A Practical Guide to Quality Control



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This is a practical guide to establishing and maintaining your documented quality control policies and procedures. For the purpose of this guide it will be referred to as your quality control manual. This should be used in conjunction with both the short form quality control manual and the detailed quality control manual that CPA Australia has already published.

Each section deals with some of the practical considerations involved in establishing and maintaining a quality control manual in your firm. It includes commentary on the requirements to document the quality control system and communicate the quality control policies and procedures to all staff.

# Establishing a system of quality control

The design, implementation and monitoring of a quality control system must be tailored to the circumstances of your firm. Designing the system involves considering the following aspects of your firm.

|  |
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| Firm’s Philosophy and Strategy |
| Should be something about the basic principles and concepts that are embedded in your firm |
| An example of this is:“My/Our philosophy is to provide my/our clients with on-time financial information that allows them to make sound business decisions while always ensuring superior client service. As an active member(s) of CPA Australia I/We recognise the importance of upholding and maintaining the value of my/our designation(s) through ensuring that my/our conduct in no way brings my/our profession into disrepute.” |
| Firm’s Goals |
| Have a main or primary goal for the firm and then other smaller goals, all of which support the firm’s philosophy and strategy. Think about what the firm is trying to achieve. |
| An example of a primary goal:The firm’s primary goal is to ensure that all engagements are being performed to the highest possible standard in a timely fashion so as our clients can make the best possible decisions |
| Examples of other goals are:* Ensure continued professional development maintaining currency of knowledge
* Maintain existing client base through customer service and relationship management.
* Have an active presence in the community providing valuable contribution.
* Approach all engagements with integrity and objectivity maintaining professional competence while ensuring due care and quality of work
 |

**Establishing a system of quality control** continued

|  |
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| Organisational Structure, Size and Geographic Details |
| Discuss firms set up, background, location |
| Who is the principal(s) and what is their expertise? | Include previous work history, member affiliations (eg RCA)What are their responsibilities (especially if more than one partner) including the responsibility for planning and maintenance of the quality control manual and the communication strategy around this. |
| Who are the staff (if any)? | Who are they, Their expertise/experience/responsibilities within the firm |
| How was the practice formed and when? |  |
| Where are the firm and client base located? | Eg My firm operates in Warragul and it’s local area with no intention of actively seeking clients outside of this. |
| Include an organisational chart of your firm (sole practitioner with staff/multi-partner firm) |  |
| You may like to consider your succession plan at this point and include this as part of your supporting documentation |  |
| Nature of the Professional Services Provided and Client Type |
| State the engagement work that is offered by your firm going into a little detail |
| A couple of examples are:* Financial Reporting/Compilation Engagements include the development and maintenance of financial records and systems, compiling the client’s financial statements and any other reports as requested/required. We will also assist in the preparation of any reports needed by the client for external purposes.
* The provision of taxation services for small business clients and individuals working with clients making sure they are aware of their obligations and responsibilities.
 |
| Talk about your client service approach |
| Talk about your understanding you’re your client’s market place/industry, about your client’s understanding (strengths/weaknesses) of financial information, state what occurs when work requests are outside existing skill set, your commitment to quality |
| Degree of Operating Autonomy of the Principals and Staff in Delivering Service to Clients |
| Discuss what measures you have in place to have operating autonomy between principles and staff |
| Copy of your organisational chart could also be inserted here |

**Establishing a system of quality control** continued

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| Developing Expertise in Quality Control |
| For sole practitioners with staff and multi partner firms document who will be responsible for the quality control system outlining the persons expertise |
| For example* John Taylor – Partner is responsible for the design and maintenance of the quality control system. He assumes this responsibility having spent time studying APES 320 standard as well as looking into supporting reference material provided by such bodies as CPA Australia.
* Assisting John will be Catherine Smith – Associate who will be responsible for regular review of the manual updating both John and other partners on any changes to the standard and ensuring that our manual reflects our current business practices. She will also be responsible for organising and chairing quarterly meetings about our quality control manual so as all staff are aware of any changes to the manual and the standard itself
 |

## Developing and implementing a system of quality control

You will l need to identify the basic steps that are necessary to implement a quality control system in your firm. The following is a brief checklist that will assist you with the development and implementation of your system of quality control:

* Set objectives for your quality control program;
* Determine the present quality control policies and procedures in operation;
* Determine and document your required quality control policies, based on the elements of quality in APES 320;
* Determine and document the procedures to implement these quality control policies;
* Prepare or update your standard forms or formats, files and related manuals;
* Communicate the quality control policies and procedures to all staff; and
* Monitor the effectiveness of the quality control system by evaluating, on a timely basis, the quality control policies and procedures, assignment of responsibilities, and communication of policies and procedures.

Establishing a definitive timetable for accomplishing the various steps in the program will provide a better foundation for the system and will lead to a more effective quality control system.

# Documenting the quality control system

Documentation of quality control policies and procedures is an important overarching requirement of APES 320. Documentation ensures the firms’ policies and processes are visible and accessible to staff, providing guidance whilst instilling discipline in organisational practices. Documentation can also be used to protect members in the event of a negligence claim.

Your firm must formalise its quality control policies and procedures as well as ensuring on going development and maintenance. This requires documentation that adequately describes the policies and procedures comprising the quality control system. Your firm will need to determine the procedures and level of documentation required to ensure your quality control system is effective, and meets both the APES 320 requirements and therefore the requirements of CPA Australia’s Quality Review Program.

The level of appropriate documentation will depend on:

* The size of your firm and the number of offices;
* The degree of authority granted to personnel and offices; and
* The nature and complexity of your firm.

How the policies and procedures are documented and maintained is your firm’s decision. Smaller firms may use less formal methods of documentation, including written checklists, memos and notes. Documentation may be in the form of electronic, hard-copy or a combination of both.

It would be advised that as each of the 6 elements needs to be addressed that you design a “Policy Statement” for each element outlining all the policies that you have established. This is then supported by the procedures you have in place that demonstrates how you are following those policies.

To satisfy APES 320, your firm should develop and maintain a quality control policy manual. This document will assist with the formulation of your quality control system and becomes the centralised point of reference for all quality assurance aspects of the firm.

 A policy manual should be designed to achieve the following:

(a) Communicate the firm’s vision and core objectives;

(b) Clarify management structure and responsibilities;

(c) Provide an administrative guide for the firm;

(d) Standardise the office policies, processes, procedures and work instructions; and

(e) Provide standard job descriptions for administration staff.

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| Policies for Documentation |
| When talking about policies on documentation more often these are outlined when addressing the 6 elements of APES 320. However you also need to design policies for documentation which outline matters such as file retention, access to files (how it’s limited) and how client’s privacy is protected. At the very least file retention should be a period of time to sufficient to permit those performing monitoring procedures to evaluate the firm’s compliance with its system of quality control or for a longer period if required by law or regulation. |

# Elements of a quality control system

This section describes the six elements of a system of quality control referred to in APES 320. Each element must be applied to the extent that each one is applicable to your firm, or to particular practices within your firm (e.g. financial reporting/compilation, audit, taxation, etc.). This is especially important when separating non-assurance services from assurance services for the purposes of APES 320. A synopsis of the elements of quality control is provided below for easy reference:

* **Leadership Responsibilities for Quality Within the Firm** – places responsibility on partners to promote a strong internal culture of quality, and to assume ultimate responsibility for the firm’s system of quality control.
* **Relevant Ethical Requirements** – requires the firm and its personnel to act with integrity and objectivity, and to be free from relationships with a client which may impair independence.
* **Acceptance and Continuance of Client Relationships and Specific Engagements** – aims to minimise the likelihood of association with a client whose management lacks integrity, and to ensure the firm has the necessary competence to perform the engagement.
* **Human Resources** – expects firms to have sufficient personnel with the necessary competence, capabilities, and commitment to ethical principles to perform its engagements.
* **Engagement Performance** – requires engagements to be performed in accordance with relevant standards and requirements, appropriate consultation to be available and to take place, and engagement documentation to be properly documented and stored.
* **Monitoring** – places an emphasis on independent monitoring of the quality control system to ensure it is relevant, adequate, and operating effectively.

As discussed there are also overarching responsibilities for the quality control policies and procedures to be documented and communicated to the firm’s personnel.

To begin the process document all your firm’s policies and procedures remembering that a Policy is the action that you will take and a Procedure is how your will perform that action. Eg It is the firm’s policy to register all incoming mail (policy). The firm does this by recording the date the mail was received, what the mail pertains to and if it relates to a client (procedure). Once doing this exercise see how and where these fit among the 6 elements of quality control. This will start to help assist you develop your manual as well as work out what areas need to be addressed/investigated further.

# Leadership responsibilities for quality within the firm

The firm must design a system of policies and procedures, and create a suitable culture, to help ensure all work it undertakes is performed to the highest quality. Underlying this section of APES 320 is that quality is an integral aspect of a firm’s quality control system. Including statements about quality control demonstrates that you/your firm is taking their responsibility for quality control seriously.

Document the firm’s policies and procedures for *Leadership responsibilities for quality within the firm,* including:

* the firm’s commitment to a culture of quality
* the person(s) ultimately responsible for the firm’s system of quality control;
* the firm’s compliance with professional standards and legislative requirements;
* the firm’s commitment to review quality control policies and procedures at least annually; and
* the firm’s assignment of operational responsibility to the quality control manager.

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| Policies for Leadership responsibilities for quality might begin with the following statements |
| **For a sole practitioner with staff/multi partner** A statement which says “As a member of CPA Australia and the Accounting Profession our firm is committed to ensuring that we have an appropriate quality control system which is embraced by all. Each individual acknowledges their responsibility for quality and will comply with the policies and procedures outlined in this manual. The person assigned to looking after quality control has signed off to say that they accept their responsibility. (reconfirm who is responsible)” |
| **For a sole practitioner with no staff** A statement which says “As a member of CPA Australia and the Accounting Profession my firm is committed to ensuring that quality systems are in place appropriate to the work I perform (listing out the engagement types). As a sole practitioner with no staff I have assumed all responsibility for quality control.” |
| **For all types of firms** You might like to follow on with a statement which confirms the following “Regardless of the type of engagement work being performed, quality is recognised as essential. Commercial considerations will not compromise the quality of engagement work. Regular training will be undertaken to ensure quality is maintained. Adequate controls and checks are in place to minimise the likelihood of non-compliance. It is recognised that if appropriate quality systems are not in place then it is likely that engagements will not be performed at a standard that is consistent with the expectations of the client and the firm.” |
| Procedures for Leadership responsibilities for quality might include (ensuring appropriate documentary evidence) |
| Document how the manual is stored and where it is available for easy access. |
| Sole practitioners might like to include in their processes regular review of existing documents/checklists to ensure that they are current and reflective of quality control (including the standards requirements). At least on a half-yearly basis. |
| Sole practitioner with staff/multi partner firms have it that quality procedures form part of your regular agenda items at team meetings. Discussion will focus on what processes are already embedded, are there any additions or amendments to these. |
| Include quality in all staff annual review process and in their contracts. Each staff has an area that they are specifically accountable for. Regular review and sign off by responsible partner(s) |
| For multi partner firms assignment of quality control is reviewed and agreed on between the partners and addressed at least annually. |
| Induction process includes a review of the existing quality control manual with a discussion held with the relevant partner over key points to be aware of |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Relevant Ethical Requirements

The firm must develop policies and procedures outlining how the firm and its personnel are to comply with ethical requirements. Requirements are contained in various professional standards, including APES 110 *Code of Ethics for Professional Accountants* (“the Code”).

Part A of the Code establishes the fundamental principles of professional ethics:

* Integrity;
* Objectivity;
* Professional competence and due care;
* Confidentiality; and
* Professional behaviour.

## Independence

Independence is a characteristic that is crucial to the accounting profession. The related characteristics of objectivity and integrity are essential to maintaining actual and perceived independence. Independence is both a state of mind and a guideline to action undertaken by an individual and a firm. To be independent, you must be intellectually honest and not influenced by any obligation to or financial interest in the client, its management, or its owners.

Firms must ensure all personnel remain independent, in accordance with the requirements of the Code. To assist in meeting this requirement, the firm’s system of quality control must outline procedures for communicating independence requirements to all personnel. The system must also allow the firm to identify threats to independence and implement procedures to address these threats.

## Assurance Practices only

The independence requirements for assurance engagements are stricter than for other engagements. The requirements are found in Section 290 of the Code and, for audits in accordance with the Corporations Act, part 2M of the Corporations Act. The Code also outlines situations which may threaten independence, as well as appropriate safeguards.

## Minimum documentation recommendations:

Document the firm’s policies and procedures for *Relevant ethical requirements,* including:

* personnel’s compliance with the fundamental principles of ethics; and
* personnel’s compliance with independence requirements.

|  |
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| Policies for Ethical Requirements  |
| The following are policies which your firm may like to modify for your firm’s situation. For a sole practitioner with no staff you are still able to adapt the following policies. Where you will differ is the level of complexity involved in ensuring your compliance with APES 110 (the code) and other regulatory requirements based on the engagements you perform. |
| As a member(s) of CPA Australia and the Accounting Profession we recognise the importance of being ethical. At the forefront of this is ensuring adherence to:* APES 110 Code of Ethics for Professional Accountants
* Other APES standards as issued by the APESB
* By Laws as issued by CPA Australia
* Other applicable regulation
 |

**Relevant Ethical Requirements** continued

|  |
| --- |
| We recognise that there is an overarching responsibility to act ethically for our clients and that to act in the public interest. We need to ensure that in all of our professional engagements we in no way bring our firm’s reputation into question nor the reputation of CPA Australia. We do this through requiring that all personnel maintain high standards of personal conduct. |
| APES 110 sets out the fundamental principles which our firm ensures that we abide by for all engagements performed. These are Integrity, Objectivity, Professional Competence & Due Care, Confidentiality and Professional Behaviour. We ensure personnel are familiar with the fundamental principles through communication at team meetings and processes embedded into the operations of the firm.**Integrity:­** All personnel are straightforward and honest in their business dealings. Any material believed to be false or misleading are communicated directly to the partner(s).**Objectivity:** Personnel to ensure that they do not compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others. Relationships that bias or unduly influence the professional judgement, or impair objectivity, of team members are avoided.Professional Competence and Due Care:- Personnel maintain professional knowledge and skill at the level required to ensure clients and firm receive competent professional service.**Confidentiality:** Personnel are to refrain from disclosing outside the firm confidential information acquired as a result of professional and business relationships without proper and specific authority from the firm or unless there is a legal duty to disclose.**Professional Behaviour:** Personnel comply with relevant laws and regulations and avoid any action or omission that may bring discredit to the profession and the firm.These are reinforced through leadership of the firm, education and training, monitoring and processes for dealing with non compliance and ensuring that all personnel address the requirements of APES 110 (The Code).  |
| Procedures for Ethical Requirements |
| Procedures you might like to consider adapting for your firm. For sole practitioners with no staff your procedures may be very simplistic in their nature to have a process where by you review your ethical requirements annually, make any necessary amendments and sign off to provide evidence that this has occurred. Regular review will ensure that you are aware of any changes to the standards as well as demonstrating consideration for any changes to the engagements that you perform. |
| Include in the staff induction process a run through of your ethical requirements including the compliance requirements of APES 110. |
| Include in the annual review of your staff’s performance process to review compliance. |
| Have a referral process for any issues or evidence of non-compliance outlining what is to happen and who the referral is to be given to |
| For any consultants or agents used by the firm have a process which, at least annually, reviews their compliance with your ethical requirements |
|  |
| Policies and Procedures for Independence Requirements |
| The following policies and procedures are for Non-Audit Engagements |
| **Sole Practitioner with No Staff** The firm ensures that independence is maintained where required by APES 110 Code of Ethics for Professional Accountants. As I am the only member of this firm it is my responsibility to identify situations that may lead to independence being threatened. Upon discover my process is to identify the type and nature of the activity that is causing the compromise and determine what steps are necessary going forward to resolve the issue. This may lead to declining or ending an engagement.Certain activities within engagements can lead to Independence being compromised. As I am aware for the requirements of (insert applicable professional standards that apply to the engagement work you perform) I utilise their guidance in determining how to proceed or commence an engagement ensuring that the Code is front of mind in my decision process. |
| **Sole Practitioner with Staff/Multi Partner Firms**The firm ensures that independence is maintained where required by APES 110 Code of Ethics for Professional Accountants. The importance of and requirement of independence is communicated and discussed regularly at the commencement/update of all engagements.It is my/our responsibility to address and resolve any independence issues. Depending on the type and nature of the compromise it can result in an engagement being rejected/dismissed.As part of the induction process all staff are trained to identify situations where independence may be threatened and are advised to promptly bring this to my/our attention should they arise. |
| The following policies and procedures are for Audit and Assurance Engagements |
| **Sole Practitioner with No Staff** The firm recognises the importance of independence, particularly in relation to audit and assurance engagements and ensures that this recognition is demonstrated through all client engagements.As a sole practitioner it is my responsibility to monitor Independence and ensure that independence is regularly assesses. I am aware of the requirements of both ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* and APES 110 Code of Ethics for Professional Accounts (in particular paragraph 290). It is my responsibility to determine if Independence has been compromised by assessing the situation and determining the course of action to be taken. This can have the potential of immediately terminating an engagement.Where a client engages my firm to prepare the financials, as part of a compilation engagement, and then asks us to perform an audit of those financials I will source an external auditor to perform the audit component of the engagement.In the situation where there may be a familiarity threat with an existing client I may assess the situation to determine whether the threat can be reduced to an acceptable level which will be documented on the client’s file or I may consider whether to continue to be engaged by the client. |
| **Sole Practitioner with Staff/Multi Partner Firms**The firm recognises the importance of independence, particularly in relation to audit and assurance engagements and ensures that this recognition is demonstrated through all client engagements.As a minimum the firm has in place an annual independence confirmation which all staff must complete and sign. At the commencement of any new client engagements an independence declaration is completed by all personnel to assess whether there is a potential issue or not.Where a client engages my/our firm to prepare the financials, as part of a compilation engagement, and then asks us to perform an audit of those financials we will source an external auditor to perform the audit component of the engagement.APES 110 Code of Ethics for Professional Accounts (The Code) has identified threats to independence which prohibit my firm from acting as an auditor. The Partners/Myself and our/my personnel are well aware of these scenarios and in keeping with the requirements of The Code and ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* we/I ensure that each engagement is communicated and assessed so as to be aware if there are any potential threats to independence, both perceived and actual. |

# Example Independence Checklist

|  |  |
| --- | --- |
| Insert name of firm |  |

|  |
| --- |
| Independence Checklist for Employees |
| To be used ANNUALLY in conjunction with the employee review |
| Name of employee |  |
| Office |  |
| Completion of this form provides data for determining that the practice is complying with the independence rules, regulations and interpretations of CPA Australia and any relevant statutory bodies. |
| **Yes\*** | **No** |  |
| ☐ | ☐ | Do you have a direct or indirect material financial interest in a client or its subsidiaries/ affiliates? |
| ☐ | ☐ | Do you have a financial interest in any major competitors, investees or affiliates of a client? |
| ☐ | ☐ | Do you have any outside business relationship with a client or an officer, director or principal shareholder having the objective of financial gain? |
| ☐ | ☐ | Do you owe any client any amount, except as a normal customer, or in respect of a home loan under normal lending conditions? |
| ☐ | ☐ | Do you have the authority to sign cheques for a client? |
| ☐ | ☐ | Are you connected with a client as a promoter, underwriter or voting trustee, director, officer or in any capacity equivalent to a member of management or an employee? |
| ☐ | ☐ | Do you serve as a director, trustee, officer or employee of a client? |
| ☐ | ☐ | Has your spouse or minor child been employed by a client? |
| ☐ | ☐ | Has anyone in your family been employed in any managerial position by a client? |
| ☐ | ☐ | Are any billings delinquent for clients that are your responsibility? |
| ☐ | ☐ | Have you received any benefits such as gifts or hospitality from a client that are not commensurate with normal courtesies of social life? |
| ☐ | ☐ | Are there any other independence issues that you believe are relevant to disclose? |

­

\***Note:** if you answered ‘YES’ to any of the answers above, please also complete the Professional Independence Resolution Memorandum.

**Example Independence Checklist** continued

|  |
| --- |
| I have read the Independence Policy of the practice, and professional standards related to independence, and I believe I understand them. I am in compliance except for the matters listed below. |
|  |
|  |
| Arrangements made to dispose of above exceptions to comply with policies: |
|  |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
| Signature of employee |  | Date |  |
| Signature of employer |  | Date |  |

# Example Independence Resolution

|  |  |
| --- | --- |
| Insert name of firm |  |

|  |
| --- |
| Independence Resolution Memorandum |
| To be completed whenever a ‘YES’ answer is recorded on the Professional Independence Checklist for Employees. |
| Independence question relates to: |
|  |
| Date of enquiry |  |
| Client |  |
| Employee/Principal |  |
| 1. Please describe the issue/problem/query: |
|  |
|  |
| 2. Sources/persons consulted (**Note**: attach a copy of any applicable material): |
|  |
|  |
| 3. What are the findings/results? |
|  |
|  |
| 4. What is the decision/outcome? |
|  |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
| Resolved by |  | Date resolved |  |
| Resolution acknowledged by employee |  | Date |  |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Acceptance and continuance of client relationships and specific engagements

A firm’s system of quality control must identify steps to be taken to evaluate the integrity of any new or continuing client, the firm’s ability to perform the new or continuing engagement, and the firm’s ability to meet all ethical requirements before undertaking or continuing an engagement.

While the firm does not vouch for the integrity or reliability of a client, the integrity and reliability of a client’s management impacts the representations and statements, accounting records and general conduct of the business. In reviewing its ability to service a client properly, a firm should have regard to its industry expertise, necessary experience, the size of engagement, and capacity to staff the engagement. Additionally, the engagements must not conflict with professional or practice standards, including conflicts among clients, or conflicts of interest.

Maintaining a quality firm involves carefully evaluating prospective clients and periodically re–evaluating continuing clients. These evaluations help to:

* determine the relative risk of professional liability;
* determine whether the firm is competent to serve the client; and
* avoid potential conflicts of interest or professional embarrassment.

A firm’s policies and procedures must also document the action the firm is to take if it discovers information concerning a current client that, if the information was known earlier, would cause the firm to decline the client engagement. Such action must be determined after considering all professional, regulatory and legal requirements, and may include reporting the client to the relevant authorities and/or withdrawing from the engagement or client relationship.

## Minimum documentation recommendations:

Document the firm’s policies and procedures for Acceptance and continuance of client relationships and specific engagements, including:

* the consideration of client integrity, ability to service the client, and ethical requirements for all engagements;
* the initial and ongoing assessments of clients and engagements; and
* the communications with potential and existing clients, including use of engagement letters.

|  |
| --- |
| Policies for acceptance and continuance of client relationships and specific engagements |
| Our/My firm will ensure that it has the competence capabilities and resources to undertake a new engagement, either from an new client or existing client, We’ll ensure that when making our assessments we will consider issues relevant to the engagement including our/my ability to service the client, ethical requirements and client integrity. |
| The level of investigation and enquiry will be dictated by the type of engagement needing to be performed. For example Individual Tax Returns will be less onerous as compared to a sole trader. |
| We/I will be responsible for determining whether, based on all relevant information, we/I will formally accept or decline the engagement. |
| All engagements will have engagement letters/documents in place so as to ensure that all parties agree the terms of the engagement. This document will outline each parties responsibilities, the scope of the engagement, involvement of anyone specialists or experts (where applicable), billing arrangements and confirms ownership of the documents. |
| For recurring engagements there will also be an assessment as to whether there is need to issue a new engagement document to replace the existing document. This will occur generally when there is any change to the areas listed above. |

|  |
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| Procedures for acceptance and continuance of client relationships and specific engagements |
| For new clients the I/We will conduct a briefing session with any prospective clients in order to make an initial assessment of the ability of the firm to service the client, any ethical issues that may arise, particularly with regard to independence and conflicts of interest, and the integrity of the client. |
| Decisions based on this initial meeting will be documented on file including whether to accept or decline the engagement. |
| Where the decision is to decline, the client is notified of this decision in writing with the letter and any notes documented on their file. |
| If the decision is to accept a client then the client is sent a welcome letter. The firm will conduct a background search to further assess the areas discussed during the initial briefing session. An ethical letter will also be sent to their current or previous professional accountant (if applicable) to assess any outstanding professional or ethical issues. A New Client Acceptance Checklist is also created and completed to assist in the decision making process, |
| If, after further investigations, the prospective client is declined, the client is notified of the decision in writing with the letter and any notes documented on a file. |
| If, after further investigations, the decision is to accept the prospective client the firm will create a New Client Details Form to be completed as well as generating an appropriate engagement document outlining the terms and scope of the engagement. |
| For existing clients I/We a review will occur annually through the completion of a Client Retention Checklist to monitor the appropriateness of the engagement considering areas such if issues were raised during the existing engagement. |
| The following webpage will take you to a list of tools that have been developed by CPA Australia that you can use to help you in this area |
| **Client Relations Guide****New Client Details Form****Client Information and Assessment Form**located at <http://www.cpaaustralia.com.au/clientrelationships>  |

# Example Welcome Letter

The following is an example welcome letter that members can provide to their clients. Members are welcome to utilise and make the changes necessary for their practice.

## Welcome letter

Dear (Insert Practice Name),

**Welcome to the accounting and financial services of (insert Practice Name)!**

It is with great pleasure that we welcome you to our firm and look forward to a mutually beneficial partnership together. Our firm has a wealth of knowledge and expertise in the areas of accounting, management and business and through our partners, team members and associates. Our aim as CPA Accountants is to continuously look for the optimal way to assist our clients achieve their desired business and personal goals.

We enclose a letter [see Sample Letter to Existing Accountant], addressed to your previous accountant, advising them that you have chosen our firm as your new tax agent. Please sign where indicated and return the letter to our office in the envelope provided as soon as possible.

Thank you for choosing (insert pratice name) to be your finance business partner. We are sure that it will be a long and prosperous venture together.

If you have any queries or require any assistance in the above matter, please contact our office on (insert phone number).

Yours sincerely,

[Insert name]
[Insert job title]

# Client Retention Checklist

|  |
| --- |
| Client integrity has been considered and we do not have information that would lead us to conclude that the client lacks integrity? |
|  |
| Competent to perform engagement? |
|  |
| Resources to complete on time? |
|  |
| Independence considerations* Assurance engagement – independence checklist completed?
* Non-assurance engagement – no significant threats to independence?
 |
|  |
| Is the firm free of any conflicts of interest with the client?If a conflict of interest does exist, how has it been dealt with? |
|  |
| Fee level/collection issues? |
|  |
| Consideration of client screening questions? |
|  |
| Record-keeping and accounting system accurate? |
|  |
| Client information on ATO Portal acceptable? |
|  |
| Decision made to retain client | ☐ Yes | ☐ No |
| Prepared by |  | Date  |  |
| Partner review |  | Date |  |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Human resources

From a quality control perspective, the firm must document and implement steps to ensure it employs enough personnel possessing the required competence to undertake the position occupied.

Quality considerations address:

* Recruitment;
* Performance evaluation and compensation;
* Capabilities and competence;
* Career development and promotion; and
* Estimation of personnel needs.

## Assignment of engagement teams

One of the easiest ways a firm can get into trouble is to undertake an engagement that it is not equipped to handle. The engagement team must be balanced in training and experience. The firm should plan for assignments and consider the nature of the client’s business, the client’s needs, staff availability, skills and experience, the need for supervision, and the development of the individual staff members.

The firm must document the steps to be taken to ensure an appropriate engagement partner is assigned to each engagement. The documentation must also outline the engagement partner’s responsibilities, how these responsibilities will be communicated to the partner, and how this information will be communicated to the rest of the firm.

## Minimum documentation recommendations:

Document the firm’s policies and procedures for *Human resources*, including:

* the allocation of responsibility for human resources issues to an appropriate partner;
* the review of current and future staffing requirements;
* the recruitment process for candidates, including position descriptions and staff orientation;
* the performance review process, including links to promotion and remuneration;
* the professional development and career advancement of personnel; and
* the assignment and responsibility of engagement teams, including supervision and review.

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| Policies for Human Resources and Assignment of Engagement Teams |
| **Sole Practitioner No Staff**As a sole practitioner with no staff I recognise the importance when accepting or continuing my engagements that I have the appropriate capabilities and competence to be able to perform the engagements in accordance with the professional standards, applicable legal and regulatory requirements. Assessments are made to ensure that I am able to meet the objectives of the engagements and have the capacity to perform the engagement in a timely manner.At this time I am not planning to take on any additional staff however should my circumstances change I will ensure that I develop the appropriate policies and procedures that are needed when managing staff and assigning engagement work.If the scenario arises where I need to hire temporary staff to assist in meeting an engagement deadline I will ensure that an interview process will occur to obtain the most appropriate person(s). |

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| Policies for Human Resources and Assignment of Engagement Teams continued |

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| **Sole Practitioner with staff/Multi Partner Firm**I/We recognise the importance when accepting or continuing my/our engagements that my/our staff and I/the partners have the appropriate competence, capabilities and capacity to be able to perform the engagements in accordance with the professional standards, applicable legal and regulatory requirements.My/Our staff are integral to the ability of the firm to providing the best quality service to my/our clients. As such we ensure that my/our staff have the appropriate mix of technical proficiency, attention to detail, passion for results, intelligence, integrity, honesty, motivation, and aptitude for the work involved. I am/We are also interested in staff being well rounded in the life experience and attitude.I/We will support my/staff with continuing professional development (CPD) through structure learning opportunities as well as self study. As a member(s) of CPA Australia we make sure that we undertake the minimum 20 hours CPD per year and meeting the required minimum of 120 hours CPD per triennium. |
| Procedures for Human Resources and Assignment of Engagement Teams |
| I/The Partners will assess staffing levels at least annually to ensure that the right amount of resources are in place. |
| All staff will have their own personnel file which they will have limited access to. These files will include application forms, resumes, and other administrative items. |
| All professional staff will have job descriptions outlining what required qualifications and experience required to perform the role, what the accountabilities are, what technical abilities are required. |
| All professional staff will have job descriptions outlining what required qualifications and experience required to perform the role and what the accountabilities are. |
| Annual reviews will be conducted against key measures agreed on at the beginning of the year. The key measures are signed off on by both the staff member and myself/appropriate partner. |
| For each engagement an assessment will be made to ensure the appropriate allocation of staff to meet the requirements of the client. The assessment will include understanding and similar practical experience, appropriate technical knowledge and expertise, knowledge of relevant industries and ability to apply professional judgement. |
| I/We will monitor the workload to ensure that all individuals have sufficient time to adequately discharge their responsibilities. |
| I/We will ensure that staff are provided the opportunity to attend professional development opportunities relevant to the work that they are performing. Some training may be conducted in house while there may be a need to source external training providers as well. Staff will also be encouraged to seek their own self-education in their development and look for opportunities to enhance their skills further eg through networking opportunities, online resources and other means |
| Procedures specific to larger firms |
| Succession planning to take place at least on an annual basis in conjunction with annual review results |
| The following are a list of tools that have been developed by CPA Australia that you can use to help you in this area that are located in the Practice Management Toolkit section of the CPA Australia Website |
| * CPA Australia’s Employment Manual and Staff Manual
 |
| * Succession planning pathways for CPA public practitioners
 |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Engagement performance

It is important that firms seek to establish consistency in the quality of engagement performance and to demonstrate that they have not been negligent in performing their duties. APES 320 requires firms to document and implement the steps to be taken to ensure engagements are performed in accordance with all relevant professional, regulatory and legal requirements and that all reports issued by the engagement partner are appropriate.

## Consultation

It is important that the firm encourages a culture of consultation and referral of difficult matters to continually develop the competence and capabilities of the staff and the firm. The firm shall establish and implement the required steps to ensure that appropriate consultation takes place when difficult situations are encountered and, especially for assurance practices, that the nature and conclusions of such consultations are documented. Consultation should be with those possessing appropriate levels of knowledge, competence, judgment and authority on significant technical, ethical and other matters.

## Assurance Practices onlyEngagement Quality Control Review

For appropriate engagements, the firm is required to conduct an engagement quality control review. This is generally termed the ‘second partner review’.

The firm’s policies and procedures must establish when an engagement quality control review is required. All audits of the financial statements of listed entities require an engagement quality control review.

## Differences of Opinion

Differences of opinion may be common in assurance engagements, especially where professional judgments are required. Policies and procedures must be established and implemented to explain how the firm will deal with and resolve differences of opinion with clients, others members of the engagement team, consultants, engagement partners, or the engagement quality control reviewer. The audit/assurance report must not be issued until differences of opinion have been documented and resolved.

## Engagement documentation

It is important that the firm maintains control over the engagement documentation, such that it is of professional quality, timely in its preparation, properly secured, and retained.

## Minimum documentation recommendations:

Document the firm’s policies and procedures for *Engagement performance,* including:

* planning, conduct and supervision of engagements;
* the handling of consultations;
* the use of engagement quality control reviews (Assurance Practices only);
* the handling of differences of opinion (Assurance Practices only); and
* the management of engagement documentation.

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| Policies for Engagement Performance |
| **Sole Practitioner No Staff** As a sole practitioner with no staff it is my responsibility to ensure that I perform all my engagements in a consistent manner with quality at the forefront of this. I understand that the limitation of being a sole practitioner is that there isn’t the ability to have a review process to assure that all engagements are being performed consistently and in accordance with the Professional Standards and applicable legal and regulatory requirements. By being a member of CPA Australia and therefore subject to a regular quality review this is one way I can assure myself that I am being consistent in my engagement performance.There may be situations where I do not have the appropriate internal resources to meet all the engagement’s needs. In this instance I may seek external consultants to assist me. In these instances I will ensure that appropriate considerations are made to determine that the consultant(s) have the competence and capabilities to assist and are suitably qualified. There will also be regular discussions about the engagement including applicable timelines so that there are clear expectations. |
| **Sole Practitioner with Staff/Multi Partner Firm**The firm recognises the importance of consistent application when performing engagements to ensure quality of our work. To help us achieve this the firm utilises manuals, software tools or other standardised documentation along with industry or subject matter-specific guidance materials.All staff are briefed on each engagement to obtain a general understanding of the objectives.Once an engagement has been allocated to a specific staff member/engagement team there is further discussions held so that there is clear understanding as to the objectives, responsibilities and timelines of the engagement. Processes and procedures are embedded to ensure that the engagement complies in accordance with the Professional Standards and applicable legal and regulatory requirements. The specific staff member/engagement team are also responsible for ensuring that appropriate documentation is in place for all work performed providing the necessary evidence to support their results.I/The Partners will supervise all work including tracking progress of the engagement, ensuring the right mix of staff are performing the engagement, whether the work is being carried out according to the planned approach, identifying and addressing any significant matters arising during the engagement and identifying matters for consultation or consideration by more experienced personnel.In the instance where a more junior member of my/our team is allocated work, this work will be subject to more guidance and review to not only help develop that team member but to also ensure the quality of the resulting output to the client.All engagements will be reviewed and signed off by myself/the partners with ultimate responsibility for results and compliance with the Professional Standards and applicable legal and regulatory requirements resting with me/us.There may be situations where I/we do not have the appropriate internal resources to meet all the engagement’s needs. In this instance I/we may seek external consultants to assist us. In these instances I/we will ensure that appropriate considerations are made to determine that the consultant(s) have the competence and capabilities to assist and are suitably qualified. There will also be regular discussions about the engagement including applicable timelines so that there are clear expectations. |
| Procedures for Engagement Performance |
| Minute your review of junior staff members for each engagement they are involved in outlining where the development opportunities this can also form part of your human resources procedures |
| For Audit and Assurance firms develop a differences of opinion resolution form |
| Include the use of work checklists to maintain consistency. Example of this might be the planning checklist, non-audit engagement checklist and the accounting job sheet.  |
| Include work papers which provide evidence that your policies are being followed |

# Example Checklist for Engaging Outside Consultants

|  |  |  |  |
| --- | --- | --- | --- |
| Client name |  | Client code |  |
| Date |  | Prepared by |  |

|  |  |
| --- | --- |
| Outside consultant’s name/firm |  |
| Reason for use |
|  |
|  |
|  |
|  |

|  |  |  |
| --- | --- | --- |
| **Yes\*** | **No** |  |
| ☐ | ☐ | Client advised of use |
| ☐ | ☐ | Written brief forwarded to Consultant |
| ☐ | ☐ | Client advised of estimated cost for Consultant |
| ☐ | ☐ | Written advice received and forwarded to client |
| If no, how was client advised? |
|  |
|  |
|  |

|  |  |
| --- | --- |
| Partner |  |
| Date |  |

# Example Differences of Opinion Resolution

|  |
| --- |
| Facts |
|  |
| Implication |
|  |
| Treatment/opinion #1 |
|  |
| Treatment/opinion #2 |
|  |
| Source of information used to resolve the matter |
|  |
| Recommended/agreed approach/resolution |
|  |
| Matter finalised with resolved action taken | ☐ Yes | ☐ No |
| Reviewed |  | Date  |  |
| Partner |  |  |  |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Monitoring

The monitoring of the quality control system provides the firm with added confidence that its policies and processes are working as designed, and meet the objectives of APES 320. As professional standards, legal and regulatory requirements change, so too must the firm’s system of quality control. Similarly, as the firm’s clientele, philosophy of operation or specialties change, it is important to update the firm’s system of quality control. The monitoring function assists with the identification of these changes. Additionally, the firm must determine whether there have been any system design flaws or implementation issues, so that improvements can be made and communicated.

Ensuring the quality control policies and procedures are up-to-date is an important responsibility. This is ideally a role for the firm’s quality control manager.

## Assurance Practices only

The monitoring of the quality control system for assurance practices is stricter than for other areas of the firm. There are additional requirements for inspection, documentation, communication, and remedial actions.

## Complaints and Allegations

From time to time, a firm may receive complaints and allegations regarding non-performance or non-compliance with professional and legal requirements, or with its system of quality control. Serious cases should be promptly dealt with and mechanisms put in place to reduce or eliminate the threat in future.

## Minimum documentation recommendations:

Document the firm’s policies and procedures for *Monitoring,* including:

* the assessment of the implementation and effectiveness of the firm’s system of quality control;
* the implementation of appropriate changes to deal with deficiencies or areas of non–compliance;
* the inspection of selected completed engagements for compliance; and
* how the firm deals with complaints and allegations relating to non-performance or non-compliance.

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| Policies for Monitoring |
| **Sole Practitioner No Staff**I am committed to ongoing evaluation of my system of quality control with responsibility resting with me. At least on a quarterly basis I will review the APESB website and (insert other applicable websites such as the AUASB website) to maintain my currency of knowledge and be aware of any changes which may need to be implemented.A review of a completed engagement for each engagement type will be done on an annual basis to evaluate the currently system of quality control in place to determine if the design and implementation has been effective. The review will also determine if the engagement was performed in adherence to the professional standards and applicable legal and regulatory requirements. As I am a member of CPA Australia holding a Public Practice Certificate I am subject to a quality review on a regular basis performed by an independent reviewer to my firm. This review will also form part of my monitoring process to determine if my design and implementation of my quality systems is relevant and effective. I am supportive of this process and the resultant feedback received.I am also aware of the possibility of receiving a complaint or allegation against my firm. All complaints will be dealt by me initially where investigations will be made immediately. Every complaint received will be assessed to determine if the issue arose due to deficiencies within my quality systems. All complaints will be recorded. Where a complaint is determined to be “serious” in its nature I may refer to a consultant to perform further investigations to help resolve the matter. I will also ensure that I will notify Professional Indemnity Insurers if necessary. |
| **Assurance Practices**If my firm receives a complaint from an assurance client where it is deemed to be “serious” I will refer the matter on to a consultant who will be responsible for investigating and resolving the matter. This is to ensure that the matter is dealt fairly and equitably.  |

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| Policies for Monitoring continued |

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| **Sole Practitioner With Staff**I am committed to ongoing evaluation of my system of quality control with responsibility resting with me. All engagements are reviewed and signed off by me before the final result is presented to the client. During the engagement there will be ongoing review by me to ensure adherence to the professional standards and applicable legal and regulatory requirements.At least on a quarterly basis an appointed staff member will review the APESB website and (insert other applicable websites such as the AUASB website) to review if any changes have occurred that may need to be implemented. They will summarise the changes and present these to me where I will review these to determine the best course of action. Any changes will be communicated to the wider team so that everyone is made aware.A review of a completed engagement for each engagement type will be done, selecting at least on file for each staff member, on an annual basis to evaluate the currently system of quality control in place to determine if the design and implementation has been effective. The review will also determine if the engagement was performed in adherence to the professional standards and applicable legal and regulatory requirements. As I am a member of CPA Australia holding a Public Practice Certificate I am subject to a quality review on a regular basis performed by an independent reviewer to my firm. This review will also form part of my monitoring process to determine if my design and implementation of my quality systems is relevant and effective. I am supportive of this process and the resultant feedback received.I am also aware of the possibility of receiving a complaint or allegation against my firm. All complaints will be dealt by me initially where investigations will be made immediately. Every complaint received will be assessed to determine if the issue arose due to deficiencies within my quality systems. All complaints will be recorded. Where a complaint is determined to be “serious” in its nature I may refer to a consultant to perform further investigations to help resolve the matter. I will also ensure that I will notify Professional Indemnity Insurers if necessary.I will also ensure I provide a work environment where staff feel they are free to bring forward any concerns they may have without the fear of reprisal. In the instance where the concern is with me directly I may bring in a consultant to help resolve the situation as well as to provide a fair and equitable process to the staff member concerned. |
| **Assurance Practices**If my firm receives a complaint from an assurance client where it is deemed to be “serious” I will refer the matter on to a consultant who will be responsible for investigating and resolving the matter. This is to ensure that the matter is dealt fairly and equitably.  |

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| Policies for Monitoring continued |

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| **Multi Partner Firm**We are committed to ongoing evaluation of our system of quality control with responsibility resting with the partners.All engagements are reviewed and signed off by the relevant partner before the final result is presented to the client. During the engagement there will be ongoing review by the relevant partner to ensure adherence to the professional standards and applicable legal and regulatory requirements.On a bi-monthly basis the partner assigned responsibility for quality control will perform an informal review of the practice to assess the quality control systems are being utilised. Discussions of the results will be held at the following team meeting to assign any follow up tasks. At least on a quarterly basis an assigned staff member will review the APESB website and (insert other applicable websites such as the AUASB website) to review if any changes have occurred that may need to be implemented. They will summarise the changes and present them to the partner responsible for quality control where they will review these to determine the best course of action. Discussions amongst the partners will follow with any changes being communicated to the wider team so that everyone on board.A review of a completed engagement for each engagement type for each partner will be done on an annual basis to evaluate the currently system of quality control in place to determine if the design and implementation has been effective. The review will also determine if the engagement was performed in adherence to the professional standards and applicable legal and regulatory requirements. As members of CPA Australia holding a Public Practice Certificate we are subject to a quality review on a regular basis performed by an independent reviewer to our firm. This review will also form part of our monitoring process to determine if our design and implementation of our quality systems are relevant and effective. We are supportive of this process and the resultant feedback received.We are also aware of the possibility of receiving a complaint or allegation against our firm. All complaints will be dealt by the applicable partner initially where investigations will be made immediately. Every complaint received will be assessed to determine if the issue arose due to deficiencies within our quality systems. All complaints will be recorded. Where a complaint is determined to be “serious” in it’s nature we may refer to a consultant to perform further investigations to help resolve the matter. We will also ensure that we will notify Professional Indemnity Insurers if necessary.We will also ensure that we provide a work environment where staff feel they are free to bring forward any concerns they may have without the fear of reprisal. In the instance where the concern is with a particular partner we will assign the matter to another partner to help resolve the situation as well as to provide a fair and equitable process to the staff member concerned. |
| **Assurance Practices**If our firm receives a complaint from an assurance client the complaint will be assigned to a partner not involved in the engagement who will be responsible for investigating and resolving the matter. |

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| Procedures for Monitoring |
| **Sole Practitioner No Staff** As part of my documented quality control procedures I maintain a record of when I review the applicable websites. As part of this record I include any notes taken that are relevant to my firm, particularly if any changes need to be made.A separate record is kept recording and maintaining records of my recently completed quality review. Included with this file is my letter from CPA Australia confirming my successful completion of the quality review process, my review report which forms part of my guidance material for any changes I need to make along with any other applicable correspondence.I keep a documented record of the files reviewed each year to assess my quality control systems along with any corresponding notes with this document readily available if requested from CPA Australia and any other applicable governing body. I ensure that I am not reviewing the same files each year to fully test my systems.For any complaints received a file will be created which will outline the complaint, manage the investigation process ensuring that the client is fully informed and record the end result of my investigation.In the event that I need to hire an external consultant to help resolve a matter I will ensure that there are clear timeframes in place to facilitate responding to the client in a reasonable fashion. Any discussions with the consultant will be file noted along with any correspondence received copied into the corresponding file.All complaints received from clients will be sent a formal letter outlining the results of any investigation done. |
| **Sole Practitioner with Staff**As part of my documented quality control procedures the assigned staff member maintains a record of when they review the applicable websites. As part of this record they include any notes taken that are relevant to my firm, particularly if any changes need to be made. The results of their findings are communicated to everyone at team meetings and I sign off their record on an annual basis. This also forms part of their annual review process.A separate record is kept recording and maintaining records of my recently completed quality review. Included with this file is my letter from CPA Australia confirming my successful completion of the quality review process, my review report which forms part of my guidance material for any changes I need to make along with any other applicable correspondence.I keep a documented record of the files reviewed each year to assess my quality control systems along with any corresponding notes with this document readily available if requested from CPA Australia and any other applicable governing body. I ensure that I am not reviewing the same files each year to fully test my systems.For any complaints received, from either staff or clients, a file will be created which will outline the complaint, manage the investigation process ensuring that the client/staff member is fully informed and record the end result of my investigation.In the event that I need to hire an external consultant to help resolve a matter I will ensure that there are clear timeframes in place to facilitate responding to the client/staff member in a reasonable fashion. Any discussions with the consultant will be file noted along with any correspondence received copied into the corresponding file.All complaints received from clients/staff members will be sent a formal letter outlining the results of any investigation done. |

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| Procedures for Monitoring continued |

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| **Multi Partner Firm**A record is kept of the bi-monthly informal review of the practice to assess the quality control systems. The record will include any findings made, when discussions were had, who is responsible for any follow up and expected time frames. The staff member responsible for reviewing the APESB website and (insert other applicable websites such as the AUASB website) maintains the record of when they performed the reviews, recording the changes to be made and when they presented these to the responsible partner. The partners maintain a register to state what files formed part of the annual engagement review process documenting any arising issues and actions to be resolved. Each partner will maintain their records of their most recently completed quality review. Included with this file is their letter from CPA Australia confirming their successful completion of the quality review process, their review report which along with any other applicable correspondence. A summary of each partner’s review findings are filed together which is then used to make any necessary changes.Any complaints received, either from clients or staff, have a file created which outline the complaint, documents who is assigned to manage the investigation process ensuring that the client/staff member is fully informed and record the end result of the investigation.In the event that we need to hire an external consultant to help resolve a matter we ensure that there are clear timeframes in place to facilitate responding to the client/staff member in a reasonable fashion. Any discussions with the consultant will be file noted along with any correspondence received copied into the corresponding file.All complaints received from clients/staff members will be sent a formal letter outlining the results of any investigation done. |

For a more comprehensive list of areas to consider, you should consult Section 3 of the CPA Australia Quality Control Manual, which is available at the CPA Australia website ([cpaaustralia.com.au](http://www.cpaaustralia.com.au)).

# Appendices

In your quality control manual you may like to introduce an appendices section where all your templates
(eg checklists, engagement letters etc) are stored and cross referenced to within your manual. At the front of the section you may like to list all the documents like an index and then place copies of all documents from there.

To discover more about the resources CPA Australia has designed to assist our members in public practice, such as sample engagement letters, checklists and more please visit the Practice Management Toolkit on the CPA Australia website [cpaaustralia.com.au/practicetoolkit](http://www.cpaaustralia.com.au/practicetoolkit)