***Human Resources:***

The wealth of any firm is largely tied to the number and quality of the professional personnel employed by or providing services to the practice. It naturally follows that the success of the firm will be directly linked to the management of its personnel.

It is suggested that the firm appoint an individual responsible for all human resource functions. In smaller firms these functions may involve fewer and simpler procedures. For example, in the instance of performance appraisals, rather than a longer and more formal performance evaluation, the process may consist of a memorandum dated and signed by both the reviewer and staff member.

**Recruitment and Retention:**

To ensure it has the capacity and competence necessary to meet its clients’ needs, it is necessary for the firm to routinely assess its professional service requirements. It is suggested that the firm consider the following:

• A detailed expectation of engagement requirements over the course of each calendar period in order to identify peak periods and potential resource shortages;

• Following standard job interview procedures, including documentation of the process;

• Maintaining standards for entry, intermediate, and senior level qualifications and provide candidates with an explanation of these expected qualifications during the recruitment process.

The firm may consider the development of orientation material and require all new personnel to attend an orientation session as soon as is practical after commencing employment. The orientation materials would typically include items such as a complete copy of the firm’s policies and procedures, personnel policies and benefits handbook, accounting and assurance manuals which include the firm’s forms and templates (if not available electronically), details on training programs (if applicable), and any other firm-specific information.

The firm may also consider establishing a probationary period for all new personnel (for example, three to six months from the date of hire), together with a performance review upon successful completion. New staff would be provided with close supervision and feedback during this period.

Providing opportunities for its personnel’s career development will enhance the firm’s ability to retain competent professionals, which will in turn support sustainability and continued growth.

It is desirable for the firm to periodically review the effectiveness of its recruitment program together with an assessment of its current resource needs to identify whether revisions to the program are required.

Smaller firms may face even greater challenges than their larger counterparts as they compete for these limited resources with what is often perceived to be reduced opportunities for staff advancement, combined with lower salaries and benefits. Given these challenges, it is even more critical for smaller firms to plan their resourcing requirements (thus addressing the risk of staff burnout). It is useful to consider the cost of losing staff to a competitor when establishing adequate compensation ranges for the firm.

**Continuing Professional Development:**

The IAESB’s International Education Standard (IES) 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence, prescribes that IFAC member bodies implement a continuing professional development (CPD) requirement as an integral component of a professional accountant’s continued membership. IES 8, Competence Requirements for Audit Professionals, prescribes competence requirements for audit professionals, and IFAC member bodies need to establish via policies and procedures that members satisfy these requirements. Additional continuing professional development requirements may be expected by member bodies or regulators in various jurisdictions.

A proposal worthy of consideration is to have the individual responsible for human resources within the firm approve attendance at external professional development courses.

It is suggested that partners and staff be responsible for maintaining their own professional development records (and, where applicable, adhering to the firm’s guidelines). The individual responsible for human resources within the firm may choose to review these records annually with each partner or staff member in order to ensure the required training and continuing professional development has been undertaken and, if necessary, to determine appropriate actions to address any shortfalls.

**Enforcement of Quality Control Policies (Discipline):**

The firm’s quality control system requires more than just effective monitoring. An enforcement process is essential, and includes consequences and corrective procedures for non-compliance, disregard, lack of due care and attention, abuse, and circumvention.

The firm may designate an individual within the firm to manage the firm’s disciplinary process. Corrective action is often best determined and administered through a consultative process, not in an autocratic fashion.

The process to follow is similar to that for resolving differences of opinion (see Section 5.5). It is suggested that this process include timely documentation by the individual responsible for human resources within the firm.

All-encompassing rules and procedures cannot completely address disciplinary issues and the type of disciplinary action to take. Accordingly, firm policies can only set out general principles and protocols that assist in the process of dealing with significant disciplinary matters.

It is suggested that the process for addressing disciplinary issues be objective, conscientious, open-minded, and reasonable in finding and facilitating a timely resolution to the matter. Nevertheless, the firm must defend its responsibility to manage risk, to uphold the professional responsibilities of independence, to avoid conflict of interest, and to act with professional competence and due care. Naturally, the sequence of disciplinary events determined will be dependent, in some regards, upon the labor laws within the firm’s jurisdiction.

Serious, willful, and repeated infractions or disregard for firm policies and professional rules cannot be tolerated. Appropriate steps must be taken to correct the partner or staff member’s behavior or terminate the person’s relationship with the firm.

**Rewarding Compliance:**

It is important to reinforce and stress the firm’s commitment to a strong and effective quality control system through positive reinforcement and recognition of compliance, leadership, innovation, training, development, and co-operation — including individual involvement and contribution to quality control, ethics, and integrity.

The use of performance appraisals is one way in which the firm provides personnel encouragement to continue their professional development, reinforces good behavior and performance, and offers an opportunity for constructive criticism. It is suggested that these appraisals not only consider performance on various engagements, but also incorporate feedback from a variety of supervisors (senior staff and partners), and to the extent that comments have been provided, from clients. These characteristics are considered in conjunction with technical knowledge, analytical and judgmental skills, ability to communicate (both verbal and written) and leadership and training skills.

It is suggested that compliance with the firm’s quality control policies be considered and addressed in the specific and overall assessment of individual partners and staff on an ongoing basis and in the regularly scheduled personnel review process.

A proposal worthy of consideration it to assign appropriate weighting to the traits noted above in the overall assessment of job performance and in determining remuneration levels, bonuses, advancement, career development, and authority within the firm. Quality should figure prominently amongst such weighting.

Performance appraisals, conducted on a periodic basis, would normally include the form and content as defined by firm policy. These would normally include an evaluation of the personnel’s training and developmental needs, goal setting, opportunities for career development and promotion, as well as compensation.