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Quality at RSM

An excerpt from RSM's 2023 Global Annual Review

A continuous pursuit of excellence

As I reflect on the quality landscape in 2023, our commitment to excellence and integrity has never been more important, as we seek to propel RSM to new heights.



2023 was marked by significant investments, both centrally and across our Member Firms, in people, technology, and other essential resources. These strategic investments, coupled with the transformative impact of the implementation of ISQM 1, have been the catalyst for a step change in the effectiveness of our quality monitoring.

As a global organisation, we also took significant strides, as we develop our audit of the future. This initiative represents a pivotal moment in our journey towards redefining and enhancing our audit services, ensuring that we continue to meet the evolving needs of our diverse client portfolio,

which ranges from local businesses to the largest listed entities. The development of our audit offering is a reflection of our strategic vision for 2030, highlighting our commitment to innovation and forward-thinking approaches to help us to continue to serve a dynamically changing client base.

In parallel, the development of an internal AI-powered chatbot, set for rollout in 2024, marks another milestone in our quest for quality. This is designed to assist our auditors in readily accessing and understanding our Global Audit Methodology, thereby further enhancing the consistency and reliability of our audit services worldwide.

Building on the foundations we put in place in 2022, RSM InTrust was further embedded across the global organisation to ensure we adhere to the complex and diverse independence requirements when serving different client types across multiple jurisdictions. Through dedicated training programs, the coaching of champions, and fostering a two-way dialogue between Members and the GEO on necessary changes, we have made substantial progress. Yet, we acknowledge that our journey is ongoing in this important area.

As we anticipate and continually adapt to the changing business and regulatory landscape, our strategy of developing innovative solutions and enhancing the support we offer to our Member Firms is resolute. Our focus is on meeting *and exceeding* the expectations of our clients, regulators and people. Our continuous pursuit of excellence remains central to our approach, as we steadfastly deliver on our purpose – to instill confidence in a world of change.

Marion Hannon,
Global Leader, Quality & Risk, RSM International

Quality, Ethics and Independence

The RSM Global Leader, Quality & Risk has oversight of policies, procedures and inspections related to services provided by RSM Member Firms.

The responsibilities of the global quality and risk team include:

- Meeting membership obligations of the Forum of Firms.
- RSM quality assurance policies, procedures, and inspections.
- RSM Orb, our global audit methodology and documentation solution.
- Global ethics and independence.
- Network wide and Global Executive Office (GEO) operational risk registers.

Global Quality Committee (GQC)

To ensure matters related to quality receive the time and attention necessary to drive uniform high-quality professional services, the Board established the Global Quality Committee as a successor to the Transnational Assurance Services Executive Committee. The GQC, as a sub-committee of the Board, oversees quality and makes 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 and other appropriate leaders globally.

The GQC Terms of Reference require its committee members to be appointed by the Board, consisting of five to nine suitably qualified and experienced senior leaders from Firms ensuring representation from across the RSM Regions.

The Chair of the GQC is selected by the Board from the Committee members and serves for a term of three years and can be renominated at the end of the three-year period. Current members of the GQC are from RSM Member Firms in Australia, Eastern Africa, Germany, Puerto Rico, Singapore, UK and US. The Chair of the GQC is from the RSM Member Firm in the UK.

The GQC's responsibilities are to:

- Consider and recommend RSM policies in relation to:
 - Quality management systems compliant with Standards issued by the International Auditing and Assurance Standards Board.
 - Ethics and Independence compliant with the requirements of the International Ethics and Standards Board for Accountants.
 - Quality Assurance and Risk Containment.
 - Anti-Bribery and Corruption and any related or associated requirements.
 - Learning and development in relation to quality, 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, together with 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 and/or systems which:
 - Comprise our digital audit ecosystem, including RSM Orb, our global audit methodology and documentation solution.
 - 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 related to the aforementioned services, and prepare the relevant reports, including:
 - Globally coordinated annual independence system monitoring.
 - The annual Quality & Alignment Report to the Board which summarises the results of the Member Firm and Global Inspection Programmes and the recommendations to address findings contained therein.
 - 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 steps and actions are available when it is determined that a Member Firm is not complying with its Membership obligations across RSM's quality standards, risk management and ethics and independence policies and processes. The proposed actions are presented by the GEO to the GQC for review, and a recommendation is then made to the CEO for approval.

Ethics and independence policies

Ethics

At RSM, we pride ourselves on our reputation for acting fairly and ethically wherever we do business. Ethical practices and independence are core to our behaviours, aligning with our values of uncompromising integrity, excellence in all we do and acting responsibly.

To support this, through RSM's Quality Risk and Containment Policies, each Member Firm is responsible for:

- Establishing an environment which recognises the importance of professional ethics, values and attitudes.
- Only entering into Client relationships based on consideration of the integrity and ethical values of the client.
- Providing training that includes the development of professional values, ethics and the essential attitudes to enable its Partners and Staff to act in an ethical manner that is in the public interest.

Anti-bribery and corruption

RSM has a zero tolerance approach to bribery and other forms of corruption. RSM condemns corruption in all its forms and will not tolerate it in the businesses of our Member Firms or in those with whom we do business. The RSM Anti-Bribery and Corruption Policy and Procedures seek to assist Member Firms in limiting their exposure to bribery and other forms of corruption.

Independence policies and procedures

Independence is essential to safeguarding public interest and delivering on our responsibility to clients and communities. To achieve this, RSM maintains ethics and independence policies, mandated for adoption across all Member Firms. These policies are designed to help ensure compliance 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 implement RSM's Ethics and Independence policies and augment them for any additional local requirements, 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 baseline 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. In instances where the Head of Ethics and Independence seeks clarification regarding these policies, they consult with the Global Ethics and Independence Leader.

Each Member Firm also has one or more Ethics and Independence Champion, who provide support to Partners and Staff within their Member Firm.



Independence training, annual confirmations and monitoring

Policies and procedures are supported by Ethics and Independence training; for example, the GEO develops e-learning relating to ethics and independence compliance which is made available to Member Firms to distribute to their teams.

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 exceptions to such confirmation are fully explained in writing and corrective actions are taken by the 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 their Firm has undertaken minimum testing procedures issued by the GEO and to confirm the results of that testing. The confirmations are subject to review by the GEO and the procedures performed are subject to review through the Global Inspection Programme.

Global Independence Committee

Our Global Independence Committee is comprised of representatives from Member Firms and a representative from the GEO. The Committee provides input to the GEO on independence matters including the development of ethics and independence policies, minimum processes and controls, systems, guidance and training.

RSM InTrust

RSM InTrust is our global entity management system that safeguards the independence and collective objectivity of 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. Member Firms are required by policy to ensure that RSM InTrust is searched before providing any service to any corporate client or prospect or before taking on any 'Other Relationship of Interest'. This is to help RSM Partners and Staff identify if a prospective service or relationship impacts an assurance client or assurance client affiliate of an RSM Firm.

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 an RSM Firm partner or employee identifies a potential impairment of independence or conflict of interest with respect to a client or prospective client of another Member Firm either through RSM InTrust or otherwise, the Head of Ethics and Independence of that Member Firm is required to be informed. The Head of Ethics and Independence communicates the relevant details of the client (or prospective client) and the 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 apply appropriate safeguards to reduce threats to an acceptable level, the potential impairment of independence or conflict of interest is addressed by withdrawing from, or declining, a particular relationship. If Member Firms, in consultation with Regional Leaders and others from the GEO, are unable to agree appropriate actions to address the potential conflict of interest, either or both Member Firm(s) shall request that the GEO convene a Conflicts Resolution Panel to recommend an approach to resolve the matter. The Panel is comprised of the CEO and two Regional Council Leaders that are not directly involved in the matter. If the Conflicts Resolution Panel is unable to reach an agreement on how the best interests of the Network would be served in the matter under consideration, they shall refer the matter to the Governance Committee of the Board. The Member Firms shall abide by the recommendation of the Governance Committee of the Board.

Quality-related policies and requirements

International Standard on Quality Management 1 (ISQM 1)

ISQM 1 became effective on 15 December 2022. To assist Member Firms that provided audit or other assurance services throughout 2023, the following materials were provided:

- An update to the proforma tool for documenting the system of quality management, to include a section where the annual point-in-time evaluation can be documented.
- Network results from the prior year inspection cycle to consider the effect on their system of quality management.
- Four additional comprehensive online courses on the practical application of ISQM 1. These courses cover:
 - Design and execution of monitoring activities.
 - Evaluation of the findings from monitoring activities, in line with ISQM 1 and RSM policies requirements, to identify deficiencies in the system of quality management.
 - Completion of an effective root cause analysis.
 - Design of a comprehensive remediation plan.
 - Point-in-time evaluation of a Member Firm's system of quality management.
 - Considerations for Member Firms in relation to the RSM Global Inspection Programme.

In a group audit, where a Member Firm determines the involvement of another Member Firm in the Network, the GEO facilitates, at their request, the provision of information through a quality dashboard that includes the results of previous inspections and other monitoring activities.

Client acceptance

Providing high-quality 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 the work they receive.

Criteria include:

- The Member Firm has considered information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the prospective client, including their adherence to compliance with all local laws and regulations and any local 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.
- The Member Firm is able to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.
- The financial and operational priorities of the Member Firm do not lead to inappropriate judgments about whether to accept a client relationship or specific engagement.
- 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/continue any engagement or a client relationship that meets certain risk profiles.

RSM Orb

RSM Orb, RSM's risk-based audit solution, ensures RSM Member Firms perform quality audits. It is comprised of four elements:

- Proprietary Global Audit Methodology
- Global Audit Manual
- Bespoke RSM digital documentation templates
- Implementation guidance

In accordance with RSM's focus on achieving common methods and processes across the Network, RSM Orb must 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.

As part of our commitment to quality, RSM has also developed a 4-year audit training programme, in a modular format, that covers the various aspects of our audit methodology. The RSM Orb course curriculum consists of 75 modules and is available to all Member Firms on RSM Campus, our global learning management system. Furthermore, our Member Firms can develop additional training that supplements the RSM Orb course curriculum to meet local needs.

RSM Orb includes requirements for engagement quality 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.



RSM Orb

- RSM's optimal risk-based audit methodology
- Designed with a focus on the middle market
- Scales with client complexity
- Focuses on client risks and is able to adapt to differing circumstances
- Enables the provision of robust quality audits

RSM Orb enables RSM to develop a deeper understanding, providing clients with critical insights now and for the future.

Preparing for Environmental, Social and Governance (ESG) reporting requirements

Recognising that every ESG journey is different, RSM has developed a cross service line Global ESG approach to help businesses identify their impact points, improve stakeholder and corporate risk management, and create lasting value and confidence through sustainability. This involves RSM experts from quality, risk and independence, the Global ESG Leadership Group, and ESG and sustainability professionals, in addition to a diverse range of professionals from risk advisory, technology, legal, consulting, tax, information security, marketing and sector experts.

RSM initiatives supporting global standards:

- The International Financial Reporting Standards Scope 1 and Scope 2 (IFRS S1 and S2).
- The Corporate Sustainability Reporting Directive (CSRD).
- The EU Taxonomy.
- The Carbon Border Adjustment Mechanism.
- Task Force on Climate-Related Financial Disclosures.
- Consultation for: The International Standard on Sustainability Assurance 5000 (ISSA 5000).

Global initiatives to manage risk, independence and support RSM professionals to serve clients:

- Global ESG Standards and Risk Evaluator Tool.
- Globally-consistent consulting and assurance methodologies – ESG maturity and double materiality assessments and ESG assurance methodologies.
- Associated process and technical training and supporting guidance materials, tools and insight.
- RSM ESG Regional Hubs – Globally connected regional ESG Hubs to provide cross-border services and a consistent experience for internationally active clients.

IFRS

In order to promote global quality and consistency in IFRS services, RSM has an IFRS Advisory Committee.

The Committee is comprised of several Member Firm representatives with deep expertise in IFRS. Current members of the IFRS Advisory Committee are from RSM Member Firms in Australia, Chile, France, Kuwait, UK and US. The Committee carries out the following activities:

- Conducting an annual IFRS training attended by experts from Member Firms where current IFRS topics are discussed.
- Delivering quarterly IFRS webinars.
- Publishing quarterly newsletters covering timely and relevant IFRS topics.
- Responding to consultations raised by Member Firms through the dedicated IFRS global helpdesk.
- Contributing to global comment letters on proposed new standards issued by standard-setting bodies.

The IFRS Advisory Committee has also overseen development of a suite of e-learning in relation to IFRS. These modules are made available to Member Firms through RSM Campus. The Committee continues to develop additional e-learning modules.

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 management over its assurance and other professional services practices are relevant, adequate, and operating effectively. Member Firms are also required to align with RSM expectations and all applicable requirements established by the International Federation of Accountants (IFAC) standard-setting boards, including:

- 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 and ISQM 2, Engagement Quality Reviews.
- International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements.
- IESBA International Code of Ethics for Professional Accountants (including International Independence Standards).



Each Member Firm's inspection process is an integral part of the monitoring and remediation process as part of their system of quality management, providing the opportunity to identify areas for improvement as well as best practices. Under RSM's Global Inspection Programme, every three years at a minimum, each Member Firm is inspected by a team that comprises professionals from other Member Firms.

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 Board has the authority to impose sanctions on a Member Firm to ensure compliance with professional requirements and RSM methodologies, policies and procedures.

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.

Member Firm admissions

RSM assesses whether new Member Firms seeking admission align with RSM's Purpose, Strategy, and Values through the preparation of a 'business case'. The business case is used by the CEO to evaluate RSM's needs in the country as well as whether the prospective Member Firm's profile and culture fits with RSM. Each prospective Member Firm is then 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 key principles in RSM's Global Strategy.
- Whether the Firm can meet the commitments and expectations of being an RSM Member Firm.

Firmwide procedures and file reviews are largely performed by members of the GEO with the assistance of specialists from Member Firms as needed. This centralised 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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