



# ELEMENTS OF SSQC 1

## HUMAN RESOURCES

**H**uman talent has always been one of the critical success factors for a public accounting firm.

The firm's ability to deliver high quality service and work hinges upon the quality and calibre of its personnel, who form an integral part of the firm's competitive advantage. In tandem with the importance of human talent, "Human Resources" is identified as one of the six elements for a public accounting firm's system of quality control under 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*.

SSQC 1 requires a firm to establish appropriate policies and procedures for the management of its human resources, with the ultimate goal of ensuring that the firm has sufficient personnel with the competence, capabilities and ethical commitments to perform its engagements. To adequately fulfil its responsibilities under SSQC 1, a firm could focus on three main components of human resources – recruitment and

retention, continuing professional development, and assignment of engagement teams.

## RECRUITMENT AND RETENTION

The recruitment process is the first and foremost step in ensuring the quality of a firm's personnel. It is pivotal for the firm to employ competent and committed personnel with strong ethical principles and delegate them with the appropriate

level of authority and responsibilities within the firm. A good starting point is by identifying and establishing the firm's recruitment criteria to formulate its recruitment policy.

Firstly, the recruitment policy should consider the different academic, experience and professional qualities required at various levels of the firm,

such as what is required of assistants, seniors or managers. Secondly, the policy should also cater for the firm's staffing requirements at each level during peak periods so as to ensure that the firm does not encounter personnel shortage at a crucial juncture. The firm's history of workload and anticipation of number of engagements could serve as a gauge to identify peak periods early.

Above all, the firm should avoid hiring on a crisis basis. Recruitment activity should be performed regularly and consistently, including during the lull period if possible, so as to allow time for new personnel to undergo proper orientation and training.

## Elements of Recruitment and Retention

### 1 Application and Interview

The application and interview element of a firm's recruitment process should be standardised for consistency in its selection of candidates. Among other steps, the firm should evaluate and verify the candidate's academic and professional credentials through reference checks. Credit and criminal-record checks should also be taken into consideration when recruiting personnel who will be in a position of influence and play a supervisory role in the firm. In addition, the firm should assess whether the candidate could fulfil the firm's ethical requirements, for example, in the areas of confidentiality and independence, among others.

### 2 Orientation

The orientation element of a firm's recruitment process is to communicate effectively with the new personnel about the firm's system of quality control, accounting and auditing manuals, general office policies, other processes and operations. Typically, the orientation information provided to its new personnel should include a complete set of the firm's policies and procedures. As part of the firm's orientation exercise, new personnel should be required to sign a declaration regarding understanding of and compliance with the firm's confidentiality and independence policies which should be in accordance with the Code of Professional Conduct and Ethics under the Fourth

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# Quality Assurance

Schedule of Accountants (Public Accountants) Rules.

Having recruited suitable and qualified personnel, the firm should exert every effort to retain them. The cost of personnel replacement such

as re-training and disruption to productivity is undoubtedly high. It is not uncommon to encounter staff turnover issues caused by heavy workload and more appealing career opportunities in other firms.

To minimise staff turnover, the firm could provide its personnel with adequate support (such as technical guidance when they encounter work-related issues) and career development opportunities. An important part of the talent retention process is the periodic performance review, where the firm could better understand and meet the career development needs of its personnel.

To achieve the aforementioned objectives in recruitment and retention, the firm should appoint a dedicated personnel with sufficient authority and experience to oversee and manage this process.

## CONTINUING PROFESSIONAL DEVELOPMENT

The second main component of human resources, continuing professional development, is vital in improving the firm's work quality.

The firm should seek to continuously improve the competence of its personnel in a dynamic economic environment where financial reporting and auditing

regulations are evolving at a rapid pace, and to inculcate a learning ethos in the firm's personnel.

One of the basic requirements for the firm's personnel (practising accountants and other professional staff) is that they should meet the minimum Continuing Professional Education (CPE) requirements promulgated by Accounting and Corporate Regulatory Authority (ACRA) and Institute of Certified Public Accountants of Singapore (ICPAS). The firm should ensure that

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PARTNER, NG LIEW PENG & CO



its personnel are cognizant of these requirements and comply with them. For the purpose of ascertaining that its personnel have undertaken the required training, the firm should conduct an annual review of its personnel's CPE records including supporting documents such as letters of attendance. If a significant shortfall of CPE requirements is observed, the firm may address it by counselling the personnel to understand the reason, and assisting them in fulfilling

the training requirement.

In addition to fulfilling the CPE requirements, the firm should be proactive to regularly review the performance of its personnel. With regular performance review, the firm is able to identify its personnel's strengths and weaknesses as well as the problems encountered by them in performing the engagements. In the event that additional development needs arise from such review, the firm should identify and organise appropriate training programmes for the affected personnel. Where appropriate, the firm may engage suitably qualified external trainers, including



### 3 MAIN COMPONENTS



professional bodies and consultants. For example, ICPAS offers a variety of CPE courses and seminars designed to cater to the development needs of the public accounting firms' professional staff and the practising accountants themselves.

Beyond formal training programmes, the firm should also promote knowledge transfer and sharing among its personnel within a firm. This is especially useful when a new or revised accounting standard is effective, and its personnel's understanding and interpretation of the standard could be enhanced through discussion. Furthermore, the firm should plan for coaching opportunities, including on-the-job training, between senior and junior personnel. This will enable senior personnel to provide practical guidance to the less experienced personnel when performing the engagements. "Junior staff should be guided by competent senior staff at all times and they should not be sent for any engagement individually. This

policy allows junior staff to improve their self-confidence and it creates a feeling that their interests are well taken care of. In addition, various inhouse training programmes should be provided to address the specific needs of individual employees. Such programmes encourage teambuilding among them and will lead to better understanding of each other," said practitioner Ng Liew Peng, Partner, Ng Liew Peng & Co.

As with the recruitment and retention process, the firm should designate a dedicated personnel to oversee training-related matters. However, continuing professional development is a joint responsibility between the firm and the individual personnel. Both parties should strive to achieve the objective of continuing professional development which is to ensure that the personnel, and the firm as a whole, develop an appropriate level of competence to perform the engagements with higher efficiency and consistency in quality.

# Quality Assurance

## ASSIGNMENT OF ENGAGEMENT TEAMS

The third main component of human resources emphasises that a firm should assign the appropriate personnel, including the engagement partner, to each specific engagement in order to provide high quality service to its clients.

The team assignment process should consider the competence and availability of its personnel. Competency-wise, the personnel assigned to a particular engagement should have the appropriate levels of technical knowledge and experience to address the engagement's specific requirements. In terms of availability, the firm is required to determine whether the personnel assigned to the engagement are able to make sufficient time commitment to complete the engagement. It is important to conduct manpower planning of its engagements to better monitor the workload and availability of its personnel. In addition, continuity of its personnel with the engagement should be considered when assigning the team, but it should be balanced with rotation requirements if there is a familiarity threat for the engagement.

Another important consideration for assignment of engagement teams is ethical requirements. The team

members assigned to the engagement should comply with the relevant ethical requirements, particularly on independence.

Upon completion of the assignment process, each team member including the engagement partner should be aware of their own roles and responsibilities within the engagement team. The team should be structured such that the engagement partner or the senior personnel could effectively and adequately supervise team members, including on-the-job training for less experienced personnel if necessary. In addition, the roles and responsibilities of the engagement partner should be clearly communicated to key members of the client's management, including those charged with governance.

THE FIRM SHOULD SEEK TO CONTINUOUSLY IMPROVE THE COMPETENCE OF ITS PERSONNEL IN A DYNAMIC ECONOMIC ENVIRONMENT WHERE FINANCIAL REPORTING AND AUDITING REGULATIONS ARE EVOLVING AT A RAPID PACE, AND TO INCULCATE A LEARNING ETHOS IN THE FIRM'S PERSONNEL.

## A TOOL FOR INTEGRATING QUALITY

In addition to the three main components described above, a firm should use human resources management as one of the tools to integrate their quality control policies into the firm's culture. The first mechanism in achieving the integration is the enforcement of quality control policies.

The firm should demonstrate that it will not tolerate serious and/or repeated infractions of its quality control policies. Should personnel demonstrate non-compliance, disregard, or lack of due care and attention to quality control

policies, the firm should determine and administer corrective action through a consultative process. Depending on the circumstances of non-compliance, the firm may take steps including counselling and mentoring the personnel involved, recording the non-compliance in a performance review, or even terminating the personnel's employment.

The second mechanism and the counterpart to enforcement is rewarding compliance. The firm also needs to demonstrate that it will reward its personnel for upholding its quality control policies. This should be implemented by including their quality of work performed and commitment to quality control and ethical requirements prominently in the periodic performance evaluation of its personnel to determine their remuneration, advancement and career development.

## CONCLUSION

Ultimately, human resources is one of the most intrinsic and valuable resources for the success of a public accounting firm. People are an indispensable asset in the knowledge-based accounting profession – not only in terms of knowledge and experience, but also in terms of ethics and commitment to quality. A firm needs to attract and retain the right people; it needs to continuously develop the competencies of its people, and it needs to manage these people effectively. With robust quality control policies and procedures on human resources management, the firm could achieve higher growth and more importantly, sustainable growth in the long run. **CPA**

By Jason Pang, Quality Assurance Manager, ICPAS