



Part Three: Monitoring and Remediation

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Contents

Introduction to Part Two

1

Risk assessment

Error! Bookmark not defined.

Specified responses

Error! Bookmark not defined.

Additional responses

Error! Bookmark not defined.

Next steps

Error! Bookmark not defined.

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Introduction to Part Three

The next step

This document is the companion to, and follows on from, **Part Two: Risk Assessment and Responses**. Before starting to work through this document, you should have considered each of the quality objectives set out in ISQM 1 (and any further objectives that you consider relevant to the firm), identified and assessed quality risks to achieving these quality objectives, and planned responses, using Parts One and Two of the toolkit.

In this document, you will establish the Monitoring and Remediation process set out in **paras 35-47** of ISQM 1

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Other responses

Engagement-specific monitoring

Engagement-specific responses (including those relating to ethics, acceptance and continuance and engagement performance) will generally fall into two categories: those that can be **quickly checked** and those that will require **engagement review**. For example, a response that requires audit partner review of a (re)appointment form can be checked quickly (scanning for evidence of RI signature on a paper file or of RI sign-off in a paperless context). However, confirming that the partner's conclusion was appropriate requires more detailed review of the circumstances including the ethical threats identified and safeguards adopted.

We recommend that you develop monitoring activities that perform quick checks on a large sample basis (or for all audits), and then determine what detailed review is needed. A regular cold review of an audit file – dealt with in the next part of this document – should focus on most of the relevant audit quality aspects, but you may wish to specify a particular topic to examine (a 'thematic review').

Firm's proposed engagement-specific response(s)	How will this response be monitored?	Assigned to	Frequency	Record

Other responses

Dealing with deficiencies

The IUR and IOR will need to ensure they dedicate regular time to review the findings from the firm's monitoring activities. These may reveal deficiencies in any part of the SOQM (including the monitoring and remediation process itself!).

The ISQM 1 approach to deficiencies identified in the SOQM is set out in **paras 41-45**, and can be summarised as follows:

1. Perform **root cause analysis (RCA)** to investigate root causes. This is an iterative process, designed to consider the severity and pervasiveness of the deficiency. There are various ways in which to conduct RCA, but at its simplest, this will mean repeated questioning about the reasons for deficiency (and the reasons for those reasons) until no deeper reason can be deduced.
2. Evaluate the effect of the deficiencies, individually and in aggregate, on the SOQM.
3. Design remedial actions and implement these, with critical evaluation of their outcomes (including the results of previous remediation).
4. If a deficiency on an individual engagement is critical (e.g. the auditor performs insufficient procedures), consider how to deal with this including possible legal advice.

We suggest you record any deficiencies that relate generally to the firm. However, engagement-specific deficiencies should be recorded as part of the documentation for that engagement.

Other responses

⚠ Deficiency: [briefly summarise the nature of the deficiency]

Describe the deficiency observed

Provide links to additional documents if needed.

What did RCA suggest was the root cause?

Provide a link to any underlying RCA document, and use this space to briefly summarise the root cause.

How severe and pervasive is this deficiency?

Low impact Moderate impact High impact Critical impact

Detail the proposed remediation action

Include sufficient detail or provide a link to other documentation.

Who is responsible for taking remedial action and how will the firm check that this has been completed?

Set a deadline for follow-up review to assess the effectiveness of this remedial action

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