

SSQC 1 APPLICATION


TIPS AND RESOURCES FOR COST-EFFECTIVE IMPLEMENTATION

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* focuses on quality control at the firm level, and other pronouncements issued by the Institute of Certified Public Accountants of Singapore (ICPAS) may set out additional standards and guidance for quality control at the engagement level for specific types of engagements. For example, SSA 220 deals with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements but is also premised on the firm being subject to SSQC 1.

While the principles of quality control at the firm level are universally applicable, the nature and extent of the specific policies and procedures to be developed by a firm to comply with SSQC 1 will depend on various factors, such as the size and operating characteristics of the firm and whether or not it is part of a network. Applying or implementing SSQC 1 proportionately to the size and complexity of the firm is therefore one of the keys to complying efficiently with the standard.



This article aims to help firms, especially small and medium-sized practices (SMPs), by highlighting some key aspects of SSQC 1, as well as provide some tips and resources that may help them comply with the standard in an efficient, cost-effective manner.

TIP 1 
Take time to study the standard and review available supporting implementation guidance
SSQC 1 requires those personnel within the firm who are responsible for

establishing and maintaining the firm's system of quality control to have an understanding of the entire text of the standard, including its application and other explanatory material, in order to apply the requirements properly. First and foremost, therefore, those with such responsibilities should read SSQC 1. Without reading the full standard, there is a risk that some requirements will be missed out, the aim and scope of some of the requirements

may not be fully understood, or helpful application guidance may be overlooked.

SSQC 1 requires that firms establish and maintain a system of quality control (QC system) that includes policies and procedures that address each of the six elements, as shown in Table 1.

WHILE THE PRINCIPLES OF QUALITY CONTROL AT THE FIRM LEVEL ARE UNIVERSALLY APPLICABLE, THE NATURE AND EXTENT OF THE SPECIFIC POLICIES AND PROCEDURES TO BE DEVELOPED BY A FIRM TO COMPLY WITH SSQC 1 WILL DEPEND ON VARIOUS FACTORS, SUCH AS THE SIZE AND OPERATING CHARACTERISTICS OF THE FIRM AND WHETHER OR NOT IT IS PART OF A NETWORK.

TIP 2 Compare current QC system with SSQC 1

Does your firm's current QC system meet all the requirements of SSQC 1?

SSQC 1 requires firms to document their QC policies and procedures. These documented policies and procedures may help facilitate a gap analysis against the requirements of the standard by:

- a** Comparing each requirement within the standard to the existing policies and procedures;
- b** Highlighting those requirements not currently met; and
- c** Determining what changes need to be made

Consider also if your firm has had any significant changes in its operations in recent years – for example, it may have started providing a new service or accepting new types of clients – as this too may indicate that the current QC system is in need of updating.

The firm's QC policies and procedures can be collated and recorded in a quality control manual. Such a manual can then be used as a principal communication tool

among all partners and staff to set expectations; it can also serve as a framework within which to develop performance evaluation criteria. Revisions or additions of new policies or procedures that are necessary to close any gaps between the current QC system and the requirements of SSQC 1 can then simply be edited or inserted into the manual.

In order to be able to demonstrate how the QC policies and procedures meet the requirements of SSQC 1 – whether for internal purposes or external inspection purposes – it may be useful to consider cross-referencing directly between the quality control manual and SSQC 1 or preparing a mapping document that compares the two.

TIP 3 Tailor the QC policies and procedures

While the elements of a QC system are common to all firms no matter their size, smaller and simpler practices will often have smaller and simpler QC systems. SSQC 1 includes considerations specific to smaller practices in the application and other explanatory material section. For example, smaller firms may employ less formal methods of evaluating the performance of their personnel.

SSQC 1 also recognises that some requirements are not always relevant. For example, sole practitioners with no staff would not require policies and procedures for the assignment of appropriate personnel to the engagement team, for certain review responsibilities, and for the annual communication of the results of monitoring to engagement partners within the firm.

SSQC 1 requires firms to document their QC policies and procedures. The standard also acknowledges that for smaller firms, such documentation may be less formal and less extensive than for larger firms.

Firms may also consider adding to their QC policies and procedures through maintaining a wider awareness of good practices, thereby further helping them achieve the overall goal of lasting quality.

Quality Assurance



TIP 4 Assess the need for outside help

SSQC 1 acknowledges that smaller firms may have more limited internal resources and therefore, may need outside help in order to meet the requirements of the standard. The standard identifies four areas where this may be the case – consultation, engagement quality control reviews, monitoring, and dealing with complaints and allegations – and provides guidance for identifying and deploying a suitable external party.

The independent monitoring requirement poses a unique challenge to smaller firms and sole practitioners. SSQC 1 requires the inspection of at least one completed engagement for each engagement partner on a cyclical (not necessarily annual) basis and specifically prohibits the use of personnel involved in performing an engagement from also performing an inspection of files for that engagement.

For some small firms, these requirements may automatically

necessitate an external review or reduce the number of engagements capable of being reviewed internally. In the latter case, consider the application material in the standard and focus, ultimately, on deciding whether, as a result of the engagement selection, the monitoring process provides the firm with reasonable assurance that its QC policies and procedures are relevant, adequate, and operating effectively, as required by the standard.

Firms may consider making arrangements with other smaller firms or sole proprietors to perform a monitoring inspection of each other's files. This process need not be time consuming and will likely result in a beneficial sharing of ideas relating

TABLE 1: ELEMENTS OF A QUALITY CONTROL SYSTEM

- 1 HUMAN RESOURCES
- 2 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS
- 3 RELEVANT ETHICAL REQUIREMENTS
- 4 LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM
- 5 ENGAGEMENT PERFORMANCE
- 6 MONITORING

to quality improvement and engagement efficiency.

Whenever using outside help, take appropriate steps to confirm the external party's competence, independence, and confidentiality with them, preferably in writing and perhaps as part of a wider written communication setting out the full terms of the arrangement.

TIP 5 Education and training

Firm-wide training on SSQC 1 will contribute positively to effective compliance. By providing firm-wide training, firms can deliver a consistent message to all and may use SSQC 1 to help promote the firm's wider commitment to quality and the use of best practices. Training programmes also offer the opportunity to create awareness of any changes that need to be made to firm policies and procedures, along with guidance as to what the changes are, how the QC system has been updated, and how to implement the changes.

After an initial training session on changes to the QC system, consider followup and reinforcement through periodic reminders of personnel's responsibility to adhere to the firm's policies and procedures.

CONCLUSION

Compliance with SSQC 1 provides firms with the opportunity to promote a culture that places quality front and centre. In turn, embedding such a culture within the firm will not only help fulfil the objective set out in the standard, it may also contribute to firms' ability to consistently meet stakeholder expectations. **CPA**

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