

## Quality Control Questionnaire – Practices Performing Assurance Engagements (Other than 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.

Please refer to the practicing unit as the “firm” and for individuals refer to them by their level (i.e. “partner”, “manager”, etc.).

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 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
- 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 the 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 the Handbook standard (CSQC 1). In addition, the inspector will consider whether these policies and procedures have been implemented within the 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 in answering this questionnaire.

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

## 1. Manual

(a) Is the firm's Manual based on a sample Manual published by CPA Canada (can be purchased at [knotia.ca](http://knotia.ca))?

Yes                      No

If Yes:

(i) Indicate which standard manual has been used (e.g. Sample Policy Manual – small to medium sized firms, Sample Policy Manual – public company).

(ii) Has the Manual been customized?                      Yes                      No

Indicate how the Manual has been customized (Note: The sample manual published 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).

(b) If the firm's Manual is not based on the sample manual published by CPA Canada, has the firm assessed whether the Manual addresses all the policies and procedures as required under CSQC 1?

Yes                      No

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

(a) Who has ultimate responsibility for the firm's system of quality control?

(b) If specific roles or responsibilities in respect of quality controls have been assigned to members and other personnel within the firm, provide a description of these roles and the level of the individual responsible for each role.

(c) Briefly describe how the firm promotes an internal control culture that quality is essential in performing assurance engagements including policies and procedures addressing:

(i) Performance evaluation, compensation and promotion.

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(ii) Resources that the firm has set aside for the development, documentation and support of its quality control system.

(iii) Assignment of management responsibilities.

(d) Are minutes of partners' meeting on quality control matters kept? Yes  No

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

(a) Briefly describe how quality control policies and procedures are communicated to firm personnel, including how staff access the quality control manual (e.g. available on-line).

(b) How are firm personnel advised of changes to quality control policies and procedures?

(c) Briefly describe how the firm receives reasonable assurance that the firm and its personnel comply with ethical requirements, including training with respect to quality controls e.g. a code of ethics, formal annual sign-offs by partners and staff, an ethics hotline or staff confidentiality agreements signed on commencement of employment.

(d) What provisions have been placed in the firm's partnership agreement to cover matters of discipline relating to the actions of partners?

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



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

- (a) Provide a brief summary of:
(i) How independence requirements are communicated to staff including any training sessions held (including existing staff, new staff and contract workers).
(ii) The process for ensuring staff compliance with the requirements including whether an up-to-date listing of clients and an up-to-date listing of prohibited investments is maintained to which staff have access.
(iii) Controls in place to ensure the firm does not provide prohibited services to assurance clients.
(iv) The process for staff and partners to notify the firm, in a timely manner, of independence breaches of which they become aware so that appropriate action can be taken.
(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.
(d) Briefly describe the policies and procedures the firm has established to identify and reduce familiarity threats to an acceptable level, including a brief description of any instances of a familiarity threat identified within the past year and how they were resolved.

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## 5. 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 firm's quality control 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 in 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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## 6. Human Resources (CSQC 1 paragraphs 29-31 and A24-A31)

- (a) Detail how the firm ensures that assurance partners stay up to date with new developments in auditing, review and accounting standards that impact their assurance engagements.

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- (b) (i) For the five partners in the firm who are responsible for the most assurance engagements, and for three of the firm's most senior non-partner CPAs who work on assurance engagements (which could be senior manager, manager, supervisor, staff CPA, etc. depending on the titular structure used by the firm), please provide the courses relating to assurance engagements that they have taken in the last three years. If such partners number five or fewer, or such non-partner CPAs three or fewer, provide this information for all such personnel. (NOTE: If the firm is providing CPD logs to the inspector for these individuals which detail the courses taken, proceed to Question (b)(ii).)

Partner 1:

Partner 2:

Partner 3:

Partner 4:

Partner 5:

Non-partner 1:

Non-partner 2:

Non-partner 3:

- (ii) For the above partners and non-partners, indicate how, in addition to courses, they update their knowledge with respect to changes in accounting, auditing and review standards which impact their assurance engagements (If the firm is providing CPD logs to the inspector for these individuals, which detail the above, proceed to Question 6(c)).

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

(i) Recruitment.

(ii) Performance evaluation (engagement level and annual appraisals).

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- (iii) Competencies - continuing professional development, work experience and coaching.  
Outline the firm's program for the past year with respect to training of staff.

Is a record kept of attendance of staff at training sessions?                      Yes                      No  
If the firm uses contractors, how does the firm ensure that they have the necessary competencies?

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

- (e) Briefly describe how the firm:  
(i) Assigns practitioners and staff that possess the necessary competencies to perform assurance engagements.

(ii) Ensures that practitioners assigned have sufficient time to take on an assurance engagement.

- (iii) Ensures that each assurance engagement partner, as defined in CSQC 1 paragraph C12, holds a current licence issued by the Public Accountants Council for Ontario and that the identity of the engagement partner is communicated to the appropriate parties as required in CSQC 1 paragraph 30?

For the five partners in the firm who are assigned as engagement partners for the most assurance engagements, please provide their chargeable hours for the last year (If the firm is providing Public Accounting Experience forms to the inspector for these partners, proceed to Question 7)  
 (If such partners number five or fewer, provide this information for all assurance engagement partners).

Partner 1:

Partner 2:

Partner 3:

Partner 4:

Partner 5:

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

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

- (i) Adequately planned (e.g. development of an overall strategy, preparation of a detailed approach to planning the performance of an engagement, team planning meeting).
  
- (ii) Properly supervised (e.g. confirming that team members have the competencies necessary to perform the work and sufficient time, addressing and communicating significant issues, modifying the planning approach as necessary and tracking progress).
  
- (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.

	Does the firm require a second partner review before the release of financial statements?	Yes		No
(b) Does the firm use checklists for all assurance engagements?	Yes		No	

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

Version:

How frequently does the firm update its checklists?



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

## 8. Consultants and Specialists (CSQC 1 paragraphs 34 and A36-A40)

- (a) Does the 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 the 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

If Yes:

- (i) Briefly indicate the circumstances.

- (ii) Was an engagement letter obtained?

## 9. Differences of Opinion (CSQC 1 paragraphs 43-44 and A52-A53)

Have there been any differences of opinion within an assurance team or with consultants or an engagement quality control reviewer in the past year?

Yes                      No

If Yes, provide a brief explanation as to what the difference of opinion related to and how it was resolved.

**10. 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 (Note: a second partner review does not necessarily meet the requirements of an EQCR; reference should be made to CSQC 1 paragraph 37 (also paragraphs 38 and A45 for a listed entity))?

(b) Does the firm’s 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?                      Yes                      No

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

If Yes:

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

(ii) Does the firm assess and document the extent of the EQCR required taking into consideration the complexity of the engagement, whether the entity is a listed entity, and the risk that the report might not appropriate in the circumstances?

Yes                      No

(iii) Is the EQCR completed and all issues resolved as of the date of the practitioner’s report?                      Yes                      No

(iv) Indicate the documentation kept with respect to the EQCR.

(v) Is an engagement letter obtained with respect to an external EQCR?                      Yes                      No                      N/A

## 11. 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.

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## 12. Annual Monitoring (CSQC 1 paragraphs 48-54, 57-58, A64-A69 and A74)

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?

Yes                      No

If Yes:

(a) Did the last annual evaluation include an analysis of:

(i) New developments in professional standards and regulatory and legal requirements?                      Yes                      No

(ii) Written confirmations of compliance with policies and procedures on independence?                      Yes                      No

(iii) Continuing professional development including training?                      Yes                      No

(iv) Decisions related to acceptance and continuance of client relationships and specific engagements?

Yes                      No

(b) Describe any corrective actions and improvements made to the quality system as a result of the firm's last annual evaluation.

(c) Describe how the firm communicated the results of its annual evaluation as required under CSQC 1, paragraph 53, including weaknesses identified in the last annual evaluation, to its personnel. Please attach a copy of such communication to the completed Questionnaire.

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(d) Describe how the firm followed up to ensure that the necessary modifications arising from the last annual evaluation had been implemented.

(e) Was the last annual evaluation performed by an internal or external person?

(i) Please indicate the level and experience of the person performing the evaluation:

(f) Describe how the firm documented its last annual evaluation? Please attach a copy of this documentation to the completed Questionnaire.

### 13. 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 such cyclical inspection (mm/dd/yyyy):                      /                      /

(b) Was the cyclical inspection performed by an internal or external person (Note: Practice inspection is not a substitute for the requirement that the firm conduct its own cyclical inspection of assurance engagements – CSQC 1 paragraph A67. However, the firm might take the timing of the practice inspection into account in determining the timing of its own cyclical inspection of completed assurance engagements)?

(i) If an external person was used to perform the cyclical inspection was an engagement letter obtained?

Yes                      No

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

(i) 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

(ii) If Yes indicate the extent of the involvement:

(d) Briefly describe the selection process for the files chosen for cyclical inspection (number of files selected per partner, type of engagement, engagement risk).

(e) Briefly describe how the cyclical inspection is documented (e.g. checklist suggested by sample quality assurance 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.

(i) Briefly describe the firm's follow-up mechanism.

(j) Describe the documentation and communications retained in respect of this process. Please attach a copy of this documentation and communications to the completed Questionnaire.

#### 14. 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 the firm's system of quality controls in the past year?

Yes                      No

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

#### 15. 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.