		Agenda Item
Meeting:	IAASB	**4**
Meeting Location:	New York	
Meeting Dates:	December 1−5, 2014	

Quality Control – Initial Scoping

Objective of Agenda Item

1. To discuss the initial scoping of the quality control project proposal.

Quality Control Working Group

2. The Quality Control Working Group (the WG) is comprised of the following members:

- Karin French, IAASB Member and chair of the Working Group

- Sue Almond, IAASB Technical Advisor

- Jennifer Burns, IAASB Technical Advisor

- Maria Manasses, IAASB Technical Advisor

- Stefan Schmidt, National Standards Setter participant (supported by Wolf Böhm, IAASB Technical Advisor)

- Sara Ashton, IAASB Staff

3. The WG is responsible for exploring the topics to be incorporated into the proposed project on quality control based on the initial feedback from the Board at its June 2014 meeting, the additional research undertaken to date, and proposed future research with regulators, firms and others.

Activities since September 2014, IAASB Meeting

4. Subsequent to approval of *The IAASB's Strategy for 2015−2019* and *The IAASB's Work Plan for 2015−2016*, further research has been undertaken to develop the scope of the project proposal on quality control.

5. Research has included discussions with a number of regulators on their quality control initiatives and findings; discussion with the Small and Medium Practices Committee on issues specific to the proportionate application of ISQC 1[1]; and other outreach activities.

6. The WG also held two teleconferences in October and November 2014 to discuss the feedback obtained and to determine how this feedback affects the scoping of the quality control project.

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[1] International Standard on Quality Control (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

Suggestions for the Way Forward

7. The WG suggests, based on the counsel of the Board and the research undertaken, that the priority topics for quality control project be Engagement Quality Control Reviewers, Remediation, and Outsourcing and Shared Service Centers. (See **Agenda Item 4-A**).

8. The WG further proposes that, based on the comparison of the *Framework for Audit Quality* (the Framework) to the existing International Standards, some updates to the International Standards will be necessary to better align them with the Framework. The WG proposes that these could form part of the more immediate-term updates.

9. With respect to proportionate application of ISQC 1, the WG recommends that raising awareness of the existing guidance on proportionality developed by many bodies throughout the jurisdictions in which the International Standards have been adopted would be the appropriate course of action in the short term. Further, consideration of the ability to streamline existing guidance could also be considered.

10. The WG believes that a more extensive modernization of ISQC 1 as a risk based standard, incorporating the other aspects of corporate governance discussed in Agenda Item 4-A and conditional requirements to better facilitate its proportionate application, would be a longer term project that could be incorporated into the subsequent IAASB work plan.

Material Presented

Agenda Item 4-A	Quality Control Project Proposal—Initial scoping
Supplement 1	Comparison of AS 7,[2] ISQC 1 / ISA 220[3] and the European Regulation[4]
Supplement 2	Comparison of the Framework for Audit Quality to ISQC 1

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[2] PCAOB Auditing Standard No. 7 (AS 7), *Engagement Quality Review*

[3] ISA 220, *Quality Control for an Audit of Financial Statements*

[4] Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC