement in a wider range of services (such as advisory or tax) or membership in a network may face higher risk of independence breaches.
- Nature of audit clients as defined in ACRA Code⁹ – Personnel involved in audits of PTEs or other public interest entities face a broader scope of entities from which independence must be maintained. This expanded scope increases the complexity and risk associated with independence considerations.
- Frequency of changes to staff independence status (such as incorporating reminders during timesheet submissions) – Where staff are required by the firm to update their independence declarations as and when there are changes to their independence status, a high volume of updates may indicate multiple or frequently changing financial or personal interests, which in turn increases the risk of non-compliance with independence requirements.

In such cases, more robust verification procedures may be necessary to manage the higher risks.

If such risks have been assessed to be lower, the firm may implement simpler verification procedures commensurate to their risk of non-compliance, such as:

- Conducting spot checks on a smaller sample size or less regular basis.
- Focusing more extensive checks on individuals in key roles, for example engagement partners and managers.

While a scaled-down approach may be adopted in proportion to the assessed risks, the firm is still required to document the rationale for its approach, including the basis of its risk assessment, the factors considered in determining the level of risk and the justification for the extent of monitoring applied.

4.10 As part of monitoring activities, is it acceptable for inspections of completed engagements to be performed by partners from the same firm?

Firms are required to establish policies or procedures to ensure that individuals performing monitoring activities are objective and have the necessary competence and capabilities [SSQM 1.39], including addressing potential self-review threats [SSQM 1.A155].

To prevent self-review threats, SSQM 1 explicitly prohibits engagement team¹⁰ members or the engagement quality reviewer¹¹ of an engagement from performing any inspection of that

⁹ Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*

¹⁰ Engagement team – All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding an external expert and internal auditors who provide direct assistance on an engagement. (Ref: Para. A13). [SSA 220 (Revised).12(d)]

¹¹ Engagement quality reviewer – A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review [SSA 220 (Revised).12(c)]. If the audit engagement is subject to an engagement quality review, the engagement quality reviewer, and any other individuals performing the engagement quality review, are not members of the engagement team. Such individuals may be subject to specific independence requirements. [SSA 220 (Revised).A20]

engagement [SSQM 1.39(b)], as a self-review threat may arise when an individual who performs an inspection of an engagement was:

- In the case of an audit of financial statements, an engagement team member or the engagement quality reviewer of that engagement or an engagement for a subsequent financial period; or
- For all other engagements, an engagement team member or the engagement quality reviewer of that engagement. [SSQM 1.A155]

Some practical ways which may help firms ensure objectivity and minimise such self-review threats include but are not limited to:

- Maintaining a clear record of partner and staff involvement in each engagement to avoid assigning monitoring responsibilities to personnel prohibited under SSQM 1.39(b) or others involved in the engagement whom the firm determines that the associated risks cannot be effectively mitigated (for example, technical partner who reviewed significant judgments, would be considered an engagement team member).
- Reviewer performing the inspection to declare and document their independence from the audit engagement before commencing the review.
- Rotating monitoring responsibilities among partners and managers, where feasible, to maintain objectivity and reduce familiarity threats.
- Fostering a culture of objectivity and constructive feedback, supported by training on independence and professional skepticism.
- Using checklists or standardised templates to enhance consistency and objectivity across inspections.

If the firm lacks personnel who can fulfil the requirements, it may engage its network services or an external service provider to perform the monitoring activities [SSQM 1.A156]. Where network services or an external service provider are employed, the firm is required to assess whether such services are appropriate for use [SSQM 1.49(b) / 32(h)].

5. Frequently Asked Questions (FAQs) – SSQM 2

5.1 What are the key changes of SSQM 2 from the requirements previously under SSQC 1?

The key changes include:

- Scope of engagements subject to engagement quality (EQ) reviews extended from audits of financial statements of listed entities to audits or other engagements for which an EQ review is required by law or regulation and for which the firm determines that an EQ review is an appropriate response to address one or more quality risk(s).
- Enhanced eligibility criteria for EQ reviewers, including requirements for a cooling-off period, of 2 years or a longer period if required by relevant ethical requirements, before the engagement partner can assume the role of EQ reviewer and having sufficient time to perform the EQ review.
- More robust performance and documentation requirements.

5.2.1 Are EQ reviews always mandatory?

In accordance with SSQM1.34(f), EQ reviews are mandatory under the standard for audits of listed entities or when required by law or regulation. Apart from listed entities, there are no laws or regulations in Singapore that mandate the performance of EQ reviews for other types of public interest entities audits.

While EQ reviews are not mandatory for all public interest entities, firms may establish, as part of their firm policy, to require EQ reviews for such audits as a response to address quality risk(s).

5.2.2 How do firms assess if an engagement requires EQ review?

Firms determine whether an EQ review is an appropriate response to address quality risk(s). Factors to consider can be found under SSQM1.A134 and include:

- Engagements that involve high level of complexity or judgement, (for e.g. audits of entities in emerging or specialised industries, entities that have complex revenue arrangements or hold significant assets with fair value that is hard to measure)
- Engagements with recurring findings / deficiencies (for e.g. from internal or external inspections)
- Engagements for which unusual circumstances have been identified during acceptance and continuance process (for e.g. new client has disagreement with previous auditor)
- Engagements relating to entities that may have public interest or public accountability characteristics (for e.g. statutory boards) etc

5.3 What are the eligibility criteria for EQ reviewers?

EQ reviewers are required to:

- Have competence, capabilities, including sufficient time and appropriate authority. Considerations include having sufficient years of experience in leading audits of engagements of a similar nature and complexity and possessing expertise in specialised areas (where necessary). For engagements that are assessed to be of higher risk, the level of experience of the EQ reviewer is expected to be correspondingly higher.
- Firms are reminded to be mindful of situations where the authority of the EQ reviewer may be diminished. For example, in a situation where the EQ reviewer is a junior partner who directly reports to the engagement partner who is also the managing partner of the firm, consideration should be given to how such relationships affect the effectiveness of the EQ reviews.
- Comply with relevant ethical requirements, including objectivity and independence. For example, a self-review threat may be created when the EQ reviewer previously was involved with significant judgements made by the engagement team, in particular as the engagement partner or other engagement team member [SSQM 2.A14].
- Comply with provisions of law and regulation (if any) that are relevant to eligibility of engagement quality reviewers. For example, in some jurisdictions, the EQ reviewer

may need to possess certain qualifications or be licensed to be able to perform the EQ review [SSQM 2.A16].

The firm is allowed to engage the services of individuals outside the firm to perform the EQ review. However when using such an individual, the provisions of SSQM 1 addressing the network requirements or network services or service providers apply.

5.4 What should be the focus areas of an EQ review?

The areas that the EQ reviewer is required to review can be found under paragraph 25 of SSQM 2.

6. Frequently Asked Questions (FAQs) – SSA 220 (Revised)

6.1 What are the key changes to SSA 220?

The key changes include:

- Engagement partner's overall responsibility to manage and achieve quality on the engagement is demonstrated through sufficient and appropriate involvement throughout the audit engagement.
- Changes made to the definition of the engagement team to recognise different and evolving engagement team structure. An individual who is performing audit procedures has to be appropriately directed and supervised and work reviewed accordingly.
- Clarifying engagement partner's responsibilities, for example, more explicit requirements and application materials about what the engagement partner needs to review.
- Clarifying that ordinarily, the engagement team may depend on the firm's policies and procedures.
- Emphasising the importance of professional skepticism and professional judgement, with application material describing impediments to professional skepticism, auditor biases, and actions the engagement team can take.
- Requiring engagement partner to be responsible for determining that there are sufficient and appropriate resources assigned or made available on a timely basis and for taking appropriate action where insufficient or inappropriate resources are provided by the firm, among other matters.

For reference: ISCA Auditing and Assurance Pronouncements and Publications

The table below summarises the formal categorisation, degrees of authority and due process for issuance of ISCA's auditing and assurance standards and guidances. This provides credence to ISCA's technical content, promulgates ISCA's views on the application of auditing and assurance standards as well as promotes best practices and consistency in auditing and assurance.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. a) Singapore Standard on Auditing (SSA) b) Singapore Standard on Assurance Engagements (SSAE) c) Singapore Standard on Review Engagements (SSRE) d) Singapore Standard on Related Services (SSRS) e) Singapore Standard on Quality Control (SSQC) f) Statement of Auditing Practice (SAP)	Authoritative pronouncements	Required to comply	Public consultation required	ACRA's Public Accountants Oversight Committee
2. a) Audit Guidance Statement (AGS) b) Singapore Auditing Practice Note (SAPN)	Provide interpretive and practical guidance to auditors Non-authoritative	Expected to apply or explain departures	Public consultation required	ISCA Council
3. Audit Bulletin (AB)	Informative / educational publications to highlight pertinent topical issues to auditors Non-authoritative	For information and educational purposes	Public consultation not required	ISCA AASC

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