

# Quality Control Questionnaire – Firms with Office Visits (Full-time Sole Practitioners)

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**Note: Care should be taken not to identify the name of either the practising unit or its clients in completing the quality control questionnaire. It will be included in the practice inspection file.**

Firms are required to establish systems of quality control in compliance with the CPA Canada Handbook – Assurance, Canadian Standards on Quality Control (CSQC 1 paragraph 10).

CSQC 1 paragraphs 1, 4 and 11 require that a firm that performs any assurance engagements (audits or reviews of financial statements or other assurance engagements) establish a system of quality control designed to provide reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or the practitioner are appropriate in the circumstances. CSQC 1 paragraph 16 states that the firm’s system of quality control should include policies and procedures addressing each of the following elements: leadership responsibilities for quality within the firm, ethical requirements, acceptance and continuance of client relationships and specific assurance engagements, human resources, engagement performance, and monitoring. CSQC 1 addresses policies and procedures that must be established in each of these areas. The quality control policies and procedures must be documented and communicated to the firm’s personnel (CSQC 1 paragraph 17). In addition, the firm is required to keep documentation to provide evidence of the operation of each element of its system of quality control (CSQC 1 paragraph 57).

As part of your practice inspection, the inspector will assess the firm’s Quality Assurance Manual (the “Manual”), in particular whether the policies and procedures set out in the Manual are in accordance with CSQC 1. In addition, the inspector will consider whether these policies and procedures have been implemented within your firm. The purpose of this questionnaire is to assist the inspector in these assessments. The relevant CSQC 1 sections have been indicated for each question (where applicable) to help you answer this questionnaire.

During the course of the inspection, the inspector may request additional information or documentation with respect to quality controls.

## To be completed by all sole practitioners.

### 1. Manual

Is the firm’s Manual based on the sample Manual published by CPA Canada (can be purchased at knotia.ca)?

Yes                      No

- If No, have you assessed whether your Manual addresses all the policies and procedures as required under CSQC 1?

Yes                      No

- If Yes, has the Manual been customized?                      Yes                      No
- Indicate how the Manual has been customized (Note: The sample Manual put out by CPA Canada is generic in nature and must be tailored as necessary to meet the circumstances of the practice e.g. criteria for determining whether an Engagement Quality Control Review is required, use of specified checklists or cycle length for monitoring of completed assurance engagements).

## 2. Acceptance and Continuance (CSQC 1 paragraphs 26-28 and A18-A23)

- (a) Does the firm perform and document, for each assurance engagement, an assessment of independence and continuance/acceptance?

Yes                      No

- (b) Does the Manual require a specified checklist to be used to assess independence and continuance/acceptance on each assurance engagement?

Yes                      No

If Yes, is this checklist used on each file?                      Yes                      No

If No, how does the firm document its assessment of independence and continuance/acceptance in each assurance engagement file.

- (c) What other procedures are followed in advance of accepting a new client (e.g. internet search, references)?

- (d) Have any engagements that have been assessed as posing a high risk to the firm been accepted/retained or declined in the past year? If so, please give an explanation as to why the client was accepted/retained or declined.

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## 3. Competencies (CSQC 1 paragraphs 29-31 and A24-A27)

- (a) Indicate what courses relating to assurance engagements that you have taken in the last three years? (If CPD logs which detail courses taken are being provided to the inspector, proceed to Question 3(b))

- (b) In addition to courses, how else do you update your knowledge with respect to changes in accounting, auditing and review standards which impact your assurance engagements? (If CPD logs which detail the above are being provided to the inspector, proceed to Question 4)



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**4. Engagement Performance (CSQC 1 paragraphs 32-33 and A32-A35)**

(a) Does the firm use checklists for all assurance engagements? Yes No

If Yes, indicate source of checklist, e.g. CPEM, PPM or CaseWare:

Version #:

If No, how does the firm ensure consistency in the quality of engagement performance?

(b) How frequently does the firm update its checklists?

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**5. Consultants and Specialists (CSQC 1 paragraphs 34 and A36-A40)**

(a) Does your Manual require a checklist to be completed to determine the need for an external consultant/specialist on each assurance engagement?

Yes No

If Yes, is this checklist completed for each assurance engagement? Yes No

If No, how is your assessment for the need of an external consultant/specialist documented in each assurance file?

(b) Has there been any use of specialists or use of external consultants on contentious matters within the past year?

Yes No

i) If Yes: Briefly indicate the circumstances.

ii) Was an engagement letter obtained? Yes No

**6. Engagement Quality Control Review (CSQC 1 paragraphs 35-42 and A41-A51)**

(a) What are the firm's criteria for requiring that an Engagement Quality Control Review (EQCR) be performed for an assurance engagement?

(b) Does the Manual require the use of a specified checklist to determine if an EQCR is necessary with respect to each assurance engagement?

Yes                      No

If No, how is this assessment documented?

If Yes, is this checklist used for each engagement?

(c) Does the firm have any engagements which meet the firm's criteria that an EQCR be conducted?                      Yes                      No

If Yes:

(i) Who conducted the EQCR(s) (including their level of experience and qualifications)?

(ii) Were the EQCR(s) completed and all issues resolved as of the date of the practitioner's report?                      Yes                      No

(iii) Indicate the documentation kept with respect to the EQCR(s).

(iv) Was an engagement letter obtained with respect to the EQCR(s)?                      Yes                      No

**7. Annual Monitoring (CSQC 1 paragraphs 48-54, 57-58, A64-A69 and A-74)**

(a) Has the firm performed an annual evaluation of the appropriateness of the design, or the effectiveness of the operation, of its system of quality controls (including analysis of: new developments in professional standards and regulatory/legal requirements, written confirmations of compliance with policies and procedures on independence, continuing professional development, and decisions related to acceptance and continuance of client relationships and specific engagements)?

Yes                      No

(b) Has the firm updated its Manual based on the results of your last annual monitoring?                      Yes                      No

If Yes, indicate briefly any changes made.

(c) Describe how the firm has documented the annual evaluation (e.g., it may be part of the annual plan suggested in the sample CPA Canada Manuals):

Please attach a copy of this documentation to the completed Questionnaire.

**8. Cyclical Inspection of a Selection of Completed Assurance Engagements (CSQC 1 paragraphs 48-54, 57-58, A64-A69 and A-74)**

Has the practice undergone such a cyclical inspection?                      Yes                      No

If Yes:

(a) Date of last cyclical inspection (mm/dd/yyyy):                      /                      /

(b) Was the cyclical inspection performed by an internal (e.g. manager with appropriate experience) or external person?

(Note: Practice inspection is not a substitute for the firm’s own cyclical inspection of assurance engagements – CSQC 1 paragraph A67. However, the firm might take the timing of its practice inspection into account in determining the timing of its own cyclical inspection of completed assurance engagements.)

If an external person was used to perform the cyclical inspection, was an engagement letter obtained?

Yes                      No                      N/A

(c) Please indicate the level and experience of the person performing the cyclical inspection:

Did the person performing the cyclical inspection have any involvement in the performance of, review of, or act in the capacity of an engagement quality control reviewer for any of the engagements selected?

Yes                      No

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If Yes, indicate the extent of the involvement:

- (d) Briefly describe the selection process for the files chosen for cyclical inspection (e.g. number of files selected, type of engagement, engagement risk).
  
- (e) Briefly describe how the cyclical inspection is documented (e.g. checklist suggested by sample Manual published by CPA Canada).
  
- (f) Briefly describe the process for evaluating deficiencies noted during the cyclical inspection of files. Were there any deficiencies identified as being systematic, repetitive or otherwise significant and what actions were taken to address them?
  
- (g) Briefly describe how the firm addresses cases where the results of the monitoring procedures indicate that a report may be inappropriate or that procedures were omitted during the performance of the engagement.
  
- (h) Briefly describe the reporting process for deficiencies noted and recommendations for remedial action to appropriate people in the firm (if the firm has professional staff).
  
- (i) Briefly describe the firm's follow-up mechanism.



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- (j) Describe the documentation retained in respect of the process. Please attach a copy of this documentation to the completed questionnaire.

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### 9. Complaints and Allegations (CSQC 1 paragraphs 55-56 and A70-A72)

Have there been any complaints or allegations of non-compliance with professional standards, regulatory and legal requirements or firm's system of quality controls?

Yes                  No

If Yes, describe briefly and indicate how they were resolved.

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### 10. Engagement Documentation (CSQC 1 paragraphs 45-47 and A54-A63)

(a) Describe how the firm ensures the confidentiality and safe custody of:

(i) Paper files:

(ii) Electronic files:

(b) Describe how the firm locks down files.

## 11. Other Information Required

In the past year, did your firm perform any assurance engagements that were considered higher risk based on the nature, risks or unusual circumstances associated with the engagement, including the following:

Complex accounting issues?	Yes	No	
Going concern considerations?	Yes	No	
Other?	Yes, please specify:		No
What are the firm's procedures for identifying such higher risk engagements?			

Please identify these engagements on the listing of your office's clients for the inspector.

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## PART B

Complete only if the firm has staff other than the sole practitioner who performs work on assurance engagements.

## 12. Leadership Responsibilities (CSQC 1 paragraphs 18-19 and A4-A6)

- (a) If specific roles or responsibilities in respect of quality controls have been assigned to staff (including members) of the firm, provide a description of these roles and the level of the individual responsible for each role.
- (b) Briefly describe how the firm promotes an internal control culture that quality is essential in performing assurance engagements.

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## 13. Ethical Requirements (CSQC 1 paragraphs 20 and A7-A10)

- (a) Briefly describe how quality control policies and procedures are communicated to firm personnel.
- (b) Briefly describe how the firm receives reasonable assurance that the firm and its personnel comply with ethical requirements e.g. a code of ethics or formal annual sign-offs by partner and staff.





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(c) Has the firm’s disciplinary process been invoked in the past year? Yes No  
If Yes, briefly describe the circumstances.

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#### 14. Independence (CSQC 1 paragraphs 21-25 and A11-A17)

- (a) Provide a brief summary of:
- (i) How independence requirements are communicated to staff.
  
  - (ii) The process for ensuring staff compliance with the requirements.
  
  - (iii) Controls in place to ensure the firm does not provide prohibited services to assurance clients.
- (b) Have annual written declarations of compliance with policies and procedures with respect to independence been obtained from all personnel required to be independent?  
Yes No
- (c) Did any staff identify independence issues in their annual declaration? Yes No  
If Yes, indicate level of staff member(s) and describe how issues were resolved.

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#### 15. Human Resources (CSQC 1 paragraphs 29-31 and A24-A31)

- (a) Describe briefly how the firm ensures that it has personnel with the competencies and commitment to ethical principles necessary to perform its assurance engagements, in particular with respect to:
- (i) Recruitment.



(ii) Performance evaluation.

(iii) Continuing professional development.

(b) Are annual staff performance appraisals documented in writing?      Yes      No  
If No, explain how performance appraisals are conducted.

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## 16. Engagement Performance (CSQC 1 paragraphs 32-33 and A32-A35)

Briefly describe how the firm ensures that its assurance engagements are:

(i) Adequately planned.

(ii) Properly supervised.

(iii) Appropriately reviewed (indicate level of persons performing reviews, timing of their review and depth of their review).

Indicate which working papers/checklists are signed off/initialled to evidence their review. If all are so notated, please indicate this.