



# ILLUSTRATIVE RISK MATRIX

A Companion to the Quality Management Toolkit



# CONTENTS

|  |           |
|--|-----------|
| <b>PREFACE</b>   | <b>3</b>  |
| How to use this illustrative matrix  | 3         |
| <b>1 GOVERNANCE AND LEADERSHIP</b>   | <b>4</b>  |
| <b>2 RELEVANT ETHICAL REQUIREMENTS</b>   | <b>6</b>  |
| <b>3 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS</b> | <b>7</b>  |
| <b>4 ENGAGEMENT PERFORMANCE</b>  | <b>8</b>  |
| <b>5 RESOURCES</b>   | <b>11</b> |
| <b>6 INFORMATION AND COMMUNICATION</b>   | <b>14</b> |

## PREFACE

- The purpose of the illustrative risk matrix (guide) is to assist non-network firms in identifying, assessing and documenting quality risks as required by “The firm’s risk assessment process” component of the International Auditing and Assurance Standards Board’s (IAASB) [ISQM 1](#).
- This guide can be used in conjunction with the [First-time Implementation Guide](#) prepared by the IAASB to obtain a better understanding of the Quality Management Standards and their requirements.
- Reading the material in this guide is not a substitute for reading the Quality Management Standards.
- Practitioners should utilize the toolkit using their professional judgment and the nature and circumstances of their firm. The example quality risks and risk responses included are not exhaustive and are illustrative only. **These require specific tailoring by each firm.**
- IFAC disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of this toolkit.

### How to use this illustrative matrix

1. This matrix is based on the six components within ISQM 1 which comprise quality objectives the firm is required to establish. These should form the basis for identifying and assessing quality risks and designing and implementing responses. There may be circumstances when a quality objective, or an aspect thereof, may not be relevant to your firm or where an additional quality objective, or an aspect thereof is needed because of the nature and circumstances of the firm or its engagements. Consideration of additional quality objectives beyond those included in ISQM 1 is important, but adding new quality objectives is not expected to be common.
2. Each section in the guide presents quality objectives of a different component in a table which is to be used as follows:

| Quality Objectives   | Illustrative Quality Risks   | Illustrative Risk Responses  |
|--|--|--|
| <p>This column of each table identifies the quality objectives appearing in ISQM 1 for each of the six components. Firms should consider whether each quality objective, or an aspect thereof, is relevant depending on the nature and circumstances of the firm or its engagements. For example, the quality objective under Engagement Performance (b) addressing direction, supervision and review may not be relevant for a sole practitioner.</p> | <p>This column provides some examples of possible quality risks that could threaten each of the quality objectives shown. Firm-wide conversations should be used to identify specific risks to achieving the quality objectives identified that are relevant to your firm and its engagements. This illustrative matrix is an example not a proforma.</p> <p>A quality risk is a risk that has a reasonable possibility of:</p> <ul style="list-style-type: none"> <li>• occurring; and</li> <li>• individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.</li> </ul> <p>Additional quality risks identified should be added to the relevant component table when you prepare your firm matrix.</p> | <p>This column provides references to the applicable sections of the Illustrative toolkit: Audit quality management – Small and medium sized firms. The toolkit provides illustrative documentation (i.e., policies, checklists, sample letters and forms) to assist non-network firms when implementing responses to address and mitigate quality risks identified. Further detail will likely be required than what is included in the illustrative risk responses.</p> <p>Firms also need to document how the responses address the quality risks to comply with paragraph 58(c) of ISQM 1.</p> |

# 1 GOVERNANCE AND LEADERSHIP

| Quality Objectives  | Illustrative Quality Risks  | Illustrative Risk Responses   |
|---|---|---|
| (a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: <ul style="list-style-type: none"> <li data-bbox="128 386 716 446">(i) The firm's role in serving the public interest by consistently performing quality engagements;</li> <li data-bbox="128 462 716 522">(ii) The importance of professional ethics, values and attitudes;</li> <li data-bbox="128 539 716 657">(iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior; and</li> <li data-bbox="128 673 716 766">(iv) The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.</li> </ul> | Responsibilities with regards to quality are unclear and/or not well recognized among personnel because the accountabilities are not adequately updated and communicated.                                 | 3.1 Governance and leadership policy statement<br>3.2 Assignment of responsibilities              |
|   | Firm's leadership do not prioritize quality in key strategic decisions and actions.   | 3.1 Governance and leadership policy statement  |
|   | Leadership and personnel prioritize other considerations (for example financial and operational performance) ahead of ethics, professional standards, values, and attitudes.                              | 3.1 Governance and leadership policy statement<br>3.2 Assignment of responsibilities              |
|   | Leadership and personnel do not apply scorecards and quality benchmarks to clearly recognize and reinforce the firm's role in serving the public interest by consistently performing quality engagements. | 3.1 Governance and leadership policy statement<br>3.2 Assignment of responsibilities              |
|   | Quality benchmarks are not given the appropriate weighting in the performance review process.   | 7.5 Professional staff performance review   |
|   | Resource allocation for the system of quality management is not given priority.   | 3.1 Governance and leadership policy statement<br>1.2 System of quality management 'hub' document |
|   | Quality management responsibilities are not allocated to the appropriate leader/s or personnel.   | 3.2 Assignment of responsibilities  |
|   | The firm has incentives that are focused on financial and operational priorities, which may discourage behaviors that demonstrate a commitment to quality.  | 3.1 Governance and leadership policy statement  |
|   | <i>[Insert additional risks as applicable]</i>  |   |
| (b) Leadership is responsible and accountable for quality.  | Firm leadership do not clearly take responsibility and exercise accountability for quality with an emphasis on timely remedial action.  | 3.2 Assignment of responsibilities<br>9.2 Monitoring and remediation policy statement             |
|   | The system of quality management is not designed to capture and provide information to assess and manage leaders' achievement of quality.   | 9.2 Monitoring and remediation policy statement<br>1.1 Documentation policy statement             |
|   | <i>[Insert additional risks as applicable]</i>  |   |

| Quality Objectives   | Illustrative Quality Risks   | Illustrative Risk Responses  |
|--|--|--|
| (c) Leadership demonstrates a commitment to quality through their actions and behaviors.   | Firm leadership do not demonstrate a consistent commitment to quality through actions and behaviors through firm-wide communication.   | 9.2 Monitoring and remediation policy statement  |
|  | Performance evaluations are not implemented on a timely basis for key leadership roles, including engagement partners, engagement quality reviewers, subject matter experts and those assigned responsibility for the firm's system of quality management. | 3.2 Assignment of responsibilities<br>7.5 Professional staff performance review<br>7.6 Administrative staff performance review |
|  | <i>[Insert additional risks as applicable]</i>   |  |
| (d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm's system of quality management. | Organizational structure and assignment of roles, responsibilities and authority is unclear and not well understood by firm personnel.   | 1.2 System of quality management 'hub' document<br>1.3 Firm structure  |
|  | Organizational structure and assignment of roles, responsibilities and authority is not appropriate to enable the design, implementation, and operation of the firm's system of quality management.  | 3.2 Assignment of responsibilities   |
|  | <i>[Insert additional risks as applicable]</i>   |  |
| (e) Resource needs, including financial resources, are planned for and resources are obtained, allocated or assigned in a manner that is consistent with the firm's commitment to quality.             | Adequate resources are not able to be obtained to support the firm's commitment to quality.  | 3.1 Governance and leadership policy statement<br>3.2 Assignment of responsibilities   |
|  | Resource needs, including financial resources, are not adequately planned for, which may impact on allocation/ assignment.   | 3.1 Governance and leadership policy statement<br>3.2 Assignment of responsibilities   |
|  | <i>[Insert additional risks as applicable]</i>   |  |
| <i>[Insert additional quality objectives if applicable]</i>  | <i>[Insert additional risks as applicable]</i>   |  |

## 2 RELEVANT ETHICAL REQUIREMENTS

| Quality Objectives   | Illustrative Quality Risks  | Illustrative Risk Responses   |
|--|---|---|
| (a) The firm and its personnel: <ul style="list-style-type: none"> <li>(i) Understand the relevant ethical requirements to which the firm and the firm's engagements are subject; and</li> <li>(ii) Fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.</li> </ul>   | Relevant ethical requirements are not clearly documented and communicated within the firm.            | 4.1 Relevant ethical requirements policy statement  |
|  | Relevant ethical requirements are not well understood by personnel.                                   | 4.1 Relevant ethical requirements policy statement<br>4.2 Annual independence confirmation<br>Regular training of all staff is undertaken, including when new changes are introduced. |
|  | Personnel do not fulfill their responsibilities in relation to relevant ethical requirements.         | 4.2 Annual independence confirmation<br>4.3 Independence resolution memorandum<br>9.5 Client complaint record   |
|  | Personnel/firm knowledge relating to relevant ethical requirements is not kept up to date.            | 4.2 Annual independence confirmation<br>7.7 Training and development record   |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |   |
| (b) Others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements to which the firm and the firm's engagements are subject: <ul style="list-style-type: none"> <li>(i) Understand the relevant ethical requirements that apply to them; and</li> <li>(ii) Fulfill their responsibilities in relation to the relevant ethical requirements that apply to them.</li> </ul> | Relevant ethical requirements are not well understood by other key parties.                           | 5.2 Client screening questions<br>5.4 Ethical letter<br>7.9 New service provider request form   |
|  | Other key parties do not fulfill their responsibilities in relation to relevant ethical requirements. | 6.3 Using the work of experts<br>6.4 Checklist for use of outside experts<br>7.9 New service provider request form  |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |   |
| <b><i>[Insert additional quality objectives if applicable]</i></b>   | <b><i>[Insert additional risks as applicable]</i></b>   |   |

### 3 ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

| Quality Objectives  | Illustrative Quality Risks   | Illustrative Risk Responses   |
|---|--|---|
| <p>(a) Judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate based on:</p> <p>(i) Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments; and</p> <p>(ii) The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</p> | <p>Adequate information about new or continuing clients and engagements is not obtained and considered on a timely basis.</p>  | <p>5.1 Acceptance and continuance of client relationships and specific engagements policy statement</p> <p>5.2 Client screening questions</p> <p>5.3 New client form</p> <p>5.5 New client acceptance checklist</p> <p>5.6 Client retention checklist</p> |
|   | <p>There is a lack of accountability or review process for judgments made about whether to accept or continue a client relationship or specific engagement.</p>  | <p>5.1 Acceptance and continuance of client relationships and specific engagements policy statement</p> <p>5.2 Client screening questions</p> <p>5.5 New client acceptance checklist</p> <p>5.6 Client retention checklist</p>                            |
|   | <p>Engagement considerations, including scope of engagement and operational requirements, are not clear enough to properly assess the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</p> | <p>5.4 Ethical letter</p> <p>5.5 New client acceptance checklist</p>  |
|   | <p>There are insufficient personnel available to perform all engagements during times of peak demand.</p>  | <p>5.2 Client screening questions</p> <p>5.5 New client acceptance checklist</p>  |
|   | <p><b><i>[Insert additional risks as applicable]</i></b></p>   |   |
|   |  |   |

| Quality Objectives  | Illustrative Quality Risks   | Illustrative Risk Responses   |
|---|--|---|
| (b) The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific engagement. | Revenue inappropriately influences judgments about whether to accept or continue a client relationship or specific engagement. | 3.1 Governance and leadership policy statement<br>5.1 Acceptance and continuance of client relationships and specific engagements policy statement<br>5.2 Client screening questions<br>5.5 New client acceptance checklist<br>5.6 Client retention checklist<br>8.2 Culture assessment - quality |
|   | Revenue or other financial targets relating to operating results are inappropriately weighted in performance reviews.          | 5.1 Acceptance and continuance of client relationships and specific engagements policy statement<br>7.5 Professional staff performance review<br>8.2 Culture assessment - quality   |
|   | <i>[Insert additional risks as applicable]</i>   |   |
| <i>[Insert additional quality objectives if applicable]</i>   | <i>[Insert additional risks as applicable]</i>   |   |



## 4 ENGAGEMENT PERFORMANCE

| Quality Objectives   | Illustrative Quality Risks  | Illustrative Risk Responses   |
|--|---|---|
| (a) Engagement teams understand and fulfill their responsibilities in connection with the engagements, including, as applicable, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.   | Policies and processes for supervision and review are not clearly set out and understood by team members.   | 6.1 Engagement performance policy statement<br>6.2 Work control form  |
|  | Adequate skills and experience are not available at critical points of engagement or to manage complex issues.  | 6.2 Work control form<br>6.3 Using the work of experts<br>6.4 Checklist for use of outside experts                                      |
|  | Respective roles and responsibilities of engagement team members are unclear.   | 6.1 Engagement performance policy statement<br>6.2 Work control form  |
|  | Engagement team members, including engagement partners, are allocated a reasonable amount of time to complete their work and achieve quality on the engagement. | 6.2 Work control form   |
|  | <i>[Insert additional risks as applicable]</i>  |   |
| (b) The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members. | Adequate levels of review and supervision are not provided to less experienced engagement team members by more experienced engagement team members.             | 6.1 Engagement performance policy statement<br>6.2 Work control form  |
|  | Composition of engagement team members is not appropriate for the type of engagement, nature of client and/or the industry in which it operates.                | 6.2 Work control form<br>6.3 Using the work of experts<br>6.4 Checklist for use of outside experts                                      |
|  | Complex audit areas or unexpected issues are allocated to personnel who lack the appropriate knowledge or experience.   | 6.2 Work control form   |
|  | Changes in firm or engagement circumstances during the engagement are not properly considered during the engagement.  | 5.2 Client screening questions<br>5.3 New client form<br>6.2 Work control form  |
|  | The engagement is not conducted in accordance with applicable professional standards.   | 4.1 Relevant ethical requirements policy statement<br>6.1 Engagement performance policy statement<br>6.6 Engagement quality review form |
|  | <i>[Insert additional risks as applicable]</i>  |   |

| Quality Objectives   | Illustrative Quality Risks  | Illustrative Risk Responses  |
|--|---|--|
| (c) Engagement teams exercise appropriate professional judgment and, when applicable to the type of engagement, professional skepticism. | Engagement team members do not have adequate experience and training to exercise appropriate professional judgment/skepticism.  | 6.1 Engagement performance policy statement<br>6.2 Work control form<br>7.5 Professional staff performance review  |
|  | Professional judgment/skepticism is appropriately applied but not adequately documented.  | 6.5 Differences of opinion resolution  |
|  | Risk areas have not been adequately considered to prompt engagement teams to exercise appropriate professional judgment/skepticism.                                       | 6.1 Engagement performance policy statement<br>6.2 Work control form<br>9.3 Engagement review form   |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |  |
| (d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented.                           | Inadequate consideration of risks leads to consultation not being undertaken.   | 6.3 Using the work of experts<br>6.5 Differences of opinion resolution<br>6.6 Engagement quality review form   |
|  | Inadequately experienced personnel are assigned to gather information on and consider difficult or contentious matters.   | 6.1 Engagement performance policy statement<br>6.2 Work control form   |
|  | A lack of appropriate process and follow up leads to either consultations not being held or agreed conclusions not being implemented on difficult or contentious matters. | 6.1 Engagement performance policy statement<br>6.2 Work control form<br>6.3 Using the work of experts<br>6.4 Checklist for use of outside experts<br>6.5 Differences of opinion resolution<br>6.6 Engagement quality review form |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |  |

| Quality Objectives  | Illustrative Quality Risks   | Illustrative Risk Responses   |
|---|--|---|
| (e) Differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved.      | Differences of opinion are not brought to the attention of the firm or appropriately dealt with due to a culture of agreeability or fear of reprisal.  | 6.5 Differences of opinion resolution   |
|   | Differences of opinion are not appropriately resolved due to a lack of time and resources.   | 6.2 Work control form<br>6.5 Differences of opinion resolution  |
|   | More experienced engagement team members or other individuals exert authority to inappropriately overrule differences in opinion.  | 6.1 Engagement performance policy statement<br>6.2 Work control form<br>6.5 Differences of opinion resolution |
|   | <i>[Insert additional risks as applicable]</i>   |   |
| (f) Engagement documentation is assembled on a timely basis after the date of the engagement report and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. | Engagement documentation is not assembled and secured on a timely basis after the date of the engagement report.   | 6.1 Engagement performance policy statement   |
|   | Engagement documentation is not appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. | 6.1 Engagement performance policy statement   |
|   | Archived documentation is reopened and revised without approval.   | 6.1 Engagement performance policy statement   |
|   | Firm's policies and processes on engagement documentation are not clearly communicated to all personnel.   | 1.1 Documentation policy statement<br>6.1 Engagement performance policy statement                             |
|   | <i>[Insert additional risks as applicable]</i>   |   |
| <i>[Insert additional quality objectives if applicable]</i>   | <i>[Insert additional risks as applicable]</i>   |   |

## 5 RESOURCES

| Quality Objectives   | Illustrative Quality Risks  | Illustrative Risk Responses   |
|--|---|---|
| <p><b>Human Resources</b></p> <p>(a) Personnel are hired, developed and retained and have the competence and capabilities to:</p> <ul style="list-style-type: none"> <li>(i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; or</li> <li>(ii) Perform activities or carry out responsibilities in relation to the operation of the firm's system of quality management.</li> </ul> | Recruitment policies and processes are unclear or inappropriately documented to recruit personnel that have the knowledge and experience relevant to the engagements the firm performs. | 7.1 Resources policy statement<br>7.3 Candidate interview and evaluation checklist<br>7.4 New staff orientation checklist |
|  | The technical skills and professional education of firm personnel are not maintained as required.   | 7.7 Training and development record   |
|  | Personnel are not appropriately supervised, mentored, or motivated to consistently perform quality engagements.   | 7.1 Resources policy statement<br>7.2 Job descriptions<br>7.7 Training and development record                             |
|  | Internal training is not appropriately developing competence of the firm's personnel.   | 7.5 Professional staff performance review<br>7.7 Training and development record  |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |   |
| <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.</p>   | Performance evaluations are not held on a timely basis during or after each engagement.   | 7.1 Resources policy statement<br>7.5 Professional staff performance review<br>9.3 Engagement review form                 |
|  | Compensation and incentives are focused on financial and operational priorities which are not consistent with achieving quality objectives.   | 7.1 Resources policy statement<br>7.5 Professional staff performance review   |
|  | Performance evaluations are unclear about achieving outcomes, compensation, or incentives.  | 7.5 Professional staff performance review   |
|  | Personnel's workload is not considered when setting performance benchmarks against quality objectives.  | 7.2 Job descriptions<br>7.5 Professional staff performance review   |
|  | <b><i>[Insert additional risks as applicable]</i></b>   |   |

| Quality Objectives  | Illustrative Quality Risks  | Illustrative Risk Responses   |
|---|---|---|
| <p>(c) Individuals are obtained from external sources (i.e., the network, another network firm or a service provider) when the firm does not have sufficient or appropriate personnel to enable the operation of firm's system of quality management or performance of engagements.</p> | <p>The firm's policies and processes for quality management and performance of engagements are not appropriately communicated to/agreed with externally sourced personnel prior to them commencing work on an engagement.</p> | <p>6.3 Using the work of experts<br/>7.1 Resources policy statement<br/>7.9 New service provider request form</p>               |
|   | <p>Externally sourced personnel do not have the appropriate capabilities or experience to comply with the firm's quality management system or perform the engagements as required.</p>  | <p>6.3 Using the work of experts<br/>7.9 New service provider request form</p>  |
|   | <p>Firm does not have onboarding policies and processes to support personnel obtained from external sources comply with the quality management system.</p>  | <p>7.4 New staff orientation checklist</p>  |
|   | <p><b><i>[Insert additional risks as applicable]</i></b></p>  |   |
| <p>(d) Engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.</p>  | <p>Resource allocation including budgeted time and personnel allocation for each engagement is not adequate, but not addressed by the leadership team.</p>  | <p>3.1 Governance and leadership policy statement<br/>6.1 Engagement performance policy statement<br/>6.2 Work control form</p> |
|   | <p>Engagement team members and/or partners do not have appropriate competence and capabilities to consistently perform quality engagements.</p>   | <p>7.2 Job descriptions<br/>7.5 Professional staff performance review<br/>7.7 Training and development record</p>               |
|   | <p>There are unreliable or no measurement indicators to assess whether resources assigned to each engagement are adequate.</p>  | <p>6.1 Engagement performance policy statement<br/>6.2 Work control form</p>  |
|   | <p><b><i>[Insert additional risks as applicable]</i></b></p>  |   |
| <p>(e) Individuals are assigned to perform activities within the system of quality management who have appropriate competence and capabilities, including sufficient time, to perform such activities.</p>  | <p>Individuals are not allocated the responsibility and sufficient and appropriate resources to perform activities within the system of quality management.</p>   | <p>6.2 Work control form<br/>7.2 Job descriptions</p>   |
|   | <p>Time for supervision and review is not provided for.</p>   | <p>6.2 Work control form</p>  |
|   | <p>Additional time is not allocated when required for key matters.</p>  | <p>6.1 Engagement performance policy statement<br/>6.2 Work control form</p>  |
|   | <p><b><i>[Insert additional risks as applicable]</i></b></p>  |   |

| Quality Objectives  | Illustrative Quality Risks  | Illustrative Risk Responses   |
|---|---|---|
| <p><b>Technological Resources</b></p> <p>(f) Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the performance of engagements.</p>   | Technological resources are not enabling the operation of the firm's system of quality management and the performance of engagements.                   | 7.1 Resources policy statement<br>7.8 Technology acquisition request form   |
|   | Technological resources are not being used to their full potential.   | 7.1 Resources policy statement<br>7.8 Technology acquisition request form   |
|   | <b>[Insert additional risks as applicable]</b>  |   |
| <p><b>Intellectual Resources</b></p> <p>(g) Appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.</p> | Intellectual resources are not enabling the operation of the firm's system of quality management and the consistent performance of quality engagements. | 7.1 Resources policy statement  |
|   | Intellectual resources are not being used to their full potential or are out of date.   | 7.1 Resources policy statement<br>7.5 Professional staff performance review |
|   | Intellectual resources are not consistent with professional standards and applicable legal and regulatory requirements.                                 | 7.1 Resources policy statement  |
|   | <b>[Insert additional risks as applicable]</b>  |   |

| Quality Objectives   | Illustrative Quality Risks  | Illustrative Risk Responses  |
|--|---|--|
| <p><b>Service Providers</b></p> <p>(h) Human, technological or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 32 (d), (e), (f) and (g).</p> | <p>Consistent and rigorous procurement, security and implementation policies and processes for technology and intellectual resources are not applied.</p>       | <p>7.1 Resources policy statement<br/>7.8 Technology acquisition request form<br/>7.9 New service provider request form</p>          |
|  | <p>Personnel are recruited for specialist skills but are not appropriate for use in the system of quality management.</p>                                       | <p>7.1 Resources policy statement<br/>7.9 New service provider request form</p>  |
|  | <p>Policies and processes on how to apply and secure the firm's technological and intellectual resources are not clear and/or miscommunicated to personnel.</p> | <p>7.1 Resources policy statement<br/>7.7 Training and development record<br/>8.1 Information and communication policy statement</p> |
|  | <p>Technological resources are not strategically assessed for future capabilities and engagement needs.</p>   | <p>7.8 Technology acquisition request form</p>   |
|  | <p>Changes made to IT systems and programs are not adequately reviewed and approved/authorized.</p>   | <p>7.8 Technology acquisition request form</p>   |
|  | <p>Personnel are not given the appropriate training and support to manage changes to IT systems or new technological resources.</p>                             | <p>7.1 Resources policy statement<br/>7.7 Training and development record</p>  |
|  | <p><b><i>[Insert additional risks as applicable]</i></b></p>  |  |
| <p><b><i>[Insert additional quality objectives if applicable]</i></b></p>  | <p><b><i>[Insert additional risks as applicable]</i></b></p>  |  |

## 6 INFORMATION AND COMMUNICATION

| Quality Objectives  | Illustrative Quality Risks  | Illustrative Risk Responses   |
|---|---|---|
| (a) The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources. | Appropriate resources are invested in information systems, but systems are not utilized to their full potential.                      | 7.1 Resources policy statement<br>7.7 Training and development record<br>8.1 Information and communication policy statement |
|   | Information systems are not regularly reviewed or upgraded for operational purposes and engagement performance needs.                 | 7.8 Technology acquisition request form   |
|   | Information systems are not tested or evaluated for data security on a regular basis.   | 7.8 Technology acquisition request form   |
|   | Back-up of data and information is not performed regularly enough and for selected databases.   | 7.8 Technology acquisition request form   |
|   | <b><i>[Insert additional risks as applicable]</i></b>   |   |
| (b) The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.   | Firm's culture does not encourage/reward personnel who share knowledge and reliable information with well-intentioned motives.        | 8.1 Information and communication policy statement<br>8.2 Culture assessment - quality                                      |
|   | Firm does not have adequate policies and processes about information sharing.   | 8.1 Information and communication policy statement  |
|   | Personnel are not adequately trained on these policies to recognize instances when the responsibility to exchange information arises. | 7.7 Training and development record<br>8.2 Culture assessment - quality   |
|   | <b><i>[Insert additional risks as applicable]</i></b>   |   |



| Quality Objectives   | Illustrative Quality Risks   | Illustrative Risk Responses   |
|--|--|---|
| <p>(c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including:</p> <p>(i) Information is communicated to personnel and engagement teams, and the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements; and</p> <p>(ii) Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.</p> | Firm does not implement policies and processes to encourage personnel to share information with senior managers and other teams that need to be informed.  | 8.1 Information and communication policy statement                        |
|  | Personnel are not encouraged, through policies and processes, or firm culture, to share information with team members about relevant engagement matters.   | 8.1 Information and communication policy statement                        |
|  | Firm does not establish and/or use appropriate communication channels to facilitate an open exchange of information.   | 7.7 Training and development record<br>8.2 Culture assessment - quality   |
|  | <b><i>[Insert additional risks as applicable]</i></b>  |   |
| <p>(d) Relevant and reliable information is communicated to external parties, including:</p> <p>(i) Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them; and</p> <p>(ii) Information is communicated externally when required by law, regulation or professional standards, or to support external parties' understanding of the system of quality management.</p>         | Written and verbal communication are not sufficiently clear for the specific audience and requirements.  | 7.7 Training and development record                                       |
|  | Firm's policies and processes do not identify relevant, reliable information for communication to firm's network, service providers and external parties.  | 8.1 Information and communication policy statement                        |
|  | Reliable technical and legal expertise are not readily available as and when required.   | 6.3 Using the work of experts<br>6.4 Checklist for use of outside experts |
|  | Continuous professional education, technical updates and soft skills development are not emphasized in internal training.  | 7.7 Training and development record<br>9.3 Engagement review form         |
|  | The firm does not have appropriate policies and processes in place to provide personnel with guidance on how to present information, or how to respond to requests for information under, law, regulation, professional standards or to other external parties who need to understand the firm's system of quality management. | 8.1 Information and communication policy statement                        |
|  | <b><i>[Insert additional risks as applicable]</i></b>  |   |
| <b><i>[Insert additional quality objectives if applicable]</i></b>   | <b><i>[Insert additional risks as applicable]</i></b>  |   |

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