

Is Your Quality Control System Documented?

On October 10, 2007, the AICPA Auditing Standards Board issued Statement on Quality Control Standards No. 7 (SQCS 7), A Firm's System of Quality Control, which replaced all existing SQCS. The SQCS No. 7 was effective January 1, 2009.

SQCS 7 strongly emphasizes the responsibility of firm leadership to set the proper "tone at the top," conveying through words and actions that quality work is of paramount importance. Each firm is required to design and implement QC policies and procedures that support that message and promote a quality-oriented culture.

The elements of quality control have been expanded as illustrated in the table below, further illustrating the "tone-at-the-top" emphasis.

Under SQCS 7, a firm that has audit, review, compilation, or other attestation engagements is required to formally document its quality control policies and procedures prior to January 1, 2009. The extent of the documentation will depend on the size, structure, and nature of the firm's practice. Documentation may be as simple as a checklist of the firm's policies



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and procedures or as extensive as practice manuals.

The following tools are available at <http://aicpa.org/members/div/practmon/systemreview09.asp> at no charge to assist in complying with the documentation of the firm's system of quality control:

- PRP 4300 - Quality Control Policies and Procedures Documentation Questionnaire for a

Sole Practitioner With No Personnel.

- PRP 4400 - Quality Control Policies and Procedures Documentation Questionnaire for Firms With Two or More Personnel

"Practice Aid: Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice" may be downloaded at: <http://aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Practice+Aids+and+Tools/>

The quality control questionnaires used in the peer review process may be sufficient documentation of the system of quality control for some firms, however, it should be completed and in effect prior to the beginning of the peer review year.

To firms that have prepared to document their quality control system for the first time: be sure to adopt only those policies and procedures that work for your firm. Adoption of a sample quality control document without modification can have negative results during peer review if the firm does not have the resources to comply with the policies and procedures adopted.

If the peer reviewer does not deem the system of quality control to be adequately documented and complied with, and finds other deficiencies, he or she may consider this to be a monitoring issue and that the system of quality control is neither documented nor effective, and should ordinarily be a deficiency, which may result in a grade of pass with deficiencies or fail.

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Elements of a System of Quality Control for a Firm's A&A Practice

SQCS 7	Superseded QC Standards
Leadership responsibilities for quality within the firm	
Relevant ethical requirements (e.g. independence, integrity, objectivity, concern for the public interest)	Independence, integrity and objectivity
Acceptance and continuance of client relationships and specific engagements	Acceptance and continuance of clients and engagements
Human resources	Personnel management
Engagement performance	Engagement performance
Monitoring	Monitoring