

MONITORING

vs.

EVALUATION

WHO?

5.92 Monitoring is most effective when performed by persons who do not have responsibility for the specific activity being monitored.

5.128 The senior-level official assigned responsibility and accountability for the system of quality management should evaluate the system of quality management.

5.91 The audit organization should establish policies and procedures that address the objectivity of the individuals performing the monitoring and remediation activities and require those individuals to have sufficient competence, authority, and time to perform those activities.

WHAT?

5.94 Monitoring activities may include:

- assessing the appropriateness of the audit organization's policies and procedures, guidance materials, and any practice aides
- evaluating new developments in professional standards and applicable legal and regulatory requirements and how they are reflected in the audit organization's policies and procedures, when appropriate
- reviewing written affirmation of compliance with policies and procedures on independence
- inspecting engagement documentation and reports for a selection of engagements
- assessing the effectiveness of staff training
- evaluating decisions related to acceptance and continuance of relationships with audited entities and specific engagements
- assessing audit organization personnel's understanding of the audit organization's quality management policies and procedures

5.129 When evaluating and concluding on the system of quality management, the senior-level official assigned responsibility and accountability for the system of quality management should consider:

- the audit organization's quality risk assessment process, including its quality objectives, quality risks, and responses to the extent to which the audit organization's responses address quality risks
- the results of the monitoring and remediation process

Inspection is retrospective (5.101) and may include (5.103) the review of engagements to determine if responses to address quality risks at the engagement level have been implemented and designed and are operating effectively.

5.90 Audit organization should design and perform monitoring and remediation activities to:

- provide relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management
- take appropriate actions to respond to identified deficiencies so that they are remediated on a timely basis.
- enable it to assess compliance with professional standards and with policies and procedures it has established to address quality risks

WHEN?

5.96 The audit organization's monitoring activities may comprise a combination of ongoing monitoring activities and periodic monitoring activities

Ongoing monitoring activities are generally routine activities built into the audit organization's processes and performed on a real-time basis

Periodic monitoring activities are conducted at certain intervals by the audit organization

5.128 The senior-level official assigned responsibility and accountability for the system of quality management should evaluate the system of quality management. This evaluation should be undertaken as of a point in time and performed at least annually.

FINDINGS

5.111 A finding in relation to a system of quality management is information about the design, implementation, and operation of the system of quality management that the audit organization has accumulated through the performance of monitoring activities and from other relevant sources, which indicates that one or more deficiencies may exist

5.110 The audit organization should evaluate the severity and pervasiveness of identified deficiencies in the system of quality management by investigating their underlying causes and evaluating their effect, both individually and in the aggregate, on the system of quality management

5.114 A deficiency in the audit organization's system of quality management exists when

- a quality objective required to achieve the objective of the system of quality management is not established
- a quality risk, or combination of quality risks, is not identified or properly assessed
- a response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the responses are not properly designed, implemented, or operating effectively, or
- another aspect of the system of quality management is absent, not properly designed, implemented, or operating effectively, such that a requirement in this chapter has not been addressed

REMEDIATION

5.119 The audit organization should design and implement remedial actions that respond to the results of the analysis of underlying causes to address identified deficiencies in the system of quality management.

5.125 The audit organization should communicate to appropriate personnel, including the senior-level official assigned responsibility and accountability for the system of quality management, and relevant engagement partners or directors (as well as engagement teams and others within the system of quality management 5.126):

- a description of the monitoring activities performed
- the identified deficiencies, along with information about their severity and pervasiveness
- the remedial actions to address identified deficiencies

CONCLUSION

5.128 Based on this evaluation, the senior-level official concludes and documents one of the following:

- the system of quality management provides the audit organization with reasonable assurance that the objective of the system of quality management is being achieved
- except for matters related to identified deficiencies that have a severe but not pervasive effect on its design, implementation, and operation, the system of quality management provides the audit organization with reasonable assurance that the objective of the system of quality management is being achieved
- the system of quality management does not provide the audit organization with reasonable assurance that the objective of the system of quality management is being achieved

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