

LEA Global

Navigating ISQM Implementation: A Step-by-Step Guide.



Rising Star Association



INTERNATIONAL ACCOUNTING BULLETIN

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Presenters

Rana Harb – Alyafi Group
Zahran- Farahat Co



I. Introduction

Importance of ISQM in ensuring quality in audit engagements

The importance of quality management in audit engagements is **to Enhance credibility, Mitigate risks, Continuous Improvement, Compliance with Professional Standards, and Client Satisfaction.**

II. Preparing for ISQM Implementation

A. Conducting a readiness assessment

The objective of a readiness assessment is to evaluate an organization's current status in terms of its readiness to adopt and implement ISQM.

This assessment helps identify gaps, strengths, and areas that require improvement.

Challenges:

- Understanding of ISQM requirement by Team assigned for implementation
- Incomplete or incorrect assessments due to lack of awareness or misunderstanding

II. Preparing for ISQM Implementation (Continued)

B. Establishing communication channels

The objective is to create a transparent and open flow of information that facilitates understanding, addresses concerns, and promotes a culture of collaboration.

Internal Meeting with Audit Staff

- a. Circulate electronic copy of new standards
- b. Discuss, analyse, and understand scope, objective, and requirements of new standards
- c. Identify, discuss, and understand changes from ISQC 1 (extant standard)
- d. Discuss about training needs
- e. Assigned senior staff member to design firm's ISQM manual
- f. Set implementation time line

Challenges:

- Lack of commitment due to Poor communication regarding the reasons for ISQM implementation and the benefits it brings for the organization



III Developing the Project Plan

A. Conducting a gap analysis between current processes and ISQM requirements

Conducting a gap analysis between current processes and ISQM requirements is essential for a successful ISQM implementation. Evaluate existing processes against the requirements outlined in ISQM, and identify gaps and areas of non-compliance.

Challenges:

If documentation of current processes is incomplete or outdated, it may be challenging to perform a thorough gap analysis. Encourage teams to provide as much detail as possible and fill in any missing information.

III Developing the Project Plan (Continued)

B. Creating a detailed implementation plan with milestones and timelines

Creating a detailed implementation plan with milestones and timelines is a crucial step in ensuring a systematic and successful ISQM.

Identify Key Milestones:

- Completion of the gap analysis
- Approval of the action plan
- Training programs initiation and completion
- Rollout of updated processes and documentation

Challenges:

There may be a tendency to underestimate the time required for certain milestones, leading to delays. Be realistic in setting milestones and consider potential challenges.

Limited resources, both in terms of personnel and budget, can impact the achievement of milestones. Prioritize resource allocation and consider alternatives if constraints arise.



IV Resource Allocation

A. Allocating human resources

Allocating human resources effectively is a critical aspect of implementing ISQM (International Standard on Quality Management). Proper resource allocation ensures that the right people with the necessary skills and knowledge are assigned to tasks and responsibilities related to ISQM implementation.

Identify the specific skills and expertise required for ISQM implementation. This may include knowledge of quality management systems, understanding of ISQM requirements, and auditing skills.

Assemble a cross-functional team that represents different departments and functions within the organization. This diversity helps ensure a comprehensive understanding of processes.

Challenges:

Employees may have existing responsibilities and commitments, making it challenging to allocate sufficient time for ISQM implementation.

Employees may resist participating in the ISQM implementation process due to concerns about change, fear of job role alterations, or a lack of understanding of the benefits.

IV Resource Allocation (Continued)

B. Leveraging technology for efficient implementation

Invest in specialized ISQM software solutions that help automate and streamline quality management processes. These tools often include features for document control, audit management, and compliance tracking.

Automate routine processes, such as trial balance mapping, journal entry tests, data analysis, and sampling. This reduces manual errors, saves time, and ensures consistency.

Challenges:

Employees may resist adopting new technology due to unfamiliarity, fear of change, or lack of training. Resistance can hinder the efficiency of ISQM implementation.

Implementing advanced technology solutions can incur significant upfront costs, including software licenses, hardware, and training expenses. Conduct a cost-benefit analysis to justify the investment in technology.



V. Training and Communication

A. Training staff on ISQM requirements and changes

Before conducting training, ensure that the training team has a deep understanding of ISQM requirements. This knowledge is essential for providing accurate and relevant information to staff.

Demonstrate new Software and Tools that your organization is implementing to support ISQM. Ensure that staff members are familiar with the tools they will be using.

Challenges:

Staff may lack awareness of the ISQM requirements or may not fully understand the changes. This can lead to resistance or non-compliance.



VI. Monitoring and Evaluation

A. Establishing a robust monitoring and evaluation framework

Establishing a robust monitoring and evaluation framework is essential for the successful implementation of ISQM (International Standard on Quality Management). This framework helps organizations systematically track progress, assess the effectiveness of implemented processes, and identify areas for improvement.

Identify specific, measurable, and relevant Key Performance Indicators (KPIs) that align with these objectives. KPIs could include metrics related to process efficiency, compliance, risk assessment, customer satisfaction, and continuous improvement.

Ensure all staff have sufficient knowledge of ISQM 1 and ISQM 2 by:

- attending suitable training courses and future updates,
- reading the standards in depth along with supporting articles produced by IFAC and other professional bodies
- making themselves aware of current best practice and trends in the area of quality management.

Discussion of external training courses attended including key learning points and necessity for other staff to attend.

Suitable IT training is provided to all staff.

VI. Monitoring and Evaluation (Continued)

B. Regular reviews and audits to track progress

Regular reviews and audits for international standards on quality management manual “policies & procedures, sample forms, and templates” are essential components of tracking progress for ISQM (International Standards on Quality Management) implementation. They help ensure compliance with ISQM requirements, identify areas for improvement, and drive continuous enhancement of Create checklists that should cover key areas of quality management, such as Governance and leadership, relevant ethical requirements, acceptance and continuance of client, engagement performance, resources, information, and communication.

Drive Continuous Improvement: Use the findings from reviews and audits to drive continuous improvement in quality management practices. Identify trends, root causes of recurring issues, and opportunities for innovation. Encourage a culture of learning, innovation, and accountability throughout the organization to sustain progress and achieve excellence in quality management.

VI. Monitoring and Evaluation (Continued)

B. Regular reviews and audits to track progress

By conducting regular reviews and audits, organizations can effectively track progress in ISQM implementation, identify areas for improvement, and drive continuous enhancement of quality management practices to achieve organizational objectives and compliance with ISQM standards.

Sample forms and templates are essential for use by the organization, including the Annual Declaration of Confidentiality, Independence Questionnaire, New Client Checklist, Annual Conflict of Interest Declaration Template for Audit File Review Engagements, Evaluation of Findings Form, and Evaluation of Previous Deficiencies Form.

VI. Monitoring and Evaluation (Continued)

Challenges:

1. Lack of resources and support when going to leveraged on existing resources
2. Firm audit practice is very small therefore finding people for various duties it's a challenging
 - a. Independent partner review
 - b. Independent monitoring function
3. Difficulties in changing the firm past culture
4. Documenting the quality procedure
5. Setting quality objectives for senior management and leadership team

Q&A



