

Quality at RSM

An excerpt from RSM's 2022 Global Annual Review

Uncompromising integrity and a focus on quality

Following the easing of COVID restrictions in most countries during 2022, many of our Member Firms pivoted to a hybrid model of working. The evolution of our working environments combined with new or changing regulatory requirements drove significant change projects across the year for RSM – with a focus on maintaining and building upon our high standards of quality.

In April 2022, RSM replaced its global online independence, relationship, and conflict of interest tracking tool with RSM InTrust. The implementation of this new global independence entity management system in all Member Firms was achieved through the collaboration of over 200 Ethics and Independence Champions from across RSM. This was a significant change project involving eight workstreams covering areas such as: business requirements development, reorganisation of client and affiliate data, migration of data, user acceptance testing, training, and implementation support. The key features of RSM InTrust will enable our engagement teams worldwide to move quickly and confidently to client or service independence conclusions.

A further change project in 2022 was the implementation of International Standard on Quality Management 1 (ISQM 1) which became effective on 15 December 2022. A Network-wide approach was developed through a series of internal ISQM 1 Roundtables, which facilitated the development of tools and training to assist Member Firms with their understanding and implementation of ISQM 1. RSM Member Firms have welcomed this important new standard, forming implementation teams that devoted extensive time on enhancing existing systems and controls to meet the requirements of ISQM 1. This involved performing risk assessments, identifying quality risks and then designing and implementing appropriate responses.

Continuing our focus on change and transformation, in 2022, RSM's Global Audit Centre of Excellence formed agile project teams to develop ideas for new and innovative client service offerings in assurance. Our immediate focus includes ESG Assurance services, Audit Delivery Centres, improved data analytics tools and the training of regional experts to assist audit teams to use these tools effectively. We are also dedicated to enhancing both the effectiveness and efficiency of our solution for auditing shared service centers and improved processes for recruiting and retaining staff with the key skills that we will need in the future. In addition, we continue agile development of our core audit solution, RSM Orb, and our consideration of different technology avenues and options for RSM Orb mark2.

Hybrid working requires the evolution of RSM's training programmes, and we have initiated the development of a suite of online learning modules for launch in 2023 to provide global audit training for staff – whether they be at the start of their careers, taking charge of group audits, or experienced Managers and Partners joining from other organisations. These modules are designed to provide high quality learning that staff and partners can access through our online learning and development portal, RSM Campus, when and where they need it.

As the post pandemic profession adjusts to the new ways of working, RSM continues to respond by developing innovative solutions and enhancing the resources and tools that we provide to Member Firms. Our pursuit of quality is never-ending and, following our achievements in 2022 and the projects that we are planning for 2023 and beyond, I am confident that our focus and commitment in this area will continue to reap rewards – meeting and exceeding expectations.



Marion Hannon

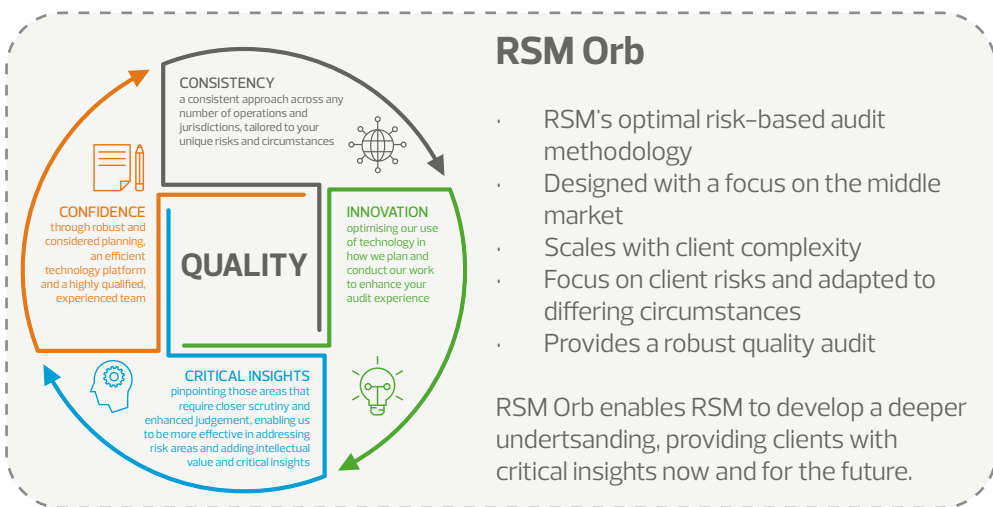
Global Leader, Quality & Risk

RSM International

Quality, Ethics and Independence

The RSM Global Leader, Quality & Risk has oversight over the quality of assurance and other services provided by Member Firms. These responsibilities specifically include:

- Meeting membership obligations of the Forum of Firms
- RSM quality assurance policies, procedures, and inspections
- RSM Orb
- Global ethics and independence
- Network wide and GEO operational risk registers
- Risk appetite statements



Global Quality Committee (GQC)

To ensure quality matters receive the time and attention necessary to drive uniform high-quality professional services, the Board established the Global Quality Committee in April 2021 as a successor to the Transnational Assurance Services Executive Committee. The GQC, as a sub-committee of the Board, operates as an overseer and a maker of recommendations to the Board for consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the CEO, officers, and other members of senior management.

According to its terms of reference, the GQC, whose members are appointed by the Board, consists of five to nine suitably qualified and experienced partners or equivalent from RSM Member Firms. The composition of the GQC is designed to ensure representation from across the RSM regions.

The Chair of the GQC is selected by the Board from members of the Committee and serves for a term of three years and can be renominated at the end of the three-year term. Current members of the GQC are from RSM Member Firms in Australia, France, Hong Kong, Mexico, South Africa, US and UK. The Chair of the GQC is from the RSM Member Firm in South Africa.

The GQC's responsibilities are to:

- Consider and recommend RSM policies in relation to:
 - >> Quality management systems/frameworks compliant with Standards issued by the International Auditing and Assurance Standards Board
 - >> Ethics and Independence compliance with the requirements of the International Ethics and Standards Board for Accountants
 - >> Quality Assurance & Risk Containment
 - >> Anti-Bribery and Corruption and any related or associated requirements
 - >> Learning and development, including professional development policies
 - >> The Member Firm Inspection Programme and Global Inspection Programme, which are designed to identify non-compliance with the policy requirements of the Committee
 - >> Confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation
 - >> Compliance with relevant data protection legislation to safeguard client and personal information and data
 - >> Non-audit services (to the extent necessary) complying with relevant international professional standards
 - >> Any other matters required to facilitate Network compliance with regulatory requirements
- Consider and approve procedures, guidance, minimum processes and controls to facilitate compliance with the RSM policies referred to above
- Review and approve the development and maintenance of an audit methodology, manuals and relevant guidance to ensure compliance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board
- Oversee the suitability of software tools or systems which:
 - >> House RSM Orb
 - >> Ensure compliance with RSM Ethics and Independence policies
 - >> Support the delivery of quality services or aid efficiency across the Network, including engagement risk and compliance systems or other systems used by all service lines

- Monitor compliance with policy, procedures, guidance, processes, and controls. This includes:
 - >> Oversight of the Member Firm and Global Inspection Programmes
 - >> Receiving reports on globally coordinated annual independence system monitoring
 - >> Preparing reports on compliance with policy, procedures, guidance, processes and controls. This includes the annual Quality & Alignment Report to the Board which summarises the results of the Member Firm and Global Inspection Programmes
 - >> Other monitoring activities, as necessary
- Monitor due diligence activities and approve due diligence reports for the recommendation to the Board for the admission of new Member Firms
- Review and comment on Learning and Development activities, considering whether these are consistent with key quality priorities
- Undertake any other activities pursuant to promoting quality across the Network
- Report to the Board on whether Member Firms have appropriate sanctions policies in place
- Recommend sanctions on Member Firms as a result of non-compliance with the Network's policy directives.

A range of sanctions is available where it is determined that a Member Firm is not complying with its Membership obligations across RSM's strategy, branding, quality standards, risk management and ethics and independence policies and processes. The proposed sanctions are presented by the Global Executive Office to the GQC for review, and a recommendation is then made to the CEO for approval. Where a Member Firm appeals against a sanction that has been imposed, the appeal is considered by the Board or a sub-committee of the Board. Under the Articles of Association of RSM International Limited, the Board has the ultimate authority with regard to the sanction of termination of Membership.



Ethics and independence policies

RSM maintains ethics and independence policies which all Member Firms are required to adopt. These policies help to ensure that Member Firms, partners, and professional employees comply with the independence and ethical requirements of the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards).

Each Member Firm has a Head of Ethics and Independence – a partner (or equivalent position) who has responsibility to augment these policies, as necessary. This includes ensuring that their Member Firm reflects any additional local ethical codes or regulatory requirements that establish higher standards than those reflected in the minimum RSM ethics and independence policies.

Any amendments made to the basic RSM policies (to include additional local requirements) must be submitted to the GEO for review. Partners or professional employees who have any questions regarding the RSM ethics and independence policies are required to consult promptly with their Member Firm's Head of Ethics and Independence. If the Member Firm's Head of Ethics and Independence has a question regarding these policies, they consult with the Global Ethics and Independence Leader.

Partners and professional employees are required annually to complete an independence compliance confirmation that they:

- Have read the RSM ethics and independence policies
- Have read their Member Firm's ethics and independence policies
- Understand the applicability to their activities
- Are, and have been for the past year, in compliance with those policies

Any qualifications to such confirmation are fully explained in writing and corrective actions are taken by a Member Firm. Annually the Managing Partner and Head of Ethics and Independence of each Member Firm are required to report in writing to the GEO that the Member Firm has undertaken minimum testing procedures to confirm compliance with RSM Ethics and Independence policies.

RSM has a Global Independence Committee comprised of representatives from Member Firms and members of the GEO. The committee provides input to the GEO on independence matters including the development of ethics and independence policies. In 2022 policy enhancements were made to require Member Firms to record business and financial relationships on RSM InTrust and revisions were made to the Conflicts of Interest Resolution policy.



RSM InTrust



Enhancing our global independence, through integrated entity management.



Enabling timely and informed data-driven decisions.



Meeting ever changing regulatory and client requirements through intelligent technology and automated processes.

An independence solution that empowers our teams and clients to move forward with confidence.

RSM InTrust is our integrated global independence, entity acceptance and service authorisation system, enabling timely and informed data-driven decisions to meet ever-changing regulatory requirements.

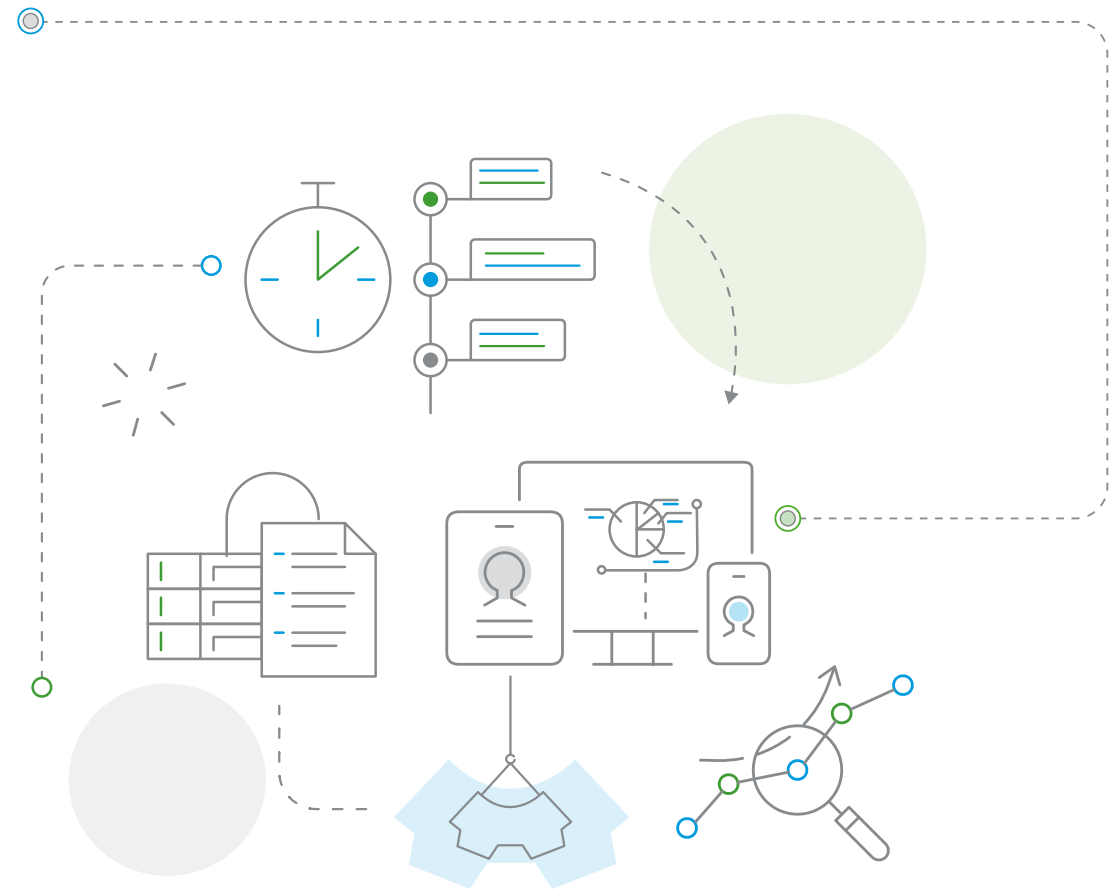
As we protect public interest, RSM InTrust safeguards the independence and collective objectivity of our Member Firms and professionals, helping to avoid conflicts of interest in client engagements, and empowering our teams around the world to move forward with confidence.

Identifying and resolving potential conflicts of interest

Member Firm partners and professional employees are required to consult RSM InTrust and take such other precautions that are considered necessary in the circumstances to ensure compliance with the RSM Ethics and Independence policies with respect to financial, business, family, or employment interests. They are also required to ensure compliance with respect to identifying potential conflicts of interest in the services Member Firms provide to clients or prospective clients – particularly international groups. Annually, Member Firms are required to perform procedures to assess the completeness and accuracy of their client information required to be included on RSM InTrust, and report accordingly to the GEO.

When a Member Firm partner or professional employee identifies a potential impairment of independence or conflict of interest with respect to a client or prospective client of another Member Firm through system searches and other conflict of interest checks, the Head of Ethics and Independence of the Member Firm is required to be informed. The Head of Ethics and Independence communicates the relevant details of the client (or prospective client) and engagement to the Head of Ethics and Independence of the other relevant Member Firm(s). The(se) relevant Heads of Ethics and Independence then assess the facts and circumstances relating to the potential impairment of independence or conflict of interest and apply the appropriate safeguards, which may include withdrawal from an engagement or opportunity.

If Member Firms are unable to agree appropriate safeguards, the GEO and the Chair of the Board are requested to consider the potential impairment of independence or conflict of interest. The Member Firms provide the GEO with the necessary information regarding the relevant facts and circumstances, which will be used to assess the potential impairment of independence or conflict of interest. The GEO and the Chair of the Board will then, after considering the request and information provided, make a recommendation as to the resolution of the potential impairment of independence or conflict of interest which the Member Firms are required to follow.



Quality-related policies and requirements

International Standard on Quality Management 1 (ISQM 1)

ISQM 1 became effective on 15 December 2022. In preparation, the following materials were provided to Member Firms:

- A proforma tool for documenting the system of quality management
- Individual webinars on each of the components of a system of quality management which discussed the standard in detail and provided practical examples to assist Member Firms.
- Regular meetings for those responsible for implementing ISQM 1 to take a deeper dive into the standard
- Information on RSM Network Requirements and Network Services.

Client acceptance/continuance

Providing high-quality assurance services requires that RSM Member Firms accept only clients who share RSM's core values and beliefs. Member Firms are required to only enter into relationships with clients who fit key RSM acceptance criteria and who are prepared to pay a fair fee for high-value work.

Criteria include:

- The client acts with integrity and adheres to compliance with all local laws and regulations, including anti-money laundering requirements
- The Member Firm complies with RSM ethics and independence policies and is not entering into any client relationship or engagement which would be prohibited under those policies
- The Member Firm understands the client's needs and service requirements
- The Member Firm has the necessary capabilities available, including sufficient resources and expertise, to perform the work required by the client and to render the necessary reports and other deliverables within the reporting time frames
- During the client acceptance process, the prospective engagement partner, or lead assignment partner, also assesses the level of risk attached to the engagement and determines whether special staffing, supervision and review requirements apply. A second partner is assigned to concur with a conclusion to accept any engagement or a client relationship that meets certain risk profiles.

RSM Orb

Quality is a fundamental cornerstone for RSM and, in order to support Member Firms in performing high quality audits, RSM developed RSM Orb, RSM's risk-based audit solution. It is comprised of four elements:

- Proprietary Global Audit Methodology
- Global Audit Manual
- RSM template housed in licensed software
- Implementation guidance.

In accordance with RSM's focus on achieving common methods and processes across the Network, RSM Orb is required to be used by all Member Firms for all audits. To assist local implementation, RSM Orb is available in Chinese, English, French, German, Russian and Spanish.

RSM Orb includes requirements for engagement quality control reviews and mandatory consultations with a Member Firm's Head of Audit, Head of Ethics and Independence (or their designees) or another suitably qualified partner, as appropriate. RSM Orb complies with the requirements of the following:

- International Standards on Quality Management issued by the International Auditing and Assurance Standards Board (IAASB)
- International Standards on Auditing issued by the IAASB
- International Auditing Practice Statements issued by the IAASB
- RSM Quality Assurance and Risk Containment Policies.

Member Firms can tailor RSM Orb to include additional requirements arising from local laws and regulations in each jurisdiction.

Policy updates

The following quality related policies were significantly updated in 2022:

- RSM Quality Assurance and Risk Containment Policies, in response to the implementation of the ISQMs.
- RSM Ethics and Independence Policies as a result of the implementation of RSM InTrust and to leverage the controls within the system.
- RSM Anti-Bribery & Corruption Policies following a review for compliance with international best practice.

Membership of the Forum of Firms

RSM International is a member of the Forum of Firms, an association of international networks of accounting firms that perform transnational audits. RSM is active in and fully supports the objective of the Forum of Firms, which is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide and to support convergence of national audit and standards with the International Standards on Auditing. Marion Hannon, RSM's Global Leader for Quality & Risk, currently represents RSM as a member of the Forum of Firm's Transnational Auditors Committee.

Activities to assess and monitor quality

Global inspection and RSM Member Firm monitoring programmes

Each individual RSM Member Firm is required to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control over its assurance and other professional services practices are relevant, adequate, operating effectively, and are aligned with RSM expectations and all applicable requirements established by the International Federation of Accountants (IFAC) standard-setting boards in effect during the period including:

- International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Statements, and Other Assurance and Related Services Engagements.
- International Standard on Auditing (ISA) 220, Quality Control for an Audit of Financial Statements.
- IESBA International Code of Ethics for Professional Accountants (including International Independence Standards).

Further objectives of an RSM Member Firm's inspection programme include providing an evaluation of:

- The extent of the Firm's alignment with RSM policies and procedures.
- The Firm's adherence to local/national professional standards and applicable local/national legal and regulatory requirements.
- Whether the Firm's quality control system has been appropriately designed and implemented, so that reports that are issued by the Firm or engagement partners are appropriate in the circumstances.
- Areas where further actions are needed by either the Firm or RSM in order to take corrective actions or make improvements to the Firm's quality control system.

A distinct benefit of the inspection process is that it provides the opportunity to identify areas for improvement in engagement management and client service production and delivery systems. Under RSM's global inspection programme, an inspection team comprised of partners and staff from other Member Firms periodically performs an inspection at Member Firms on a cycle not exceeding three years.

RSM global inspections are conducted by independent qualified partners and senior personnel of other Member Firms under the direction of GEO personnel and the Global Leader, Quality & Risk. The RSM global inspection programme is also designed to meet the membership obligations of the Forum of Firms. The RSM International Board has the authority to impose sanctions on a Member Firm to ensure compliance with professional requirements and RSM methodologies, policies and procedures.

Member Firm admissions

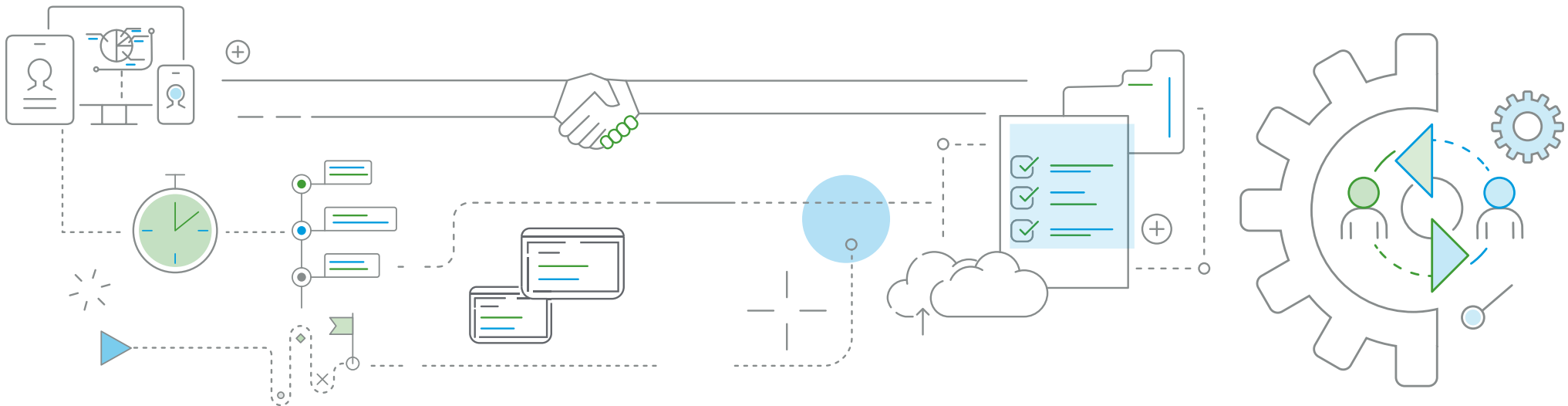
RSM seeks to admit new Member Firms that share the RSM vision, purpose, strategy, and values. Each prospective new Member Firm is subjected to a due diligence review, the outcome of which forms the basis for deciding whether to admit the firm as a Member Firm of RSM.

The due diligence review includes an assessment of:

- The quality and technical capability of the Firm and whether audit and non-audit services are conducted in compliance with applicable professional standards.
- The commitment of the Firm to a culture of high quality and ethical standards, through compliance with the requirements of ISQM1.
- Whether the Firm is aligned with RSM's global strategy.
- Whether the Firm can meet the commitments and expectations of being an RSM Member Firm.

The due diligence reviews have historically been conducted by qualified independent partners and senior personnel from current RSM Member Firms. In 2022, the due diligence process was redesigned such that the firmwide and file reviews are largely performed by members of the GEO with assistance by specialists from Member Firms as needed. This approach enables RSM to perform due diligence reviews on a more consistent and timely basis.

Following the due diligence, if a prospective Firm meets the criteria for membership of RSM a report is prepared for review and approval by the GQC. The CEO then makes a membership recommendation to the RSM International Board of Directors, which ultimately decides on admission of the Firm to RSM.





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