

Implementation Of New Quality Management Standards By Smps

One Smp's Approach To Implementation And Electronic Implementation Tools

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ABOUT EFAA FOR SMES

The European Federation of Accountants and Auditors for small and medium-sized enterprises ([EFAA for SMEs](#)) is an umbrella organisation for national accountants' and auditors' organisations whose individual members provide professional services primarily to SMEs in Europe. EFAA has 15 members throughout Europe representing more than 380 000 accountants, auditors, and tax advisors. EFAA is a sectorial member of [SMEunited](#), a member of [EFRAG](#), an [IFAC network partner](#) and a member of [Early Warning Europe](#).

INTRODUCTION

While the effective date (15 December 2022) for the IAASB's new and revised [suite of quality management \(QM\) standards](#) has come and gone, it is by no means too late to start implementing them. The new standards raise the bar on quality management by strengthening and modernizing how a firm of any size or level of complexity approaches quality management. In so doing they present significant benefits but also challenges, not least that of implementation. While designed to be scalable, implementation is especially challenging for small- and medium-sized accountancy practices (SMPs).

The IAASB has released a new [edition of the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements](#), which includes the new and revised [suite of quality management standards](#). Read more [here](#).

Fortunately, there is a large and growing amount of guidance and support available to SMPs and their professional accountancy organisations (PAOs). All IFAC materials can be found [here](#) and all IAASB materials can be found [here](#) (and a curated list of other material, in English, from leading PAOs around the world is provided at the end of this article). IFAC plans to provide further support this year.

The IFAC articles [Getting Started on New IAASB Quality Management Standards: Overview](#) and [Challenges, Initial Steps and Key Resources Small Firm Digitalization](#) serve as a useful introduction to the standards and the implementation challenge.

This article shares the approach of one SMP in the journey to implement the new QM standards as well as list some of the electronic implementation tools available that might help SMPs.

CASE STUDY: ONE SMP'S APPROACH TO IMPLEMENTATION

George Josephakis is the managing partner of an SMP that was founded in 1996 and is based in Cyprus. The firm offers a range of professional services. The firm implemented the new QM standards in stages as shown in the table below. The firm also tested some electronic tools from commercial suppliers but ultimately decided to create its own QM manual and tools.

STAGES OF ISQM IMPLEMENTATION

- 1. Internal Meeting of Audit Staff (March 2022)**
 - a. Distribute electronic copy of new standards
 - b. Discuss, analyze, and understand scope, objective, and requirements of new standards
 - c. Identify, discuss, and understand changes from ISQC 1 (extant standard)
 - d. Arrange external training (see 2. below)
 - e. Appoint team to design firm's ISQM manual
 - f. Set implementation target date.
- 2. External Training (March – September 2022)**

Two sessions conducted by [ICPAC](#) and two sessions by [PCP Ltd.](#)
- 3. Purchase and Study ISQM manuals from Two UK Specialist Firms (13/04/2022)**
- 4. Design Firm's ISQM Manual (29/07/2022)**

Manual's table of content:

 - a. Elements of Quality Management System – Defining policies and procedures on
 - b. Firm's Risk Assessment Process
 - c. Governance and Leadership
 - d. Ethical Requirements
 - e. Acceptance, Continuance, Cessation of Appointment
 - f. Resources
 - g. Engagement Performance
 - h. Information and Communication
 - i. Monitoring and Remediation
 - j. Specified Responses
 - k. Evaluating the System of Quality Management
 - l. Documentation
 - m. ISQM 2 – Engagement Quality Reviews
- 5. Prepare Appendices to ISQM Manual (31/08/2022)**

Key appendices include:

 - a. Audit Engagement Director Annual Appraisal Form
 - b. Fit and Proper Form for Audit Staff
 - c. Independence Register
 - d. Annual Declaration of Confidentiality
 - e. Audit Staff Independence Questionnaire
 - f. New Client Checklist
 - g. Audit Staff Appraisal Form
 - h. Audit Staff CPD Training Record
 - i. Fit and Proper Form for the Firm
 - j. ISQM Annual Whole Firm Review Form,
 - k. Register of Audit Clients
 - l. Register of Gifts and Hospitality
 - m. Induction Policy and Procedures for New Staff
- 6. Present Firm's ISQM Manual and Appendices to Audit Staff (16/09/2022)**
- 7. Conduct Internal Training Sessions on Manual's Requirements (14/10/2022 and 21/10/2022)**
- 8. Implement ISQM (31 October 2022)**
- 9. Review Implementation and Identify Problems Encountered (12 December 2022)**

ELECTRONIC IMPLEMENTATION TOOLS

Listed below are some electronic implementation tools – software, manuals, etc. – designed to help firms implement the new QM standards. Click on the organization to access their QM tools or the contact details of someone that can explain what they have.

- [ASD](#) (Spanish)
- [Caseware](#) (English)
- [Grant Thornton](#) (English)
- [Inflo Software](#) (English)
- [IBR-IRE](#) (Dutch, English, and French)
- [Mercia Group](#) (English)
- [PCP Limited](#) (English)
- [Thomson Reuters](#) (English)

The above list comes with a disclaimer. It does not represent any endorsement of a tool. EFAA did not receive any sponsorship. We cannot guarantee the quality of the tools - for example, whether they faithfully embrace the new standards - nor their suitability for SMPs. And we cannot guarantee the completeness nor the accuracy of the list. It is included purely to illustrate some of the potential options available to SMPs. These tools are not available in every country, language availability is limited (we indicate the languages we believe the tool is available in).

Some of the above tools were mentioned on the [IFAC & World Bank Global Quality Management PAO Knowledge Exchange](#) event held in June 2022 (recording available in English, French and Spanish).

Many professional accountancy organisations (PAOs), in addition to IBR-IRE (an EFAA member organization) mentioned above, also have implementation tools.

Other commercial organizations that may have QM products include [CCH](#) (English) and [DATEV](#) (German).

We need your information and insights! If you know of other QM electronic tools or products, please email us at secretariat@efaa.com and share this knowledge, as well as your views on the tool and experience implementing the QM standards, on the [EFAA Member Forum LinkedIn page](#)

IMPLEMENTATION MATERIAL

- [ACCA ISQM](#)
- [American Institute of Certified Public Accountants \(AICPA\) Quality Management](#)
- [Chartered Accountants Australia and New Zealand \(CAANZ\) Quality Management](#)
- [Institute of Chartered Accountants in England and Wales \(ICAEW\) Quality Management](#)
- [IFAC Quality Management](#)
- [IAASB Quality Management](#)
- [South African Institute of Chartered Accountants \(SAICA\) ISQM Discussion Forum](#)