

SELF-ASSESSMENT CHECKLIST FOR THE PURPOSE OF RENEWAL OF THE AUDIT LICENCE

Foreword

The purpose of this checklist, among other things, is for each member to perform a self-assessment exercise on the quality management practices and procedures (i.e., International Standard on Quality Management (ISQM) 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*) in place at the firm level. This checklist will form the basis for answering paragraph 4.5 of Form A2 *Application for the Renewal of Auditor Approval* for the renewal of member's audit licence every 2 years. While the submission of the checklist to the Accountant General's Department of Malaysia together with the relevant responses is NOT required, members are advised to keep a copy of the checklist with the corresponding responses for review or verification when being requested to do so. The self-assessment checklist will also be asked to be submitted together with the Practice Review (PR) Questionnaire when the firms are selected for PR after 15 December 2022.

This checklist can be downloaded from the Institute's website at [Public Practice Forms \(mia.org.my\)](http://Public Practice Forms (mia.org.my)). This checklist is effective on or after 15 December 2022 and shall supersede the checklist in use since 1 May 2009.

Introduction

The ISQM is a principles-based standard that deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements. While it remains principles-based, some of the process and procedures are mandatory for all firms that perform audit and review of financial statement engagements to adopt and implement in varying degrees.

The ISQM is to be read in conjunction with relevant ethical requirements. Laws, regulations or relevant ethical requirements may establish responsibilities for the firm's management of quality beyond those described in this ISQM. This ISQM applies to all firms performing audits or reviews of financial statements, or other assurance or related services engagements (i.e., if the firm performs any of these engagements, this ISQM applies and the system of quality management (SOQM) that is established in accordance with the requirements of this ISQM enables the consistent performance by the firm of all such engagements).

The objective of the firm is to design, implement and operate a SOQM for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that:

- a) The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

The public interest is thus served by the consistent performance of quality engagements. The design, implementation and operation of the SOQM enables the consistent performance of quality engagements by providing the firm with reasonable assurance that the objectives of the SOQM as stated above are consistently achieved. Quality engagements are achieved through planning and performing engagements and reporting on them in accordance with professional standards and applicable legal and regulatory requirements. Achieving the objectives of those standards and complying with the requirements of applicable law or

regulation involves exercising professional judgment and, when applicable to the type of engagement, exercising professional scepticism.

It is important for the Small and Medium Practices (SMP) to note that all firms, regardless of size, are required to comply with the ISQM 1, and if applicable, also ISQM 2 *Engagement Quality Reviews*. Having said that, for some aspects of the ISQM, a smaller firm may determine that there is no need to establish firm-wide responses, and the firm may instead design and implement responses that operate concurrently with the engagement-level quality management. As the whole quality management process is iterative in nature and quality management system is constantly evolving, it is perfectly acceptable for certain quality objectives to be addressed through different responses at the various component levels and similarly, in some instances, a single response can also address multiple quality objectives depending on the firm's circumstances and nature of engagements. This is where members are expected to exercise professional judgment when responding to the various point as highlighted in this checklist, prior to the declaration.

Consistent with any other publications, the final authority of the standard shall be the ISQM 1 standard as published by the Institute. Hence, reading the checklist is not a good substitute to reading the standard as a whole. The application materials from pages 21 to 71 of the ISQM 1 also provide useful context to the points as stated in this checklist.

For firms with their own internal quality and risk management manual, members can also rely upon their respective firm's internal quality management process and procedures to assist to respond to paragraph 4.5 of Form A2 *Application for the Renewal of Auditor Approval* accordingly as long as they are ISQM compliant. Exceptions will have to be declared as provided in the Form A2.

Please ensure that the declaration is done with the necessary diligence as it may impact the issuance of the Institute's support letter for your audit licence renewal.

For more guidance on ISQM, please visit the dedicated site here: <https://mia.org.my/knowledge-centre-resources/quality-management-standards/>

Should you need more information on this, please contact the Membership Department of the Institute at membership@mia.org.my.

Self-Assessment Checklist for the Purpose of Renewal of the Audit Licence

1.0 Quality Element 1: Firm's Risk Assessment Process (FRAP)

To design and implement a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address those quality risk.

		Note
1.1	Have you established the quality objectives for your firm? Are there any additional quality objectives relevant to your firm? What are those?	
1.2	Have you identified the quality risks that will provide the basis for the design and implementation of relevant responses? What are those?	
1.3	Have you designed and implemented the relevant responses to address those quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks? What are those?	
1.4	Have you established policies or procedures that are designed to identify information that indicates additional quality objectives, or additional or modified quality risks or responses, are needed due to changes in nature and circumstances of the firm or the engagements?	
1.5	Have you documented all these (policies, procedures, workflows) down appropriately?	

2.0 Quality Element 2: Governance and Leadership

To design and implement policies and procedures to address the quality objectives in relation to the firm's governance and leadership, which establishes the environment that supports the SOQM.

	Note
<p>2.1 How does the firm demonstrate a commitment to quality through a culture that exists throughout the firm which recognises and reinforces;</p> <ul style="list-style-type: none"> a. The firm's role in serving the public interest by consistently performing quality engagements; b. The importance of professional ethics, values and attitudes; c. The responsibility of all personnel for quality relating to the performance of engagements or activities within the SOQM and their expected behavior; and d. The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities. 	
<p>2.2 Have you established a quality objective that addresses the firm's governance and leadership to create an environment where leadership is responsible and accountable for quality?</p>	
<p>2.3 Have you established a quality objective that addresses the firm's governance and leadership in creating an environment where leadership demonstrates a commitment to quality through their actions and behaviors?</p>	
<p>2.4 Have you established an organisational structure and assignment of roles, responsibilities and authority that are appropriate to enable the design, implementation and operations of the firm's SOQM? Are these communicated internally to all personnel?</p>	
<p>2.5 How do you ensure that the firm's 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?</p>	
<p>2.6 Have you documented all these (policies, procedures, workflows) down appropriately?</p>	

3.0 Quality Element 3: Relevant Ethical Requirements

To design and implement policies and procedures to address the quality objectives in relation to the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence.

	Note
3.1 How does the firm ensure that its personnel: a. Understand the relevant ethical requirements which the firm and the firm's engagements are subject to; and b. Fulfill their responsibilities in relation to the relevant ethical requirements which the firm and the firm's engagements are subject to?	
3.2 How does the firm ensure others, including the network, network firms, individuals in the network or network firms, or service providers, who are subject to the relevant ethical requirements which the firm and the firm's engagements are subject to: a. Understand the relevant ethical requirements that apply to them; and b. Fulfill their responsibilities in relation to the relevant ethical requirements that apply to them?	
3.3 Have you documented all these (policies, procedures, workflows) down appropriately?	

4.0 Quality Element 4: Acceptance and Continuance of Client Relationships and Specific Engagements

To design and implement policies and procedures to address the quality objectives in relation to the acceptance and continuance of client relationships and specific engagements.

	Note
4.1 How does the firm ensure that the judgments by the firm about whether to accept or continue a client relationship or specific engagement are appropriate? (Considering information obtained about the nature and circumstances of the engagement and ethical values of the client (including	

	management, and, when appropriate, those charged with governance) that is sufficient to support such judgments and the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements)	
4.2	How does the firm ensure that the financial and operational priorities do not lead to inappropriate judgment about whether to accept or continue a client relationship or specific engagement?	
4.3	Have you documented all these (policies, procedures, workflows) down appropriately?	

5.0 Quality Element 5: Engagement Performance

To design and implement policies and procedures to address the quality objectives in relation to the performance of quality engagements.

		Note
5.1	How does the firm ensure that the engagement teams understand and fulfill their responsibilities in connection with the engagements, including, the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement)?	
5.2	Has the firm considered the nature, timing and extent of direction and supervision of engagement teams and review of the work performed where appropriate based on the nature and circumstances of the engagements and the resources assigned or made available to the engagement teams?	
5.3	How does the firm ensure that the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced team members?	
5.4	How does the firm ensure engagement teams exercise appropriate professional judgment and scepticism throughout the performance of engagement?	

5.5	Is there appropriate consultation on difficult or contentious issues being undertaken and the conclusion agreed upon are subsequently implemented?	
5.6	Are 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 SOQM being brought to the attention of the firm and appropriately resolved thereafter?	
5.7	How does the firm ensure that 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?	
5.8	Have you documented all these (policies, procedures, workflows) down appropriately?	

6.0 Quality Element 6: Resources

To design and implement policies and procedures to address the quality objectives in relation to appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the SOQM.

		Note
6.1	How does the firm ensure that personnel are hired, developed and retained and have the competence and capabilities to: <ul style="list-style-type: none"> a. Consistently perform quality engagements, including having the knowledge or experience relevant to the engagements; and b. Perform activities or carry out responsibilities in relation to the operation of the firm's SOQM? 	
6.2	How does the firm ensure its 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 recognised through timely evaluations, compensation, promotion and other	

	incentives? What are the steps that has been taken to reinforce this regularly?	
6.3	How does the firm ensure individuals are obtained from external sources when the firm does not have sufficient or appropriate personnel to enable the operation of the firm's SOQM or performance of engagements?	
6.4	How does the firm ensure engagement team members are assigned to each engagement, including an engagement partner, have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements?	
6.5	How does the firm ensure individuals are assigned to perform activities within the SOQM have appropriate competence and capabilities, including sufficient time, to perform such activities?	
6.6	How does the firm ensure appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's SOQM and the performance of engagements?	
6.7	How does the firm ensure appropriate intellectual resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's SOQM and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements?	
6.8	How does the firm ensure human, technological or intellectual resources from service providers are appropriate for use in the firm's SOQM and in the performance of engagements, taking into account the relevant quality objectives as listed herein?	
6.9	Have you documented all these (policies, procedures, workflows) down appropriately?	

7.0 Quality Element 7: Information and Communication

To design and implement policies and procedures to address the quality objectives in relation to obtaining, generating or using information regarding the SOQM and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the SOQM.

		Note
7.1	How does the firm ensure that it has in place an information system that identifies, captures, processes and maintains relevant and reliable information that supports the SOQM whether from internal or external sources?	
7.2	How does the firm ensure that it has in place a culture of information sharing (it is the responsibilities of all personnel to exchange information with the firm and with one another when obtaining, generating or using information regarding the firm's SOQM)?	
7.3	How does the firm ensure that relevant and reliable information is exchanged throughout the firm and with the engagement teams, including: a. Information that 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 SOQM or engagements; and b. Personnel and engagement teams communicating information to the firm when performing activities within the SOQM or engagements?	
7.4	How does the firm ensure that relevant and reliable information is also communicated to external parties where appropriate?	
7.5	Are all these (policies, procedures and work processes) appropriately documented?	

8.0 Quality Element 8: Monitoring and Remediation Process (MRP)

To design and implement a Monitoring and Remediation Process to provide relevant, reliable and timely information about the design and implementation and operation of the SOQM and to take appropriate actions to respond to identified deficiencies such that the deficiencies are remediated on a timely basis.

	Note
8.1 Have you designed and performed monitoring activities to provide a basis for the identification of deficiencies? What are those activities?	
8.2 Have you included the inspection of completed engagements in the monitoring activities? What is the basis of the files or selection of partners?	
8.3 Have you evaluated the findings to determine whether deficiencies exist, including in the MRP? How severe are the findings? Are these pervasive in nature? Was there the conduct of a root cause analysis?	
8.4 How has the firm responded to the identified deficiencies?	
8.5 Have the individual(s) assigned operational responsibility for the MRP evaluated whether the remedial actions: a. Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented appropriately; and b. Implemented to address previously identified deficiencies are effective? and whether other appropriate actions will need to be taken if either step (a) or (b) above is demonstrated to be ineffective?	
8.6 How has the firm responded to circumstances when findings indicated that there are engagement(s) for which procedures required were omitted during the performance of the engagements or the report issued is inappropriate?	

<p>8.7 Did the individual assigned operational responsibility for the MRP communicate on a timely basis to the individual assigned ultimate responsibility and accountability for the SOQM and the individual assigned operational responsibility for the SOQM the following:</p> <ul style="list-style-type: none"> a. A description of the MRP activities performed; b. The identified deficiencies, including the severity and pervasiveness of such deficiencies; and c. The remedial actions to address the identified deficiencies. 	
<p>8.8 Did the firm communicate the matters described in the immediate paragraph above to engagement teams and other individuals assigned activities within the SOQM to enable the respective party to take prompt and appropriate action in accordance with their domain of responsibilities?</p>	
<p>8.9 Are all these (policies, procedures and work processes) appropriately documented?</p>	

Specified Responses (Mandatory)

<p>8.10 Has the firm established policies or procedures for:</p> <ul style="list-style-type: none"> a. Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and b. Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner? 	
<p>8.11 Has the firm obtained, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent?</p>	
<p>8.12 Has the firm established policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements</p>	

	or non-compliance with the firm's policies or procedures established in accordance with this ISQM?	
8.13	Has the firm established policies or procedures that address circumstances when: a. The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or b. The firm is obligated by law or regulation to accept a client relationship or specific engagement?	
8.14	Has the firm established policies or procedures that: a. Require communication with those charged with governance when performing an audit of financial statements of listed entities about how the system of quality management supports the consistent performance of quality audit engagements; b. Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management and the nature, timing and extent of information to be provided?	
8.15	Has the firm established policies or procedures that address engagement quality reviews in accordance with ISQM 2 where appropriate?	

9.0 Evaluating the System of Quality Management

		Note
9.1	Has the firm evaluated the SOQM? Is this done on an annual (or other more regular) basis?	
9.2	What was the result of the evaluation? Was there a need for follow through actions?	
9.3	Has the firm undertaken periodic performance evaluations of the individual(s) assigned ultimate responsibility and	

	accountability for the SOQM and the individual assigned operational responsibility for the SOQM? What was the result of the evaluation?	
9.4	Are all these (policies, procedures and work processes) appropriately documented?	