

Implementing a Yellow Book **System of Quality Management, Part 2:** *Monitoring and Remediation*

Presented by the Quality Management Subcommittee's
Working Group on the 2024 Revision to the Yellow Book, Quality Requirements

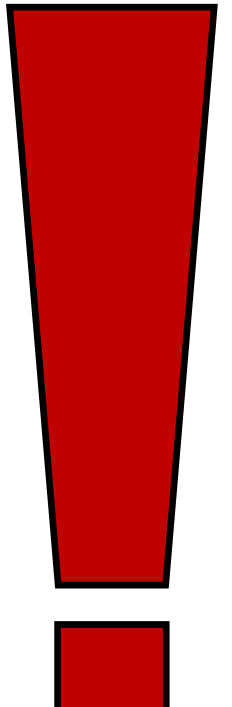
September 17, 2026

Disclaimer

The content within this presentation does not necessarily reflect or represent the official policy, procedures, positions, or perspectives the Quality Management Subcommittee (QMC) or the agencies, entities, or individuals associated with its creation.

This presentation is for informational purposes only and does not establish any criteria or instruction of its own.

The QMC and its affiliates are not responsible for the content of this document, including any errors or omissions.



Learning Objective

To learn system of quality management monitoring and remediation requirements and related implementation strategies employed by various federal executive audit organizations.



Agenda

- Monitoring and Remediation Process
- Evaluating the SQM

Monitoring and Remediation *(GAS 5.87)*

The audit organization should establish a process to monitor the design, implementation, and operation of the system of quality management to provide a basis for identifying deficiencies and remediating them on a timely basis.

What is monitoring?

A process comprising ongoing consideration and evaluation of the SQM. *(GAS 5.88)*

What is the purpose of monitoring?

Provide management with reasonable assurance that:

- The policies and procedures related to the SQM are suitably designed and operating effectively in practice
- Auditors have fulfilled their responsibilities in accordance with professional standards and applicable laws and regulations
- Auditors have performed and reported in accordance with such standards and requirements. (*GAS 5.88*)

What is the purpose of monitoring?

BONUS

Facilitates the proactive and continual improvement of engagement quality and the SQM. *(GAS 5.89)*

Designing and Performing *(GAS 5.90)*

Monitoring and Remediation activities should be designed and performed to:

- Provide relevant, reliable, and timely information about the design, implementation, and operations of SQM
- Take appropriate actions to respond to identified deficiencies so that they are remediated on a timely basis
- Enable the audit organization to assess compliance with professional standards and with policies it has established to address quality risks

Designing and Performing *(GAS 5.91)*

Should establish policies and procedures that address the objectivity of the individuals performing the monitoring and remediation activities and require those individuals have sufficient competence, authority, and time to perform these activities.

Designing and Performing *(GAS 5.106-107)*

The organization may consider threats to objectivity when designing the policies and procedures addressing the objectivity of the individuals performing monitoring activities.

NOTE: Individuals are not precluded from performing monitoring activities, including inspections, of their own compliance with a SQM. However, such self-inspections may be less effective than compliance inspections by another qualified individual.

Designing and Performing *(GAS 5.93)*

Monitoring activities will vary based on the audit organizations facts and circumstances.

Designing and Performing *(GAS 5.95)*

In determining the nature, timing, and extent of monitoring activities, may consider:

- Quality management risk assessments
- Design of the responses to address quality risks
- Changes to operating environment or SQM
- Results of previous monitoring activities
- Complaints and allegations

Designing and Performing (GAS 5.94)

Monitoring activities may include:

- Assessing appropriateness of policies and procedures, guidance etc.
- Inspecting engagement documentation and reports for a selection of engagements
- Assessing effectiveness of staff training
- Reviewing written affirmation of compliance with independence policies and procedures

Designing and Performing *(GAS 5.96)*

Monitoring activities may comprise a combination of ongoing monitoring and periodic monitoring.

- Ongoing monitoring = generally routine activities built into an organizations processes and performed on a real-time basis.
- Periodic monitoring = conducted at certain intervals

Designing and Performing *(GAS 5.101)*

Inspection is a retrospective evaluation of the adequacy of the audit organization's quality management policies and procedures, its personnel's understanding of those policies and procedures, and the extent of its compliance with them.

Designing and Performing *(GAS 5.101-102)*

The extent and nature of inspection procedures vary based on the audit organization's quality management policies and procedures and on the existence, effectiveness, and results of other monitoring activities.

Depends on many factors such as:

- Size of the organization
- Results of previous monitoring activities
- Nature and complexity of organization's practice and structure
- Risks associated with entities the organization audits and specific engagements

Designing and Performing *(GAS 5.103-104)*

Inspection procedures may include the review of engagements to determine if responses to address quality risks at the engagement level have been implemented as designed and are operating effectively. The matters considered during an inspection of an individual engagement depend on how the inspection will be used to monitor the SQM.

The results of inspection procedures may indicate that previous monitoring activities failed to identify a deficiency in the SQM. This information may affect the audit organization's consideration of the nature, timing, and extent of the monitoring activities.

Designing and Performing *(GAS 5.105)*

A peer review is **not** a substitute for monitoring activities. However, organizations may use the results of a peer review to consider improvements to the SQM.

Evaluating Findings and Deficiencies *(GAS 5.111)*

What is a Finding in relation to an SQM?

Information about the design, implementation, and operation of the SQM that the organization has accumulated through monitoring activities and other sources which indicate one or more deficiencies may exist.

Evaluating Findings and Deficiencies *(GAS 5.109-110)*

Should evaluate findings concerning the SQM to determine whether deficiencies exist, including in the monitoring and remediation process.

Should evaluate the severity and pervasiveness of identified deficiencies in the SQM by investigating their underlying causes and evaluating their effect, both individually and in the aggregate, on the SQM.

Evaluating Findings and Deficiencies *(GAS 5.114)*

What is a Deficiency in relation to an SQM?

Exists when:

- A quality objective required to achieve the objective of the SQM is not established.
- A quality risk, or a combination of quality risks, is not identified or properly assessed.
- A response, or a combination of responses, does not reduce the likelihood of a related risk to an acceptably low level because the responses are not properly designed, implemented, or operating effectively.
- Another aspect of the SQM is absent or not properly designed, implemented, or operating effectively.

Evaluating Findings and Deficiencies *(GAS 5.115)*

The organization exercises professional judgment in determining whether findings, individually or in combination, give rise to a deficiency in the SQM. In making the judgment, the organization may consider the relative importance of the findings in the context of the quality objectives, quality risks, responses, or other aspects of the SQM to which they relate.

NOT all findings, including findings about specific engagements, will be a deficiency.

Evaluating Findings and Deficiencies *(GAS 5.116)*

Factors the organization may consider in evaluating the severity and pervasiveness of an identified deficiency include the following:

- The nature of the identified deficiency, including the aspect of the SQM to which the deficiency relates, and whether the deficiency is in the design, implementation, or operation of the SQM
- If the identified deficiency related to a response, whether there are compensating responses to address the related quality risk
- The underlying causes of the identified deficiency
- How frequent the matter giving rise to the deficiency occurred
- The magnitude of the identified deficiency, how quickly it occurred, and its duration and effect on the SQM

Remediation *(GAS 5.119)*

The organization should design and implement remedial actions that respond to the results of the analysis of underlying causes to address identified deficiencies in the SQM.

Remediation *(GAS 5.120-121)*

The organization should evaluate the remedial actions to determine whether they are effective in addressing the identified quality management deficiencies and their related underlying causes.

If the evaluation indicates that the remedial actions are not effective, the organization should modify the remedial actions such that the identified deficiencies and the related underlying causes are addressed.

Remediation *(GAS 5.122)*

For Quality Management findings about a particular engagement:

The organization should respond to findings indicating that there is an engagement for which:

- Required procedures were omitted during the performance of the engagement or
- The report issued may not comply with professional standards or applicable laws or regulations.

Monitoring and Remediation *(GAS 5.125)*

The organization should communicate the following to appropriate personnel, including the senior-level official assigned responsibility and accountability for the SQM:

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

Evaluating the SQM *(GAS 5.128)*

The senior-level official assigned responsibility and accountability for the SQM should evaluate the SQM. Concludes and documents one of the following:

- The SQM provides reasonable assurance
- The SQM provides reasonable assurance except for matters related to identified deficiencies that have a severe but not pervasive effect
- The SQM does not provide reasonable assurance

Evaluating the SQM *(GAS 5.129)*

When evaluating and concluding on the SQM, the senior-level official assigned responsibility and accountability for the SQM should consider:

- The organization's quality management risk assessment process, including the extent to which the responses address the quality risks, and
- The results of the monitoring and remediation process.

The first evaluation of the SQM is due **December 15, 2026.**

Evaluating the SQM *(GAS 5.131)*

There may be circumstances when identified deficiencies that are severe (including those that are severe and pervasive) have been appropriately remediated and their effect corrected at the point in time of the evaluation. In such cases, the senior-level official assigned responsibility and accountability for the SQM may conclude that the SQM provides reasonable assurance that the objective of the SQM is being achieved.

Documentation *(GAS 5.133)*

Regarding the monitoring and remediation process, organizations should document:

- evidence of the monitoring activities performed,
- the evaluation of findings, and identified deficiencies and their related underlying causes
- remedial actions to address identified deficiencies and the evaluation of the design and implementation of such remedial actions; and
- communications about monitoring and remediation

