

CRITICAL ASPECTS TO OPTIMISE SSQC 1 IMPLEMENTATION

For Sole Practitioners during the Infant Stages



BY
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Over the past few years, there has been increasing awareness of the 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*. Other than the larger public accounting firms, the small and medium-sized practices (SMPs) including sole proprietorships have begun to realise the importance of SSQC 1, and some of them have embarked on the journey of SSQC 1 implementation in their firms. This phenomenon is reflected in the results of the inaugural SSQC 1 survey which was conducted by the Institute of Singapore Chartered Accountants (ISCA) in 2013. Out of 87 SMP respondents, the majority have commenced SSQC 1 implementation since 2012.

Understanding the intricacies of the different aspects of SSQC 1 implementation, especially at the infant stage, is crucial for SMPs to pave the way for a solid and sound quality control system. For the sole practitioners who are contemplating to implement SSQC 1



or have just commenced implementing SSQC 1, this is a critical juncture. It is vitally important for firms to “do the right things from the beginning” in order to achieve an effective and efficient quality control system. There are six critical aspects that sole practitioners should consider when their firms are at the early stage of implementing SSQC 1.

1 CHANGING MINDSET

As with the implementation of any new system in an organisation, you need strong leadership to drive success. In the case of SSQC 1 implementation, the right tone at the top is required to drive and initiate proper implementation at the beginning.

Changing mindset is even more



important for the sole practitioner as he/she is the sole person who has the highest authority in the firm to set the tone at the top. For smooth transition, the sole practitioner should embrace the spirit of SSQC 1 and be committed to establishing a quality control system to ensure the firm reaps maximum benefits. There is no place for half-heartedness.

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Furthermore, such a mindset should be demonstrated by the sole practitioner in his/her day-to-day work in line with the underlying objective of SSQC 1. Leading by example is one of the most effective methods to influence staff and initiate change seamlessly. This is especially true during the infant stage of implementation, when there are likely to be doubts and uncertainties.

2 ACQUIRING KNOWLEDGE

For effective implementation of SSQC 1, it is imperative that the sole practitioner and the senior staff thoroughly understand the requirements. They should invest sufficient time to study the standard including its application and other explanatory material.

Besides the standard, the sole practitioner and the staff can acquire SSQC 1-related knowledge through relevant articles published in the journals of professional accountancy bodies. One example is the series of articles on SSQC 1 published by the ISCA Quality Assurance (QA) team in the *IS Chartered Accountant* journal since November 2012. In addition to the articles, the ISCA QA team has also issued a complete set of SSQC 1 Practice Guides which cover the six elements of SSQC 1. Implementation guidance materials such as the Practice Guides are among the useful resources for the

firm to gain a deeper understanding of SSQC 1.

Another source of SSQC 1 knowledge is workshops. Workshops provide an interactive and engaging platform for discussion and sharing of ideas. The ISCA QA team organised four SSQC 1 workshops in 2013, with the aim of providing useful guidance and addressing practical challenges in implementing SSQC 1. Feedback from the workshop participants was positive and encouraging. Chew Whye Lee of Chew Whye Lee & Co said, "Through ISCA's various programmes and tools such as the SSQC 1 Practice Guides, a series of SSQC 1 articles in the *IS Chartered Accountant* journal as well as the SSQC 1 Guidance Workshops, I've gained a lot of insightful knowledge of each critical element of SSQC 1 and am able to apply such knowledge to enhance my firm's quality control policies and procedures."

3 GENERATING AWARENESS

One of the cornerstones of transitioning to a quality control system aligned with SSQC 1 in a sole proprietorship is awareness. Regardless of the volume of clients or the number of employees in the firm, all staff should be aware of SSQC 1. The sole practitioner should actively promote awareness and communicate the importance, underlying

TECHNICAL EXCELLENCE

SSQC 1 IMPLEMENTATION

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objectives, and benefits of SSQC 1 policies and procedures to his/her staff. These benefits may include improving quality, preventing “over-auditing”, and reducing rework times as well as mitigating audit risk, among others.

If perceived to be a mere compliance exercise or a formality, the purpose of SSQC 1 will be defeated. Such an attitude may promote the tendency to cut corners and meeting the bare minimum requirement for compliance. Implementation should be proactive, and should come naturally from an organisational culture that is congruent with the spirit of SSQC 1.

An effective channel to generate awareness is through regular communication. The firm may incorporate SSQC 1 quality control policies and procedures into its mission statement, strategy and even marketing collaterals. It also can be achieved through internal meetings and orientation sessions, as well as by sending staff to training programmes. Regardless of the platform of the “awareness campaign”, the ultimate goal should be to create the most ideal setting for staff to truly appreciate the necessity of a quality control system which complies with SSQC 1, and understand the changes required as well as the most effective means to implement those changes.

It is important to keep in mind that awareness should be an ongoing process and should not be limited to the early

stage. Reinforcement through periodic reminders should be carried out so that it becomes ingrained in the firm’s corporate culture.

4 ALLOCATING RESOURCES

Sole proprietorships may face a set of unique challenges compared to their larger counterparts. However, SSQC 1 does not require them to implement the same level of sophisticated controls as those in larger public accounting firms. So the implementation effort is not as daunting as what some made it out to be. The sole practitioner can adopt the quality control policies and procedures which are appropriate and relevant to the firm. This would require lesser resources to be dedicated to SSQC 1 implementation. It is important to know that SSQC 1 is scalable and not fixed in its application.

As the sole practitioner wears many hats, the operational responsibility for implementation can be assigned to suitably qualified personnel who possess sufficient knowledge and expertise. Depending on the scope of work involved, the sole practitioner may assign a single staff member or form a small team. With such delegation, the sole practitioner can play a supervisory role and oversee the progress of implementation.

In any case, sufficient resources should be allocated, especially in the early stages, to generate the momentum for implementation. The firm may



mobilise some of these resources for other assignments at later stages of implementation, as only updates and enhancements would be required at that time.

5 LEVERAGING SUPPORT

Sole practitioners should be heartened that they are not alone in the journey of SSQC 1 implementation. The sole practitioner can make use of the external resources available to them. Although the effective implementation is driven by the internal team, external support such as qualified consultants

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and professional accountancy bodies are invaluable during the early stage. For example, the Collaborative Industry Project (CIP) is a government initiative that allows a firm to engage the services of an external consultant to develop a quality control manual which is aligned with SSQC 1. With funding of up to 70% of consultancy and training costs, the CIP alleviates the financial burden of the sole proprietorships.

Apart from qualified consultants, the sole practitioner may also collaborate with other like-minded sole practitioners to implement SSQC 1, particularly in

areas such as consultation, engagement quality control review and monitoring. It is noteworthy that the sole practitioner should always assess the external party's competence, independence and confidentiality before engaging him/her.

The firm may also make use of the Practice Guides developed by the ISCA QA team as they are a good starting point, and provide the sole practitioner a solid foundation on the major components of the six elements of SSQC 1. In addition, these Practice Guides contain numerous forms and templates which would enable the firm to demonstrate the operation

of the quality control policies and procedures. The firm should customise the policies, procedures or templates in the Practice Guides to suit its specific needs and circumstances.

6 DETERMINING TIMELINE

The sole practitioner should have a roadmap to not only guide but also gauge progress. Well-defined tasks with timeline can be the roadmap, and should ideally be developed with as much detail as possible. The timeline may be developed to segregate major work into more easily manageable segments, depending on the availability of resources. For example, the timeline could be developed such that laborious implementation tasks can be performed during off-peak periods so as not to disrupt normal operations during busy seasons. Such a timeline would enable the firm to stick to a predefined schedule and keep tabs on its progress.

CONCLUSION

By taking the six critical aspects into consideration in implementing SSQC 1 at the infant stage, sole practitioners can streamline and optimise their implementation efforts. Such implementation serves as a powerful mechanism for sole practitioners to pursue higher quality, and firms that embrace its spirit will definitely reap many rewards in the long term. **ISCA**

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