

Overview of New Canadian Quality Management Standards

ASK KSA Consulting Inc.

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Introduction and Overview

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Key Changes

- Shift from quality control to quality management
- Risk based approach
- Robust system of quality management
- Iterative and not linear
- Modernized requirements
- Increased focus on the public interest
- Applies to other related services (CSRS 4200)

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Effective Date

- System of quality management:
 - Designed and implemented by December 15, 2022
- Evaluation (monitoring)
 - Performed within one year following December 15, 2022

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CSQM 1

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System of Quality Management

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System of Quality Management

- Design, implement and operate a system to ensure:
 - Firm and personnel fulfill professional responsibilities
 - Issue report appropriate in the circumstances
- Assign roles within the system for those with:
 - Ultimate responsibility and accountability
 - Operational responsibility

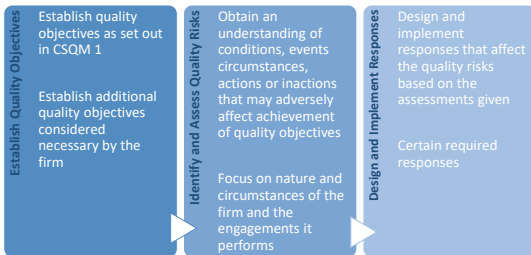
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Risk Based Approach

- Design and implement a risk assessment process to:
 - Establish quality objectives
 - Identify and assess quality risks
 - Design and implement responses

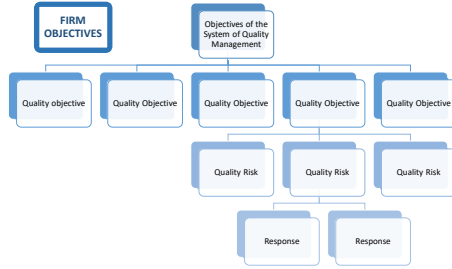
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Risk Based Approach



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System of Quality Management



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Specified Responses

- Few *required* responses
- Tailor responses that are appropriate to firm's nature and circumstances and engagements its performs

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Specified Responses

- Establish policies or procedures related to:
 - Identifying, evaluating and assessment compliance with ethical requirements
 - Receiving, investigating and resolving complaints and allegation
 - Client acceptance and continuance procedures
 - Communication with TCWG (for listed companies)
 - Engagement quality review requirements
- Obtain annual confirmation of compliance of independence

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Network Requirements

- When belong to a network understand:
 - Requirements established by the network
 - Services or resources provided
 - Firm's responsibilities
- Firm remains responsible for its system of quality management

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Governance and Leadership

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Governance and Leadership

What is it?

- Foundation to the underlying quality system
- Expanded from extant standard
- Recognition culture sets the tone for commitment to quality
- Commitment to quality is demonstrated through actions and behaviors by leaders

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Governance and Leadership

Quality objectives

- Establish culture that recognizes and reinforces importance of ethics, values and attitudes
- Leadership demonstrates a commitment to quality
- Organizational structure and assignment of roles, responsibilities and authority is appropriate
- Roles assigned to those with appropriate qualification, influence and authority
- Resource needs planned for, obtained and allocated

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Relevant Ethical Requirements

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Relevant Ethical Requirements

What is it?

- Ethical requirements under Professional Code of Conduct
- Substantially same as the extant standard
- Tailored based on the types of engagements performed

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Relevant Ethical Requirements

Quality objectives

- Firm and its personnel are required to:
 - Understand relevant ethical requirements to which the firm and its engagement are subject
 - Fulfill their responsibilities
- Include others as applicable

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Acceptance and Continuance

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Acceptance and Continuance

What is it?

- Determination whether firm has adequate personnel and expertise to perform an engagement
- Substantially same as the extant standard
- Consider:
 - Expertise
 - Time
 - Personnel
 - Client/reputation

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Acceptance and Continuance

Quality objectives

- Judgements to accept or continue are appropriate based on:
 - Sufficient information
 - Firm's ability to perform the engagement
- Other priorities do not lead to inappropriate judgements
- Process to address new or additional information obtained

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Engagement Performance

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Engagement Performance

What is it?

- Requirements as to how engagements are performed
- Substantially same as the extant standard
- Overarching engagement level requirements are set out in CSQM 1
 - Audit engagements further expanded in CAS 220
- Relates to all engagements including other related services

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Engagement Performance

Quality objectives

- Engagement teams understand and fulfill their responsibilities
- Nature, timing and extent of direction and supervision and review is appropriate
- Engagement teams exercise appropriate professional judgment and professional skepticism
- Consultation and agreed upon conclusions are implemented
- Differences of opinion are brought forward and resolved
- Documentation is assembled on a timely basis

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Resources

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Resources

What is it?

- Resources to support the operation of quality management system
- Significant change from CSQC 1
- Resources are:
 - Human resources (HR)
 - Technological
 - Intellectual
- Understand and set objectives as to what resources needed, how used, maintained and updated

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Resources

Quality objectives – all resources

- Obtaining
- Developing
- Using
- Maintaining
- Allocating
- Assigning

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Human Resources

Quality objectives – human resources

- Competent and capable personnel hired, developed and retained
- Personnel demonstrate a commitment to quality
- Individuals obtained from external sources when needed
- Engagement team members have appropriate competence and capabilities
- Quality management personnel have appropriate competence and capabilities

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Technological Resources

Quality objectives – technological resources

- Appropriate technological resources are obtained, implemented and maintained to enable:
 - Operation of system of quality management
 - Performance of engagements

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Intellectual Resources

Quality objectives – intellectual resources

- Appropriate intellectual resources are obtained, implemented and maintained to enable:
 - Operation of system of quality management
 - Performance of engagements
- Consistent with professional standards and applicable legal and regulatory requirements

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Information and Communication

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Information and Communication

What is it?

- Obtain relevant and reliable information and communicate
- Information exchange should be embedded in culture of the firm
- New component within CSQM 1
- Certain external communication explicit to listed companies

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Information and Communication

Quality objectives

- Information system identifies, captures, processes and maintains relevant information
- Culture of firm recognizes responsibility to exchange information
- Timely, relevant and reliable information should be exchanged:
 - Through the firm
 - With engagement teams
 - With external parties where appropriate

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Monitoring and Remediation Process

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Monitoring and Remediation Process

What is it?

- Evaluation of the system of quality management
- Monitoring in the extant standard
- Revisions include:
 - Focus on the whole system
 - More proactive and effective monitoring
 - Focus on deficiencies
 - Root cause analysis
- Include cyclical inspection of engagement files

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Evaluating the System of Quality Management

- Performed at least annually as at a point in time
- Based on evaluation, conclude either:
 - a) System provides reasonable assurance objectives achieved
 - b) Except for matters that have a severe but not pervasive effect, System provides reasonable assurance objectives achieved
 - c) System system does not provide reasonable assurance

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Establish Process

Requirements

- Establish a monitoring and remediation process to:
 - Provide relevant, reliable information about design, implementation and operation of system of quality management
 - Provide a basis for identifying deficiencies
 - Respond to identified deficiencies

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Design and Perform

Requirements

- Determine nature, timing and extent of monitoring activities
- Take into account:
 - Reasons for assessment of quality risks
 - Design of responses
 - Design of risk assessment process and monitoring and remediation process
 - Changes in system of quality management
 - Results of previous monitoring activities

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Design and Perform

Requirements

- Those performing monitoring activities have competence and capabilities and be objective
- Communicate on a timely basis:
 - Description of monitoring activities
 - Identified deficiencies
 - Remedial actions

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Design and Perform

Requirements

- Include inspections of completed file engagements and their results
- Select at least one complete engagement for each engagement partner on a cyclical basis

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Evaluate Findings and Identify Deficiencies

Requirements

- Evaluate findings to determine whether deficiencies exist
- Evaluate severity and pervasive:
 - Investigate root cause
 - Evaluate effect of identified deficiencies

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Evaluate Findings and Identify Deficiencies



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Respond to Identified Deficiencies

Requirements

- Design and implement remedial actions
- Evaluate whether the remedial actions are:
 - Appropriately designed
 - Implemented
 - Effective
- If remedial actions not appropriately designed or implemented or are not effective, take actions to modify

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Engagement Findings

Requirements

- Respond to circumstances on findings on specific engagements
- Take appropriate action to comply with standards
- When the report is considered to be inappropriate, consider the implications and take action
- Communication matters to engagement teams and other individuals as required

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Documentation Requirements

- Documentation sufficient to:
 - Support consistent understanding of system of quality management
 - Support consistent implementation and operation of responses
 - Provide evidence of design, implementation and operation
 - Support the evaluation of the system
- Establish a period of time for retention

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Documentation Requirements

- Identification of individuals assigned ultimate responsibility and operation responsibility
- Quality objectives and quality risks
- Description of responses and how response address risks
- Monitoring and remediation process
- Basis for conclusions reached

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Other Quality Management Standards

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CSQM 2

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CSQM 2

What is it?

- New standard related to Engagement Quality Control Reviewers
- EQ Review performed at the engagement level

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CSQM 2

Requirements – Appointment

- Competent, capable with appropriate authority
- Objective

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CSQM 2

Requirements – Performance

- Objective evaluation of significant judgements made by the engagement team
- Sufficient and timely
- Specific requirements related to performance
- Focus on significant judgements and matters
- Enhanced documentation
- Stand-back requirement

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CAS 220

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CAS 220

What is it?

- Quality related to audit engagements
- Further expands on quality objectives outlined in CSQM 1

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CAS 220

Requirements

- Tailor nature, timing and extent and direction to nature and circumstances of engagement
- Addresses supervision and review
- Clarity on engagement partner review requirements

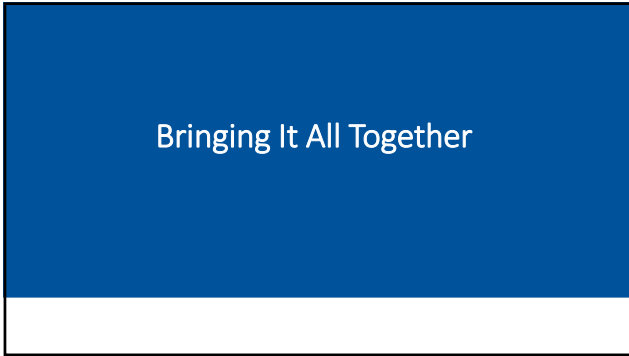
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CAS 220

Requirements

- Human, technological and intellectual resources specific to the engagement
- Revised definition of engagement partner and engagement team
- Sufficient appropriate resources for engagement
- Take appropriate action if resources are insufficient or inappropriate

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