

Quality Management Standards – Joint Matters

NVivo Analysis of Remaining Responses

Question 2 – Implementation Materials for Small- and Medium-sized Practices

1. Illustrative Examples

Regulators and Audit Oversight Authorities

37. IRBA

Firms supported the FAQs and the draft examples for ED-ISQM 1. Additional FAQs and draft examples would be welcomed, especially in the context of SMPs.

National Auditing Standard Setters

08. AICPA

Additional illustrative tools could be similar to those provided in the four-part COSO Framework, Illustrative Tools for Assessing Effectiveness of a System of Internal Control.

Equally essential to the effective implementation of the Proposed Standards as an appropriately long implementation period is the availability of implementation support materials when the Proposed Standards are issued. We are concerned that many firms will delay starting their implementation efforts until such materials are made available, thus negating portions of the implementation period if such guidance is not available when the Proposed Standards are issued. We applaud the IAASB for planning to develop materials to accompany the Proposed Standards, when finalized, to facilitate a proper understanding of the standards. The IAASB has provided an impressive number of resources explaining what the Proposed Standards require: four explanatory memos, six hours of webcasts, and videos on its website. As described in more detail below, we recommend that the IAASB's excellent work in developing materials to accompany the Proposed Standards be further enhanced through the creation of additional non-authoritative illustrative tools and further development of its current FAQ document. Such implementation support materials will continue to be useful once the Proposed Standards are effective, to assist firms in maintaining and continuously improving their system of quality management.

We also encourage the IAASB to reach out to large network firms to understand implementation issues that may be arising and to develop non-authoritative guidance including examples relating to firm networks and affiliations.

We note that example 2 focuses on only one sub-objective and identifies three quality risks "among the quality risks identified". This example is quite long. Extrapolating to the entire system of quality management could and probably would be interpreted to indicate that firms should produce hundreds of pages of detailed documentation. This may not be an accurate representation of what is required for all firms and may overwhelm a firm as they attempt to implement the Proposed Standard. However, we recognize the draft nature of this example and encourage the IAASB's further development of examples further demonstrating the intended scalability and application of the standards.

13. AASB

Examples of how in-process reviews might be implemented for audits of smaller or less complex entities and other engagements, such as review engagements, where an in-process review might be an appropriate response to an assessed quality risk.

More examples, similar to the draft examples that were included with ED-ISQM 1, of how the nature and circumstances of the firm and the engagements it performs affect the implementation of ED-ISQM 1. This will help demonstrate how requirements can be customized and implemented, depending on the nature and circumstances of the firm and the types of engagements it performs.

The IAASB should consider providing examples of quality risks that might be common to firms of a similar size.

20. JICPA

We believe that documentation formatting, examples of application, and Q & A that illustrate how the standards can be applied would be most helpful.

33. AUASB

As noted above, the AUASB does not support the IAASB's proposed implementation period. Nonetheless, general implementation material, such as FAQs and specific examples addressing scalability of the requirements, would be highly desirable regardless of the implementation period selected.

The AUASB also strongly encourages the IAASB to develop examples and scenarios in its implementation material that demonstrate how the standards would work for a sole practitioner or 2-3 partner firm.

52. NBA

However, we do not consider the example of scalability regarding independence requirements very useful. This seems quite obvious and a lot of attention is being given to ethical requirements. We consider an example for SMP's on how to apply other components such as monitoring and remediation in practice to be more useful.

73. CICPA

However, the examples are mainly focused on relevant ethical requirements, which is a relatively simple component.

Accounting Firms

03. MNP

In our view it would be helpful if additional practical examples could be made available, further to the draft examples in the document "Draft Examples: How the nature and circumstances of the Firm and the engagements it performs affect the implementation of proposed ISQM 1." Specifically, practical examples to further assist with the risk assessment process would be beneficial as this aspect of the standard is most subjective and most difficult to apply. Guidance or information on how "likelihood" and "effect" could be measured / defined (e.g. rating scales, ranges, definitions, etc.) would be helpful.

In our view the standard is limited with respect to recommendations or guidance in support of the development of innovative monitoring techniques and we would welcome further guidance and practical examples.

11. Nexia Smith & Williamson

In the draft examples:

Whilst we appreciate that Scenario 1 is designed with scalability in mind, it feels as though a lot of words are being used to make quite an obvious point.

In Scenario 2:

The sub-objective in the “quality objective” box repeats the main objective almost word-for-word, and the main objective already specifically requires independence to be considered.

In the “quality risk” box, we would encourage the IAASB to give an example of how the firm establishes that there is a reasonable possibility of the risk occurring, or determines that the effects of all the quality risks are approximately the same.

We are unclear as to the meaning of point 3 in the “response” box as drafted: “The firm identifies that the only individuals who are expected to comply with the relevant ethical requirements are personnel within the firm.” Perhaps it might make the point clearer if the thought was continued by contrasting which people outside the firm might need to comply with relevant ethical requirements, and in what circumstances.

The first two bullets apply equally to scenario 3.

12. EYG

Specifically, the IAASB should consider implementation guidance for small network firms that geographically are clustered together from an operational perspective to clarify how the clustered network firms would apply the requirement in paragraph 24(a)(iii) to identify personnel who have operational responsibility for the system of quality management, compliance with independence requirements and the monitoring and remediation process.

21. PKF International Limited

Additionally, we would welcome additional implementation materials covering the risk assessment process, including use of examples which cover a comprehensive range of circumstances for firms of different scales and size.

24. Baker Tilly Virchow Krause LLP

We believe that providing robust and comprehensive examples detailing the implementation of all aspects of the proposed standards at firms of varying sizes would be most helpful to small- and medium-sized firms.

26. BDO

BDO fully supports the IAASB’s existing activities to develop video, webinar, Frequently Asked Questions (FAQs) and ‘Draft Examples’ implementation materials, as well as other content designed to support SMPs

28. HaysmacintyreLLP

Practical examples would be useful to give context to the specific requirements and the application material in each standard – in particular those relating to the two new elements of the system of quality management proposed by ED-ISQM1.

35. GTIL

In general, implementation material, such as FAQs and specific examples addressing scalability of the requirements would be useful.

63. BTI

The IAASB has produced illustrative materials with practical examples of the application of the new standard to firms of different size/nature. We believe that such illustrative examples have the potential to be extremely useful.

70. PwC

Scalability

Scalability is an important consideration and key challenge in all of the IAASB standards currently under revision. We note that the length of the ISQM may create perceptions of a lack of scalability.

We agree that the risk-based focus helps build scalability into the standard, allowing firms to appropriately tailor their system of quality management to the nature and circumstances of their business, including the nature and scale of engagements they undertake. It is equally important to recognise that a level of professional judgement is involved in determining the nature, timing and extent of actions to respond to risks.

However, to further demonstrate this scalability, we believe that additional FAQs and worked examples that illustrate relevant considerations in complying with ISQM 1 for smaller firms, and for firms that may only provide non-audit assurance or related service engagements, would be useful. Such examples could build on the existing proposed examples by addressing how a firm's risk assessment process may be applied to other components of the SoQM.

However, in our view, additional guidance to clarify the nature and extent of "network services", perhaps through a (non-exhaustive) illustrative list, together with worked examples addressing both network services and services from service providers, would help to illustrate their application.

Public Sector Organizations

02. Provincial Auditor Sask

Implementation materials that may be useful include:

Sample quality risk statements

Illustrative examples of the risk assessment process for sample quality objectives (e.g., engagement teams exercise appropriate professional judgement and professional skepticism).

57. AGSA

Practical examples or scenarios of how the quality management system of a firm, including the identified quality objectives, identified risks and responses to these might look could be made available as separate implementation material to assist in the transition from quality control to quality management.

Member Bodies and Other Professional Organizations

06. CPAAustralia

More fulsome examples than those provided currently would also be of assistance.

09. KICPA

Illustrative examples dealing with small firms need to be further developed in case of draft examples, while what SMPs need to consider on an individual component basis or related illustrative examples should be supplemented for draft FAQs.

If a QMS varies depending on firms' respective complexity and type, draft examples and draft FAQs would be most useful. Illustrative examples dealing with small firms need to be further developed in case of draft examples, while what SMPs need to consider on an individual component basis or related illustrative examples should be supplemented for draft FAQs.

10. ICAS

Supporting materials to show how certain aspects of proposed ISA 220 (Revised) and ISQM can be applied together in a scalable manner by smaller firms.

Further supplementary guidance on the use of different audit delivery models as part of ISA 220 (Revised).

27. CNDCEC

CNDCEC has taken inspiration from this IFAC guide (third edition) for the publication, in April 2018, of its own model of handbook of quality control procedures for auditors (sindaco-revisore), and especially from the models and samples included in the Appendix, including the samples tailored for sole practitioners operating with limited nonprofessional staff

40. ICAEW

We therefore encourage IAASB to use the quality management standards to consider how examples, FAQs, and material directed at different types of firms or engagement, can be published as a new category of non-authoritative document

44. IFAC SMPC

It would be helpful if more nuanced examples could be developed, for supporting material as mentioned above.

45. CalSCPA

Materials could include illustrations of specific examples of risks, for example.

We think the draft examples and draft frequently asked questions provided on IAASB's website are useful.

48. FSR - Danish Auditors

Templates and illustrative examples for various types of SMP's (firms only performing ISRS engagements, firms performing ISRS and ISA on non-PIE clients, firms with few practitioners, etc.) Could be Quality Objective/Quality Risk/Response/KPI templates.

75. EXPERTsuisse

In the opinion of EXPERTsuisse, practical examples as well as FAQs and perhaps easy-to-use templates and checklists would be most helpful for SMPs to enable them to implement the new quality management standards.

2. Case Study(ies)

Regulators and Audit Oversight Authorities

37. IRBA

An appropriate illustration of the whole system of quality management would be a helpful tool.

National Auditing Standard Setters

04. HKICPA

We appreciate that IAASB has placed significant efforts on addressing scalability in the EDs. We find the appendixes of the EDs that highlight how they are scalable to the nature and circumstances of the engagements and the video for SMPs on quality management useful.

However, we consider that more practical guidance on how firms can develop the system of quality management would be helpful. For example, IAASB may consider developing a case study to facilitate the firms transiting to the new quality management system.

08. AICPA

Illustrative Tools

Because quality risks and responses are dependent on the facts and circumstances of each firm, we believe the most useful implementation support materials would provide focus on the thought process for proper implementation. Understanding the answers to the following questions will help firms overcome the most challenging aspects of adopting the Proposed Standards:

Why were these particular quality objectives chosen?

How should firms think about risks (nature, timing and extent of documentation of risk assessment processes would seem to be an area where inconsistent understanding and application could occur)?

How are appropriate responses developed and documented?

What are the most effective and efficient ways to measure and monitor the successful implementation of the Proposed Standards?

Materials such as case studies, practice aids, and webinars that provide best practices and other considerations regarding applying the quality management process would be helpful. Additional illustrative tools could be similar to those provided in the four-part COSO Framework, Illustrative Tools for Assessing Effectiveness of a System of Internal Control.

Materials such as case studies, practice aids, and webinars that provide best practices and other considerations regarding applying the quality management process would be helpful.

13. AASB

Case studies that could set out a possible process that firms would follow to develop their systems of quality management. Such case studies could help practitioners apply the requirements to their specific situations.

Case studies that could set out a possible process that firms would follow to develop their systems of quality management. Such case studies could help practitioners apply the requirements to their specific situations.

14. NZAuASB

The areas the NZAuASB considers would be the most difficult to implement is the risk assessment and documentation of the quality management system, especially for sole practitioners and smaller partnerships (e.g. two partner firms). The NZAuASB strongly encourages the IAASB to demonstrate how the standards would look for a sole practitioner.

Accounting Firms

31. RSM

Assistance with implementation through a comprehensive example or guidance will be particularly critical for smaller firms and will assist in setting a framework for regulators when they inspect firms for compliance.

Public Sector Organizations

18. National Audit Office of Malta

Perhaps a comprehensive case study may be developed on how to establish quality objectives, identify and assess quality risks, and design and implement responses, and how to draw up a report following the undertaking of a quality review.

Member Bodies and Other Professional Organizations

05. Chartered Accountants Ireland

As discussed below in our responses to the questions posed we would welcome the timely issue of application guidance and case studies/FAQs. The scope and authority of any such material needs to be clearly defined.

3. FAQ Document

Regulators and Audit Oversight Authorities

37. IRBA

Firms supported the FAQs and the draft examples for ED-ISQM 1. Additional FAQs and draft examples would be welcomed, especially in the context of SMPs.

National Auditing Standard Setters

08. AICPA

As described in more detail below, we recommend that the IAASB's excellent work in developing materials to accompany the Proposed Standards be further enhanced through the creation of additional non-authoritative illustrative tools and further development of its current FAQ document. Such implementation support materials will continue to be useful once the Proposed Standards are effective, to assist firms in maintaining and continuously improving their system of quality management.

Frequently Asked Questions

We found the draft Frequently Asked Questions (FAQs) helpful. We encourage the IAASB to consider the comments received on the Proposed Standard and expand the FAQ document based on additional insights received. We find that the FAQ format is incredibly helpful to practitioners and is a useful mechanism for the IAASB to provide additional insight into the thought process and intent behind the written words of the standards.

20. JICPA

We believe that documentation formatting, examples of application, and Q & A that illustrate how the standards can be applied would be most helpful.

33. AUASB

As noted above, the AUASB does not support the IAASB's proposed implementation period. Nonetheless, general implementation material, such as FAQs and specific examples addressing scalability of the requirements, would be highly desirable regardless of the implementation period selected.

52. NBA

We further consider the FAQ to be useful.

Accounting Firms

11. Nexia Smith & Williamson

There are inconsistencies in the content of the draft FAQs. For example:

Question 1 makes what appears to us to be an important point deserving more prominence.

Question 6 is putting more flesh on the application guidance, and would seem more logically placed there.

On the other hand, Questions 2, 3 and 4 are covered in the application guidance already, whilst some of the bullets in Question 7 aren't in the standard or the application guidance at all.

Question 9 gives an example and then cross-refers to the examples for a further example.

25. Mazars USA LLP

The Board should consider preparation of fluid frequently asked questions (FAQs) documents made available during and after the implementation period.

26. BDO

BDO fully supports the IAASB's existing activities to develop video, webinar, Frequently Asked Questions (FAQs) and 'Draft Examples' implementation materials, as well as other content designed to support SMPs

35. GTIL

In general, implementation material, such as FAQs and specific examples addressing scalability of the requirements would be useful.

70. PwC

However, to further demonstrate this scalability, we believe that additional FAQs and worked examples that illustrate relevant considerations in complying with ISQM 1 for smaller firms, and for firms that may only provide non-audit assurance or related service engagements, would be useful. Such examples could build on the existing proposed examples by addressing how a firm's risk assessment process may be applied to other components of the SoQM.

We support the proposed FAQs. Additional FAQs and worked examples that illustrate relevant considerations in complying with ISQM 1 for firms that may only provide non-audit assurance or related service engagements would be useful. Such examples could build on the existing examples by addressing how the firm's risk assessment process may be applied to other components of the SoQM. These are likely to be most useful to smaller firms, in emphasising the standard's scalable application.

That said, examples and FAQs should not be used to compensate for a lack of clarity in, or inconsistency in interpretation of, the requirements and application material. The principles and guidance should be

sufficiently clear in their own right. Before issuing the FAQs, we encourage the Board to consider whether the application material to which they relate is sufficiently clear in the first instance.

Member Bodies and Other Professional Organizations

05. Chartered Accountants Ireland

As discussed below in our responses to the questions posed we would welcome the timely issue of application guidance and case studies/FAQs. The scope and authority of any such material needs to be clearly defined

09. KICPA

Illustrative examples dealing with small firms need to be further developed in case of draft examples, while what SMPs need to consider on an individual component basis or related illustrative examples should be supplemented for draft FAQs.

If a QMS varies depending on firms' respective complexity and type, draft examples and draft FAQs would be most useful. Illustrative examples dealing with small firms need to be further developed in case of draft examples, while what SMPs need to consider on an individual component basis or related illustrative examples should be supplemented for draft FAQs.

10. ICAS

The issue of specific implementation guidance to support the scalable application of ISQM 1 to coincide with the issue of that standard. This could include a list of frequently asked questions.

We would also welcome the issue of specific implementation guidance to support the scalable application of ISQM 1 and ISA 220 to coincide with the issue of those revised standards. This could include a list of frequently asked questions.

17. IMCP

Practical experiences; frequent asked questions; examples of documentation for the identification and responses to the quality risks, recorded videos.

23. MICPA

FAQs and illustrative documentation to assist SMPs in their implementation process.

29. CAQ

To supplement a clear and appropriately principles-based standard, the IAASB should also consider periodic webinars during the transition period to provide the opportunity for firms to ask the IAASB questions and the FAQs should be updated on an on-going basis as new questions arise.

40. ICAEW

The FAQs also have value but they are a mixed bag: some simply repeat what is in the standards, some of them add to them and it is arguable that some should be in the standard itself. We provide more detail in our response to specific questions on ISQM 1, below.

We therefore encourage IAASB to use the quality management standards to consider how examples, FAQs, and material directed at different types of firms or engagement, can be published as a new category of non-authoritative document.

While there are substantive issues (set out below) regarding the content of the proposed examples and FAQs, examples and FAQs might be the place to start, and IAASB may want to consider material directed at different types of firm, or engagement.

41. ICPAS

While we believe the implementation of the standards are burdensome to small firms and sole practitioners, workshops and FAQs would be helpful to those firms.

49. Accountancy Europe

Also, it could be helpful to update the IAASB staff Q&As published for ISQC 1.

64. CNCC-CSOEC

In terms of supporting material for implementation, we consider that the proposed:

Frequently Asked Questions regarding proposed ISQM1 are useful and could be incorporated to the standards as appendices.

73. CICPA

We think the draft examples and draft frequently asked questions provided on IAASB's website are useful.

75. EXPERTsuisse

In the opinion of EXPERTsuisse, practical examples as well as FAQs and perhaps easy-to-use templates and checklists would be most helpful for SMPs to enable them to implement the new quality management standards.

4. Diagrams and Flowcharts

National Auditing Standard Setters

08. AICPA

We found the graphics in the explanatory memorandums helpful.

We further suggest that a graphic such as the following be included in this overview to explain the relationship between the three Proposed Standards.

52. NBA

Ultimately, the figures presented in the various explanatory memoranda, especially in ISQM 1 are also helpful. These can be presented in the standards or as an appendix to the standards.

Accounting Firms

11. Nexia Smith & Williamson

Flowcharts, diagrams and other pictorial aids would also be welcome to provide a summary of the processes described.

50. Nexia International

The information is disparate and difficult to assimilate. There is a need for more plain English especially because for many adopters English is not their working language so it is suggested that more use should be made of flowcharts and diagrams and plainer English.

Member Bodies and Other Professional Organizations

06. CPAAustralia

Diagrams assist in understanding the quality management approach and so embedding the diagrams from the explanatory memorandum for ISQM 1 in the appendices or introduction to the standard would be very helpful. Likewise developing equivalent diagrams for ISQM 2 and ISA 220 would be welcomed.

40. ICAEW

We note in our main points above that a flowchart might be helpful as an aid to navigation.

Respondents have also suggested that a flowchart describing the quality management process might help firms navigate the material.

44. IFAC SMPG

In addition, the IAASB could explore whether a flowchart of the QM process may also help firms to navigate the QM standards.

68. SAICA

The use of diagrams in providing visual representations to illustrate the requirements were also found to useful in providing clarity and focusing the firm's attention.

5. Webinars or Workshops

National Auditing Standard Setters

08. AICPA

Illustrative Tools

Because quality risks and responses are dependent on the facts and circumstances of each firm, we believe the most useful implementation support materials would provide focus on the thought process for proper implementation. Understanding the answers to the following questions will help firms overcome the most challenging aspects of adopting the Proposed Standards:

Why were these particular quality objectives chosen?

How should firms think about risks (nature, timing and extent of documentation of risk assessment processes would seem to be an area where inconsistent understanding and application could occur)?

How are appropriate responses developed and documented?

What are the most effective and efficient ways to measure and monitor the successful implementation of the Proposed Standards?

Materials such as case studies, practice aids, and webinars that provide best practices and other considerations regarding applying the quality management process would be helpful. Additional illustrative tools could be similar to those provided in the four-part COSO Framework, Illustrative Tools for Assessing Effectiveness of a System of Internal Control.

Materials such as case studies, practice aids, and webinars that provide best practices and other considerations regarding applying the quality management process would be helpful.

Accounting Firms

12. EYG

The IAASB should also consider periodic webinars during the transition period to provide the opportunity for firms to ask the IAASB questions and the FAQs should be updated on an on-going basis as new questions arise.

21. PKF International Limited

We believe a range of types of material would be helpful, including a series of webinars focusing on specific aspects of implementation (both live and available for download and with the opportunity for participants to raise questions) and narrative documents.

25. Mazars USA LLP

The IAASB should also consider webinars or other forums to discuss the implementation process, other guidance, and the FAQs. Continuous clarifications and education would facilitate and potentially enhance implementation and promote greater consistency in application of the Proposed Standards.

26. BDO

BDO fully supports the IAASB's existing activities to develop video, webinar, Frequently Asked Questions (FAQs) and 'Draft Examples' implementation materials, as well as other content designed to support SMPs

35. GTIL

Consideration could be given to developing materials that facilitate more practical workshops on the implementation of the more problematic requirements of the proposed standard that are identified by the feedback received from respondents to these exposure drafts. National standard setters could be used in this respect.

55. CAS International

In addition to the responses mentioned in other sections, training workshop including workshop sharing of experience and engagement of experience Risk Assessment professionals are critical for the implementation support. We need to close the knowledge and experience gap.

66. ETY_Global

Implementation guidance and templates including video and audio materials for education and sensitization.

Member Bodies and Other Professional Organizations

17. IMCP

Practical experiences; frequent asked questions; examples of documentation for the identification and responses to the quality risks, recorded videos.

29. CAQ

To supplement a clear and appropriately principles-based standard, the IAASB should also consider periodic webinars during the transition period to provide the opportunity for firms to ask the IAASB questions and the FAQs should be updated on an on-going basis as new questions arise.

40. ICAEW

The usual webinars and slide decks will also be useful but only provided the focus is on specifics, and on what is genuinely new and different, rather than simply going over the entire range of material at a high level.

The usual webinars and slide decks will also be useful but only provided the focus is on specifics, and on what is genuinely new and different, rather than simply going over the entire range of material at a high level.

41. ICPAS

While we believe the implementation of the standards are burdensome to small firms and sole practitioners, workshops and FAQs would be helpful to those firms.

45. CalSCPA

We think the IAASB should offer webcast or other CPE type support to further explain the process.

6. Illustrative Documentation or Templates

National Auditing Standard Setters

20. JICPA

We believe that documentation formatting, examples of application, and Q & A that illustrate how the standards can be applied would be most helpful.

14. NZAuASB

As noted in our response to ED-ISQM 1, we raise with the IAASB for consideration the benefit of developing a tool such as a “thinking list” of common quality risks (in the form of a generic list of common risks that practitioners can consider as applicable to their circumstances when undertaking the risk assessment and add to as appropriate) within the standard and/or develop illustrative documentation to assist practitioners to implement the proposals.

Accounting Firms

42. Kreston International

Templates that give a structure to SMPs to work through the various risks to quality with a range of responses that can be tailored to the needs of the firm would be helpful.

21. PKF International Limited

We believe a range of types of material would be helpful, including a series of webinars focusing on specific aspects of implementation (both live and available for download and with the opportunity for participants to raise questions) and narrative documents.

66. ETY_Global

Implementation guidance and templates including video and audio materials for education and sensitization.

Member Bodies and Other Professional Organizations

09. KICPA

In addition, the provision of template on how to design the QMS for SMPs would be more useful.

17. IMCP

Practical experiences; frequent asked questions; examples of documentation for the identification and responses to the quality risks, recorded videos.

23. MICPA

FAQs and illustrative documentation to assist SMPs in their implementation process.

48. FSR - Danish Auditors

Templates and illustrative examples for various types om SMP's (firms only performing ISRS engagements, firms performing ISRS and ISA on non-PIE clients, firms with few practitioners, etc.) Could be Quality Objective/Quality Risk/Response/KPI templates.

75. EXPERTsuisse

In the opinion of EXPERTsuisse, practical examples as well as FAQs and perhaps easy-to-use templates and checklists would be most helpful for SMPs to enable them to implement the new quality management standards.

7. Update SMPC Guide

Regulators and Audit Oversight Authorities

37. IRBA

Like the current "Guide to Quality Control for Small- and Medium-Sized Practices" issued by IFAC, a guide on the new quality management standards could be developed. Such a guide could include guidance on establishing quality objectives, risks and responses, and other aspects that are relevant to SMPs. In this way, the IAASB could demonstrate how the requirements are applicable to SMPs and encourage consistent application.

Accounting Firms

55. CAS International

We appreciate the following implementation material to be made available for guidance:

Updated Quality Assurance Manual.

Member Bodies and Other Professional Organizations

27. CNDCEC

In CNDCEC's opinion a useful support to the implementation of the standards for SMPs would be the updated version of the Quality control guide developed by the SMPC of IFAC

36. KSW

The IFAC guide of Quality Control should be updated on a timely basis.

44. IFAC SMPC

The SMPC notes that a perceived need for support material indicates that the EDs' requirements are not sufficiently clear. The SMPC intends to review this once a final ISQM 1 has been issued, in order to assess the need for supporting material, including exploring a revised version of the IFAC Guide to Quality Control for Small and Medium-Sized Practices (QC Guide).

IFAC developed the QC Guide to provide non-authoritative guidance on applying the International Standard on Quality Control (ISQC 1). The Guide has been very well received with 26 translations completed, or in progress, and over 50,000 unique downloads since 2009 (excluding translated downloads). The Guide features two sample quality manuals applicable to either a sole practitioner with non-professional staff or a two to five partner firm. It is used as a basis for education and training and a similar product(s) is likely to be needed by SMPs as implementation support, which IFAC can explore developing in coordination with the IAASB.

46. EFAA

We suggest the IAASB works with the IFAC SMP Committee to lead implementation efforts including, perhaps, updating the QC Guide.

49. Accountancy Europe

In terms of supporting material for implementation, an update of the ISQC 1 guidance published by the SMP committee could be useful.

61. Finnish Association

The Guide to Quality Control for SMPs and Staff Questions & Answers – Applying ISQC1 Proportionately with the Nature and Size of the Firm should also be updated as soon as possible to help with the consistent implementation and compliance of new and revised standards.

68. SAICA

SAICA recommends that the IAASB revise the IFAC Guide for Small-and Medium-Sized Practices to align with the new and revised requirements of the final quality management standards.

8. Map Extant to Final

Member Bodies and Other Professional Organizations

06. CPAAustralia

Readily understanding the changes in requirements and approach from the existing standards, ISQC 1 and ISA 220, to the final standards, ISQM 1, ISQM 2 and revised ISA 220, once published, will be critical for practitioners to implement the new standards efficiently and effectively. To facilitate this, we suggest providing a mapping document from the extant ISQC 1 and ISA 220 to the final ISQM 1, ISQM 2 and ISA 220 rather than changes only from the exposure drafts. Practitioners need to understand what the differences are from what they are currently doing so they can understand which aspects require new processes and procedures and which aspects they can bring across from their current system of quality control.

16. WPK

Moreover we would ask the IAASB to develop a mapping of extant requirements to the new requirements in ED-ISQM 1, ED-ISQM 2 and ED-220.

51. IBR-IRE

Furthermore, concerning ISQM1, a clarification of what is new in comparison with ISQC 1 and what should be still done to comply with ISQM1 would be useful. A lot has already been done by audit firms applying ISQC1 but more guidance should be given on how to fit in QM's.

54. APESB

We strongly encourage the IAASB to map extant ISQC 1 requirements to those in ED-ISQM 1 and 2 or demonstrate how existing policies and procedures could be adapted as quality objectives or responses in the proposed quality management framework. This would indicate which existing requirements and guidance in the extant standard can be incorporated into the new framework and highlight additional requirements or documentation to be developed.

Stakeholders have expressed a significant concern that without such mapping, firms may discard current systems or not understand the differences in requirements, potentially adding to implementation costs. The responses in the new framework require policies and procedures to address quality risks and extant ISQC 1 has relevant policies and procedures which have been in existence and implemented by firms of varying sizes for well over a decade.

It is neither effective nor efficient for accounting firms globally to undertake this mapping exercise individually when it could be undertaken by the IAASB and provided as a useful tool for global use. This would be in the public interest and would have global application to all firms who need to transition to the proposed SQM framework.

We strongly encourage the IAASB to map extant ISQC 1 requirements to those in ED-ISQM 1 and 2 or demonstrate how existing policies and procedures could be adapted as quality objectives or responses in the proposed quality management framework. This would indicate which existing requirements and guidance in the extant standard can be incorporated into the new framework and highlight additional requirements or documentation to be developed.

61. Finnish Association

A clear guidance on what's new and what has changed would be helpful when implementing new requirements. The firms should be able to update and improve their existing systems without the need to start 'from scratch'.

75. EXPERTsuisse

For national standard setters "track change" versions of the standards, which are revised (e.g. ISQC 1 and ISA 220), would be useful to better identify the new requirements and be able to develop guidance and support materials for local SMPs.

9. Other Types of Guidance (Unspecified)

Monitoring Group

60. IFIAR

Development of guidance and application material

7. The three exposure drafts include a substantially increased volume of application material and there is discussion of producing additional guidance to assist practitioners implementing the new standards. We encourage the IAASB to critically review the application material and any additional guidance and consider whether the relevant requirements could rather be improved or clarified in the first instance.

Regulators and Audit Oversight Authorities

37. IRBA

Non-authoritative implementation guidance delivered at the same time as the quality management standards are published will be helpful.

59. UKFRC

In addition, we encourage the IAASB to develop implementation guidance and support materials as soon as possible, and not wait until the standard is finalised by the PIOB (as implied in paragraph 24 of the explanatory memorandum). As noted in our response to the SWP, in finalising the proposals we recommend that the IAASB adopts an implementation programme that offers transition support prior to the effective date. A formal pre-implementation programme will be reassuring to those stakeholders who perceive the standards to be complex and will help improve the consistency and quality of implementation.

76. CEAOB

We recommend providing more specific guidance on the extent of engagement inspections in paragraph 45. The proposed language is vague and is likely to lead to inconsistency in its application.

National Auditing Standard Setters

08. AICPA

Additional illustrative tools could be similar to those provided in the four-part COSO Framework, Illustrative Tools for Assessing Effectiveness of a System of Internal Control.

13. AASB

More examples, similar to the draft examples that were included with ED-ISQM 1, of how the nature and circumstances of the firm and the engagements it performs affect the implementation of ED-ISQM 1. This will help demonstrate how requirements can be customized and implemented, depending on the nature and circumstances of the firm and the types of engagements it performs.

More examples, similar to the draft examples that were included with ED-ISQM 1, of how the nature and circumstances of the firm and the engagements it performs affect the implementation of ED-ISQM 1. This will help demonstrate how requirements can be customized and implemented, depending on the nature and circumstances of the firm and the types of engagements it performs.

Accounting Firms

22. Deloitte Touche Tohmatsu Limited

Further, within ED-220, we draw attention to the response to Question 4 and the need for a framework as to how the requirements within ED-220 may be applied to different and evolving engagement team structures.

26. BDO

While the EDs provide for scalability considerations, having implementation materials which look at these standards specifically through the lens of an SMP would be particularly helpful.

We encourage the IAASB – especially during the run up to the effective date – to consider sharing videos, scenarios and personal insights from SMP and sole practitioners to explain how they themselves plan to respond to the proposed requirements, in order to help inform this particular set of users. A specific area of focus for SMPs may be the extent to which they have or may need to develop additional quality objectives in

certain areas. Having some sample FAQs which address SMP concerns in these areas may also be a helpful addition to the draft FAQs document (dated February 2019).

28. HaysmacintyreLLP

Practical examples would be useful to give context to the specific requirements and the application material in each standard – in particular those relating to the two new elements of the system of quality management proposed by ED-ISQM1.

31. RSM

SMPs will need significantly more practical guidance and examples than currently included in ED ISQM 1. Such guidance will need to be issued at the same time, or very shortly after, the final standards are published.

This will also assist regulators by illustrating how the principles-based standards may be implemented by firms of various sizes and complexities.

53. CroweGlobal

Scalability has been much discussed. The proposed standards are scalable and applicable to all firms, but practical implementation support is needed to illustrate how the standards can be scaled in practice.

Rigorous implementation support will be essential as the standards contain new approaches and use terminology that will not be familiar to many practitioners. It is important that the implementation support is practical, but also avoids encouraging “standardised”, “checklist” or “compliance” solutions.

71. MAZARS

We also believe that more guidance and examples should be given for implementation, especially for implementation in smaller firms or in firms operating in countries where ISA are not applicable. We are convinced that this is a key aspect of the scalability that is fostered by the standards.

Public Sector Organizations

18. National Audit Office of Malta

In addition, A Quality Management Measurement Framework may be developed similar to the International Organisation of Supreme Audit Institutions (INTOSAI) Supreme Audit Institution Performance Measurement Framework (SAI PMF).

39. OAGNZ

We believe there is a need for implementation tools and guidance material for small and medium firms that will assist them to design, implement, and operate a system of quality management. We have found the time to read and understand the proposed standard to be significant without performing any assessment of the extent of changes to comply compared with ISQC 1.

We strongly encourage the IAASB and national standard setters to prioritise the development of these so that they can be released at the same time as the revised standards.

Member Bodies and Other Professional Organizations

15. Malaysian Institute of Accountants

Relevant implementation material would include, amongst others, guidance on

- Carrying out root cause analysis; and
- Designing and implementing responses that are tailored to and appropriately addresses the assessed quality risk.

17. IMCP

Additionally, it would be a good practice providing more detail about the description, meaning and documentation of the term “scalability”.

32. NR

While finalizing this project, we believe that the IAASB will have to focus on improvements within the standards themselves. Such improvements, that will reduce the length and complexity of the standards and increase clarity, visibility and understanding of scalability options should also reduce the need of too excessive implementation material.

We would also urge the IAASB to take this opportunity to improve clarity by using simpler language and shorter sentences.

Since we assume that the final versions of these standards will be quite different from the proposed standards in the exposure drafts, it is too early to provide any specific views on this question.

However, it is most likely that the firms, when implementing these standards, would use the existing system, based on ISQC 1, as a starting point. Helpful implementation material would therefore include what aspects could be retained and what needs to be added in relation to the existing system. This could be dealt with by staff or other non-

40. ICAEW

The proposed examples have value and IAASB could and should be bolder in developing examples covering more nuanced situations. We set out below in our response to specific questions a number of additional areas in which examples would be helpful.

We also note the arguments in favour of new types of IAASB publication.

We encourage IAASB to use this opportunity to consider how examples, FAQs, and/or material directed at different types of firms or engagement can be published as a new category or categories of non-authoritative document, and used as template for other ISAs as they are revised. While there are substantive issues with the proposed examples and FAQs that we note in more detail below, we believe that these might be an appropriate starting point.

44. IFAC SMPC

It is highly probable that no firm will start with a blank sheet of paper when implementing these new standards. Those responsible for methodology within firms and training will all seek to ascertain what within the existing system can be retained and what needs to be added. Consistency will be easier to achieve if the IAASB can indicate in high level terms which areas firms should focus on when considering the need for new material (or processes) –through staff or other non-authoritative publications.

45. CalSCPA

Limitations and Practicability Considerations - ICQM1 provides various examples of what a smaller firm may do in certain circumstances, including for example, instances where aspects of a system of quality management may be unnecessary, limited or impractical (e.g. .A20, .A28, .A42, .A47, .A121) . A section or

appendix clarifying these and other limitations and practicability limitations would be helpful in driving clarity and instruction; and

47. ICGN

However, we would like to raise one fundamental example as to where the guidance could go further from an investor perspective. Specifically, the Exposure Draft makes no reference to the extent to which quality management can be linked to engagement not just between audit firms and companies but also engagement between investors and companies and perhaps in some cases between investors and audit firms directly.

51. IBR-IRE

Considering the importance of professional judgement in the standard, it is wide open to interpretation and might create difficulties when analysed by a regulator. The standard could provide more guidance regarding this concept.

54. APESB

APESB also recommends the IAASB develop more guidance on the application of the standards, particularly for sole practitioners and SMPs as detailed in the covering letter to this submission.

61. Finnish Association

As pointed out in the previous answers, guidance and tools should be provided to help with the scalability and the transformation from the existing systems to the revised one.

The standard should always include only requirements that are authoritative. Any examples or additional guidance should be left out of the standard and be included in the application material, appendices or other guidance.

We refer to our comments to ISQM1.

68. SAICA

A more specific suggestion noted during our outreach activities was that the IAASB should consider implementation guidance for small network firms that are geographically clustered together from an operational perspective to clarify how the clustered network firms would apply the requirement contained in paragraph 24(a)(iii) and identify personnel who have operational responsibility for the SOQM, compliance with independence requirements and the monitoring and remediation process.

During our outreach activities, it was indicated that certain firms struggled working through, and understanding the requirements, particularly those as contained in ED-ISQM 1. Firms felt that the manner in which the Explanatory Memorandums was written and set out was easier to read and understand in comparison to the actual standards. The use of diagrams in providing visual representations to illustrate the requirements were also found to be useful in providing clarity and focusing the firm's attention. It is therefore recommended that this information not get lost in the issue of the final standard but rather included in the application material or other accompanying implementation guidance.

It will be useful for the application and explanatory material or even appendixes to be expanded on the illustrative mapping by providing guidance on how the practical implementation of the requirements will differ in firms of different sizes and in different circumstances

The appendix included in the June 2018 agenda pack was found to be useful in understanding the eight components. The suggestion for the drafting of an appendix that includes a description of each of the eight components was a suggestion that was welcomed by the SAICA Reference Group. They suggested that the appendix include guidance or principles on how each of these elements will be practically implemented in the different circumstances that arise as a result of different firm dynamics.

10. Other Comments

National Auditing Standard Setters

08. AICPA

Accordingly, we recommend that when the Proposed Standards are approved, the Explanatory Memorandums, appropriately updated, be issued as implementation support material, perhaps in a document akin to the Executive Summary included in the four-part Committee of Sponsoring Organizations of the Treadway Commission (COSO) Integrated Framework (2013) (the “COSO Framework”).

20. JICPA

In order to support implementation of standards in accordance with the effective date, it is essential that the implementation materials for documentation formatting and examples of application are published at the same time as the standards are finalized, even if such materials only cover a part of the entire quality management process.

Accounting Firms

01. DuncanToplisLimited

Help sheets provided clear, step-by-step instructions as to how to achieve full compliance with the new standards will be key. There has been a great deal of material provided relating to the new standards and a clear focussed response will be required from entities that must comply. To assist and to ensure time and costs are focussed in the correct way clear guidance is required.

26. BDO

BDO fully supports the IAASB's existing activities to develop video, webinar, Frequently Asked Questions (FAQs) and 'Draft Examples' implementation materials, as well as other content designed to support SMPs. We would encourage the IAASB to continue to seek views of members of the SMP Committee within IFAC to identify if there are additional implementation materials that would benefit this particular group. We also note and support the 'Theme A' strategic action set out in the IAASB's Proposed Strategy for 2020-2023.

30. MS

The most important materials will be materials in peoples' own languages and the issue is more to do with time than content. Another key issue will be that whatever material is generated and made available should be very very clear as to the extent (or not) of its authority. There is a danger of creeping de-facto requirements being introduced as a result of implementation material...and where this happens, the material will swiftly cease to be useful and instead become onerous (particularly if the material has not even been translated into every language).

35. GTIL

In general, implementation material, such as FAQs and specific examples addressing scalability of the requirements would be useful. A number of our specific responses below indicate the need for additional

guidance for firms to understand the boundaries of the requirements and the depth of understanding and evidence required not only to fulfil the requirements of ED-ISQM 1, but to be able to demonstrate that fulfilment when being inspected against such requirements.

Member Bodies and Other Professional Organizations

40. ICAEW

Beyond the ISAs, anything issued by IAASB, regardless of its actual status, is treated by some regulators as having greater authority than is intended. This hampers attempts by IAASB to innovate in terms of the types of publications it issues and we believe that to escape this impasse, IAASB must address the issue head on. It must be prepared to make it clearer than it does now that each audit, each firm, and each set of circumstances is unique, and that it is inappropriate to treat non-authoritative material - examples, in particular - as authoritative or as best practice in all cases. Examples can never address every possible set of circumstances. They are snapshots at best.

Respondents to our enquiries, unsurprisingly, had mixed views about additional material. Length and complexity are, as IAASB acknowledges in its recent DP on the audit of LCEs, a critical implementation issue. We have commented on it many times and we remain of the view that IAASB needs to think outside the box and consider the development of a different category, or categories, of publication. While there are substantive issues (set out below) regarding the content of the proposed examples and FAQs, examples and FAQs might be the place to start, and IAASB may want to consider material directed at different types of firm, or engagement. There is a great deal on IAASB's agenda but the opportunities to innovate afforded by this and the LCE project are unlikely to recur.

IAASB should not overlook the opportunity to innovate afforded by this and the LCE project. IAASB itself is best placed to produce the highest quality material and we do not believe that it is beyond IAASB to achieve this in a reasonable timescale. Doing so would demonstrate the very agility that its detractors claim it is incapable of, and would go a very long way indeed to demonstrate that its standards are scalable and proportionate.

IAASB must be prepared to make it clearer than it does now that each audit, each firm and each set of circumstances is unique, and that it is inappropriate to treat non-authoritative material - examples, in particular - as authoritative or as best practice in all cases.

We have commented on it many times and we remain of the view that IAASB needs to think outside the box and consider the development of a different category, or categories, of publication.

We therefore encourage IAASB to use the quality management standards to consider how examples, FAQs, and material directed at different types of firms or engagement, can be published as a new category of non-authoritative document. This could serve as a template for other ISAs as they are revised. In doing so, IAASB should take steps to help ensure that the status of any such material is properly understood. This includes clearly communicating its non-authoritative status and the fact that examples and FAQs are just that, and are not applicable in all cases. This will go some way to helping ensure that such publications are not misunderstood or misused by government, regulators, professional accountancy organisations (PAOs) or others. New material directed at different types of firm or engagement - particularly SMPs and LCE engagements - would help deal with the perception that IAASB is insufficiently engaged with that constituency, and to prevent the inappropriate use of such non-authoritative material.

We not only believe that this is worth doing, we also believe that IAASB is best placed to produce the highest quality material and we do not believe that it is beyond IAASB to achieve this in a reasonable

timescale. Doing so would demonstrate the very agility that its detractors claim it is incapable of, and would go a very long way indeed to demonstrate that its standards are scalable and proportionate.

In this context, the medium affects the messaging. Digitisation of material facilitates ease of navigation, avoids the need for, or inadvertent trawling of, irrelevant information, and might facilitate more of a building blocks / think small first type approach. Indeed, the absence of digitisation is somewhat surprising, it inhibits development and acts as a drain on resources globally. These standards could be used as a pilot for digitisation.

Requirements could be linked digitally to application material and conditional requirements could be linked digitally to further requirements. The 'what, why and how' approach being considered in the revision of ISA 315 might be also advanced using this approach. Requirements and application material could be further linked to examples outside the standard, FAQ, staff publications and other media.

Digitisation would serve to encourage better drafting in that scalability material applying to LCEs might be brought forward, which might help practitioners read the subsequent material with an appropriate frame of reference - rather than reading material intended to apply to more complex situations with mounting concern about how it applies in a smaller audit, only to discover the scalability paragraphs right at the end.

44. IFAC SMP

A staff publication which collates the “considerations specific to smaller firms” may be useful.

We note the IAASB's approach of not including “considerations specific to smaller firms” in the text of the standard. However, some practitioners are concerned that this has decreased its usability and that this type of signposting in the past has been very helpful. The IAASB could consider how the table on scalability in the examples provided could be expanded and utilized to assist with implementation support. Although the current examples have value, they are limited as they focus only on straightforward circumstances.

45. CalSCPA

While it appears the IAASB elected to remove the sections relating to “Considerations Specific to Smaller Firms”, development of an Appendix or paragraphs providing guidance specific to smaller firms' implementation of the contemplated quality management would be important in demonstrating and supporting the scalability of the standards' requirements. Furthermore, absent such guidance, SMPs may be inappropriately held to a higher standard with respect to the implementation and operation of a system of quality management. For example, an appendix could include:

54. APESB

We strongly encourage the IAASB to map extant ISQC 1 requirements to those in ED-ISQM 1 and 2 or demonstrate how existing policies and procedures could be adapted as quality objectives or responses in the proposed quality management framework. This would indicate which existing requirements and guidance in the extant standard can be incorporated into the new framework and highlight additional requirements or documentation to be developed.

68. SAICA

It is important that the appendixes and any other implementation guidance must be issued at the same time as the issue of the final quality management standards. This will enable the firms to use the standards, application and explanatory material and related appendixes as a complete package in designing and implementing the new SOQM.

The appendix included in the June 2018 agenda pack was found to be useful in understanding the eight components. The suggestion for the drafting of an appendix that includes a description of each of the eight components was a suggestion that was welcomed by the SAICA Reference Group. They suggested that the appendix include guidance or principles on how each of these elements will be practically implemented in the different circumstances that arise as a result of different firm dynamics.

There is a sense that firms, especially the SMPs will wait until ED-ISQM 1 becomes effective before they even take note of the new and revised requirements. The sense is that they will further wait for IFAC Guidance (similar to the Guide to Quality Control for Small- and Medium-Sized Practices) in the hope that this will be the easy way out in **implementing** the new and revised requirements.

73. CICPA

The standards are principle-based. However, SMPs face greater limitations in capacities and resources to understand and implement the standards.

75. EXPERTsuisse

The implementation material for SMPs should focus on the proportionality and scalability elements of the standards' application. Again, we would be supportive of a separate quality control standard for SMPs and would also like the IAASB to discuss whether the existing ISCQ 1 could be "frozen" for SMPs, i.e. auditors with less complex audit engagements.

11. Work With NSS

National Auditing Standard Setters

08. AICPA

We urge the IAASB to work with National Standard-setters (NSS) to identify areas where additional implementation support material may be needed. In addition, the IAASB is well-positioned to facilitate coordination and sharing of resources among NSS.

Accounting Firms

12. EYG

In addition, we appreciate the IAASB's efforts to collaborate with other standard setters as we believe this collaboration is essential to promote consistency of the requirements of quality management standards and to reduce variations that do not benefit engagement quality.

53. CroweGlobal

We encourage the IAASB to collaborate with national oversight bodies, standard setters and professional accountancy organisations to develop the support and share ideas.

12. Other

National Auditing Standard Setters

08. AICPA

Finally, we believe that implementation support material aimed at helping regulators gain a consistent understanding of the Proposed Standards would be extremely helpful. Clearly stating that the Illustrative

Tools are additional references or resources that are not part of the Proposed Standards, but merely practical approaches and examples illustrating application, would be important in this regard.

Public Sector Organizations

07. AGA

None noted.

69. GAO

We are not providing comments relating to implementation materials.

General Questions - Developing Nations

1. Guidance Needed

Monitoring Group

Regulators and Audit Oversight Authorities

37. IRBA

South Africa is considered a developing nation. One of the features of the marketplace is the significant number of SMPs, whether audit firms or those providing other professional services to which the quality management standards would apply. Some SMPs have indicated that they presently do not have the capacity or the expertise to establish the new QMS and they may approach consultants to assist them. The risk that then arises is that the SMPs do not take full responsibility for the QMS that has been developed by an external party, or they follow a tick box approach without fully understanding how integrated the QMS is, or without having identified quality risks and responses specific to their firms and circumstances.

In South Africa, local audit pronouncements reference ISQC 1. These pronouncements may also be found in the auditor accreditation and eligibility rules of certain financial regulators. It will be necessary to assess the effort and time needed to align such pronouncements with proposed ISQM 1 and the other quality management standards.

Accounting Firms

21. PKF International Limited

Scalability – it will likely be very important to firms in developing nations, that the proposed standards on Quality Management are scalable to their circumstances. We encourage the IAASB to consider and address the points we have made on scalability within our response letters to ED-ISQM 1, ED-ISQM 2 and ED-ISA 220 (revised).

30. MS

As some of the developing countries have limited support from their local professional institutes and service providers in the form of updates on developments, and training provision, there is a sense that firms will be very reliant on guidance and application material provided along with the QM standards. This will also require guidance on the practical implementation of the requirements and, as the majority of the firms in the developing countries are SMEs, how to apply the QM standards to smaller entities, on occasion firms with one or two partners only

55. CAS International

In addition to the responses mentioned in other sections, training workshop including workshop sharing of experience and engagement of experience Risk Assessment professionals are critical for the implementation support. We need to close the knowledge and experience gap.

2. No Comment

National Auditing Standard Setters

13. AASB

We have no comments on this question.

33. AUASB

We have no specific comments on this question.

36. KSW

n/a

52. NBA

N/A

Accounting Firms

03. MNP

This question is not applicable to our firm.

12. EYG

No comment.

22. Deloitte Touche Tohmatsu Limited

No comment.

26. BDO

As acknowledged by the IAASB, many developing nations are still in the process of adopting the International Standards. Given the need to ensure that the public interest is not impacted by a patch-work take up of these standards across the globe, we would strongly support IAASB (and ultimately IFAC) efforts to improve capacity building in developing nations. Options could include the IAASB partnering with others (such as the World Bank or via the MOSAIC initiative) to provide adoption and implementation support to specific nations.

31. RSM

We have no comments to add in this respect.

35. GTIL

We have no specific comments on this question.

42. Kreston International

Kreston as a network of independent accounting firms has members in developing nations. The key challenges that are seen in these countries are identifying sufficient qualified individuals to perform engagement quality reviews and internal monitoring. Firms that are part of networks can obtain assistance in these areas but it may be difficult for other firms to access these resources. The regulatory structure both through professional bodies and external regulators is not always well resourced and this can lead to inconsistent implementation across firms.

50. Nexia International

SMPs in developing countries rely on their local professional body to provide guidance and therefore there may be a greater time lag in implementing international standards.

63. BTI

In our view firms in developing nations, particularly those which are in the process of adopting (or have recently adopted) international standards are likely to find the enhanced requirements of ISQM1 and related standards particularly difficult to achieve. It may be appropriate for such jurisdictions to be given longer implementation periods although it is difficult to see how this can be achieved in practice. Given the additional challenges in the new standards, it is possible that full adoption of international standards in some jurisdictions may be delayed.

66. ETY_Global

See below comments referring to SMPs

70. PwC

No specific comments.

Public Sector Organizations

02. Provincial Auditor Sask

- (a) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposals, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

No comment.

07. AGA

Not applicable.

18. National Audit Office of Malta

N/A

39. OAGNZ

We do not have any comments on this question.

69. GAO

We are not providing comments relating to developing nations applying the proposed standard.

Member Bodies and Other Professional Organizations

06. CPAAustralia

No comment

10. ICAS

We have no further comments in relation to any of the above.

15. Malaysian Institute of Accountants

Not applicable.

16. WPK

n/a

17. IMCP

One of the proposed changes, is the identification of the quality risks and the associated answers to them, because as a new incorporated topic, and due to the fact of not having prior experiences, implementation will be challenging.

41. ICPAS

No response.

43. IAB-IEC

Does not apply to IAB-IEC.

45. CalSCPA

No comment

46. EFAA

Our membership includes some developing nations. We believe many of the problems cited above will be even more acute for them. We suggest the IAASB and IFAC consider how to facilitate the sharing and transfer of knowledge and expertise from more advanced PAOs to those that are developing.

48. FSR - Danish Auditors

We have no comments to this question.

49. Accountancy Europe

Nothing to report

54. APESB

Not applicable.

68. SAICA

Our comment letter includes practical challenges identified in adopting and applying the proposed new and revised requirements of the QM-EDs.

73. CICPA

Audit firms have only a relatively short period of development in developing countries. Overall, there is still a big disparity in governance and management compared to firms in developed countries. Audit firms are facing great pressure of human resources, financial resources, technological resources, and intellectual resources shortage, etc.. The proposed standards have enhanced requirements in those areas, which brings great challenges in applying them in a developing nation environment.

General Questions - Public Sector Auditors

1. Public Sector Considerations

National Auditing Standard Setters

08. AICPA

We believe that the Proposed Standards appropriately address public sector auditors. A significant number of engagements that occur in the U.S public sector are performed by small government audit organizations and other small- and medium-sized practitioners (“SMPs”), so implementation support materials for SMPs that includes public sector considerations would be helpful.

13. AASB

In our response to Question 11 in ED-ISQM 1, we note that Canadian stakeholders expressed concerns about the requirements related to “entities with significant public interest”. They noted that many audits of financial statements performed in the public sector may need to be subject to EQR because the entity appears to be of significant public interest. However, there may be no assessed quality risk for a particular engagement for which an EQR is an appropriate response. More guidance is needed on how to determine when the audit of financial statements of a public sector entity may or may not be of significant public interest. For example, public sector auditors may consider such factors as financial magnitude and public sensitivity. Such factors could be added to application material in ED-ISQM 1.

33. AUASB

The AUASB does not support the explicit requirement to include ‘significant public interest’ entities in the scope of engagements subject to an engagement quality review.

The AUASB notes that Public sector engagements encompass a large range of diverse organisations both in terms of the size of the organisation and the nature of their activities. The AUASB considers that absent a more robust definition or description of what is meant by “entities of significant public interest,” there may be a number of public sector engagements that become subject to an engagement quality (EQ) review where such a review is not warranted.

52. NBA

Within the public sector there should be the possibility to incorporate the proposals into another organization wide quality system which fits into the structure of the public sector organizations.

Accounting Firms

30. MS

For jurisdictions such as the UK, public sector auditors already apply ISA standards, so these standards will also apply and they will face similar challenges to all audit firms. We suspect for many other jurisdiction, these standards will be beyond their reach for many years to come.

35. GTIL

Public sector engagements encompass a large range of diverse organizations both in terms of the size of the organization and the nature of their activities. We are concerned that, absent a more robust definition or description of what is meant by “entities of significant public interest,” there may be a number of public sector engagements that become subject to an engagement quality review where such a review is not warranted; that there will be inconsistent application of this requirement by individual firms; that national

public sector standard setters will have different interpretations of the requirement both within the same jurisdiction and across jurisdictions; or that regulators may interpret this differently to firms, resulting in increased inspection findings.

Public Sector Organizations

07. AGA

The concept of engagement leader should be adapted to the public sector. Either ISQM or ISA 220 or both should recognize that in the public sector there might not be one person that meets the definition of engagement leader. The definition of engagement partner may need to be re-examined because it contains two elements that may not be met by one person. The first is the person responsibility for the engagement and its performance; the second is for the report that is issued and who has the appropriate authority, which practically means the appropriate authority to sign the report. Because of legal reasons and the appointment of public sector auditors, a public sector auditor general may be able to delegate to someone within their “firm” the responsibility for the engagement and its performance and the report that is issued, but may not be able to delegate signing authority. ISA 220 should recognize this and allow the public sector auditor (specifically, a legislative auditor or a supreme audit institution), to adapt the requirements in ISA 220 and other ISAs (such as ISA 700 naming of the engagement leader) to circumstances unique to legislative auditors. To illustrate, the situation would be as if a law stated that the CEO of a large accounting firm is the engagement leader of every audit report issued by that firm. It is likely that that CEO would be unable to meet all the requirements of ISA 220 for every audit report, and the firm would either have to substantially reduce its number of audits (which it may also not be able to do if it was appointed by statute), or not comply with the ISAs. If IAASB is unable to accommodate this, then perhaps it should simply state in ISQM and ISA 220.03 that legislative auditors may choose to apply INTOSAI standards for quality control for their audits and this is considered acceptable in meeting the requirements of ISAs for legislative auditors.

18. National Audit Office of Malta

Supreme Audit Institutions perform various types of public sector audits including financial and compliance audits, performance audits, investigations and IT audits. Perhaps a quality management standard applicable to public sector audits could be developed in conjunction with INTOSAI.

39. OAGNZ

We note the Application and Other Explanatory Material in the proposed standards includes some public sector considerations. However, it does not contemplate the business model we use for performing public sector audits.

We consider ED- ISQM 1 has sufficient flexibility to enable us to customise the design, implementation and operation of our system of quality management based on the nature and circumstances of our institution. However, the IAASB may wish to consider including public sector considerations with respect to the definition used in ISQM 1 for a “firm”.

As set out in the covering letter and in our response to question 1 of the overall questions on ED-ISQM 1 (see page 7 of this submission), the standard does not address the business model we use for performing public sector audits. We suggest an approach to make it applicable. In question 2 (see page 8 of this submission) we set out our assessment of the customisation to the components of the System of Quality Management that would be necessary to make it applicable to our “firm”.

We have not identified any specific impacts on assurance engagements.

By law, the Auditor-General is the auditor of all public entities. However, the Act allows the Auditor-General to appoint people to carry out audits on his behalf. We call the people who carry out audits on the Auditor-General's behalf "appointed auditors". They can be appointed from the Auditor-General's own business unit, Audit New Zealand, or from within a chartered accounting firm. We refer to chartered accounting firms and Audit New Zealand as audit service providers (ASPs).

The audit report is signed by the appointed auditor and includes the name of the audit service provider (the appointed auditor's firm).

69. GAO

As indicated in individual responses to the questions below, we have concerns about the applicability and scalability of the proposals to the structure and governance arrangements of many public sector auditors, especially smaller governmental audit organizations. As mentioned in our May 2016 response to the December 2015 invitation to comment entitled Enhancing Audit Quality in the Public Interest, a significant number of engagements that occur in the U.S. public sector are performed by small- and medium-sized practitioners (SMP), so the effect of these changes on SMPs directly and indirectly affects the public sector audit practice.

Member Bodies and Other Professional Organizations

17. IMCP

Specific requirements asked for by the government, related to the engagement execution and the short period for conclusion and the issuance of the related opinions including the terms and conditions of the agreement (engagement letter).

47. ICGN

We would encourage IAASB to make explicit reference to the importance of investor engagement in its review of audit quality management and to consider adding it as one of IAASB's key public sector issues.

2. No Public Sector Concerns

Accounting Firms

03. MNP

We do not have any potential concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.

63. BTI

Response: Given the emphasis on the public interest in recent standard setting and related activities, it is very difficult to argue that the requirements in the suite of quality standards should not be applied equally to those undertaking public sector engagements. In our view, the revised standards should apply to public sector auditors, regardless of whether they are public sector bodies themselves, or whether the audits are performed by private sector firms.

Public Sector Organizations

02. Provincial Auditor Sask

(b)Public Sector—The IAASB welcomes input from public sector auditors on how the proposed standards affect engagements in the public sector, particularly regarding whether there are potential concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors

We do not have concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.

Member Bodies and Other Professional Organizations

27. CNDCEC

With reference to the public sector, paragraphs in ISAs and ISQC 1 that include specific considerations for public sector audits have not been adopted by the Ministry of Finance. We have no reason to think that this will change with the new quality management standards, which are then not expected to be applied to public sector audits.

3. No Comment

Regulators and Audit Oversight Authorities

37. IRBA

The Auditor-General South Africa has advised the IRBA that it will be submitting a comment letter on the new and revised quality management standards directly to the IAASB. We recognise that there are several public sector issues that require further attention by the IAASB as it finalises the quality management standards. We reaffirm the position though that a characteristic of an international standard is for the principles to be equally applicable to the private and public sectors.

National Auditing Standard Setters

36. KSW

n/a

Accounting Firms

12. EYG

No comment.

21. PKF International Limited

We have no additional remarks other than those set out in our response letters to ED-ISQM 1, ED-ISQM 2 and ED-ISA 220 (revised).

22. Deloitte Touche Tohmatsu Limited

No comment.

31. RSM

We have no comments to add in this respect.

42. Kreston International

No comment

50. Nexia International

This is not a significant service line for the Nexia International

55. CAS International

No comment.

66. ETY_Global

Not applicable

70. PwC

No specific comments.

Member Bodies and Other Professional Organizations

06. CPAAustralia

No comment

10. ICAS

We have no further comments in relation to any of the above.

15. Malaysian Institute of Accountants

Not applicable.

16. WPK

n/a

41. ICPAS

No response.

43. IAB-IEC

Does not apply to IAB-IEC.

45. CalSCPA

No comment

46. EFAA

We have no remarks.

48. FSR - Danish Auditors

We have no comments to this question.

49. Accountancy Europe

Nothing to report

54. APESB

APESB makes no comment on this question.

68. SAICA

It is our understanding that the Auditor-General of South Africa (AGSA) will be submitting a comment letter on the QM-EDs that will provide input from public sector auditors. In soliciting input to inform the SAICA comment letter, the focus was on auditors other than those engaged in the performance of public sector audits.

General Questions - Translations

1. Issues

National Auditing Standard Setters

36. KSW

We refer to answer in ISQM 1 6c) and 15).

52. NBA

We reiterate our general remark that long, complex sentences are difficult to translate. We recommend to use shorter sentences instead of these long sentences.

64. CNCC-CSOEC

We have a concern with the translation of the terms “reasonable possibility”. Please refer to our comment letter on the ED-ISQM1 (Question 6 c).

73. CICPA

Some sentences are long and complex, such as paragraph 23, 24 and A29 of ISQM 1, which makes it difficult to read and understand.

Some expression can be more concise and more reader-friendly. We recommend applying the principles of the IAASB’s Clarity Project. For example, paragraph 48 of ED-ISQM 1 (The firm shall establish policies or procedures addressing: (a) The investigation of the root cause(s) of the identified deficiencies...) does not explicitly state that the firm should investigate the root cause(s) of the identified deficiencies, which we believe is the real intention.

Different words are used to express similar meaning without explanation for their differences, which brings confusion in understanding and translating for non-English speakers. For example, it’s hard to tell the difference between analysis and assessment in the first sentence of paragraph A180 in ED-ISQM 1 (Performing a root cause analysis generally involves those performing the assessment exercising professional judgment based on the evidence available). Suggest clarification in wording.

For new terminologies, such as intellectual resources, scalability, etc., it is recommended to provide a more explicit explanation, so that non-English speaking countries can do better in translation.

Accounting Firms

21. PKF International Limited

Other than our response to Question a. above, we have no additional remarks.

Translation – for firms located in all countries that adopt International Standards, there should be high quality translations available in all relevant languages.

26. BDO

We have long supported IFAC efforts to make ISAs and other IFAC pronouncements accessible to users through effective and timely translation. We question whether the term 'quality risk' will translate well into other languages or if a 'risk to quality' would better convey the intention. Our concern is that 'quality' is often used to mean excellence, or of high value and could be misinterpreted. Notwithstanding our comments in relation to use of the term 'Quality Management' (as opposed to 'Quality Control' – see Q15, ED-ISQM 1) our comments regarding 'quality risk' or other specific drafting comments below, in our view the proposed standards do not on the whole present any immediate translation concerns.

30. MS

Due to the length of the standards, and application materials, the time it will require to translate the standards will decrease the implementation time left substantially. Differences between localized versions of languages, for example, French, Portuguese and Spanish, will require additional translations even if the standards are made available in these conventional languages. Besides, given the limited resources in the firms, especially those from the developing nations, the quality of the local translation could be an issue in developed jurisdictions where proficiency in English may be limited. If official translations are delayed this could be a challenge for smaller firms (which will be required to comply from the official start date if they are members of global networks), where it may be difficult for them to do an appropriate interpretation with accurate translation themselves.

42. Kreston International

The language used in the original versions of the exposure drafts is very complex. This will be difficult to translate and maintain meaning. There will also be many countries where translated versions will not be available. Simplification of the original English version will assist in both translation and implementation.

50. Nexia International

There is a need to keep in mind when and who will provide appropriate translations. In the absence of translated material interpretations may well differ and could lead to misinterpretations.

Member Bodies and Other Professional Organizations

17. IMCP

Depending on the place where the translation may be completed, it may be possible to include a list of the most common terms in Spanish used in Mexico.

40. ICAEW

The quality of translation of standards has a direct impact on audit quality. IAASB should consider systematically involving the translators with whom it has established good relationships at key points in drafting.

Translation seems likely to be a key issue in considering the necessary implementation period. IAASB should consider the need to obtain more detailed information on this, and in particular on the position in countries where firms are required, or have no choice but to use regulator-produced resources. There are many jurisdictions using old versions of ISAs, partly for want of translation resources. Adding to the backlog by imposing a challenging implementation date will not help.

We note in our main points above a number of issues with length and complexity, opportunities to improve drafting and in particular the use of plain language. All of these have an impact on translation which matters

because of its impact on the timing, success and effectiveness of ISAs. There are too many jurisdictions using old versions of ISAs, the solution to which is shorter standards written in better quality English, as well as more resources for translators. We suggest that IAASB consider the need to involve translators at a much earlier stage in the process than at present. We also note the need for IAASB to gather intelligence on the time it will take to perform translations when considering the implementation period(s). The cost and technical challenges of translation seem likely to be particularly burdensome for developing nations. Challenging implementation dates exacerbate existing problems in such cases.

46. EFAA

The proposed standards include many long, complex sentences and sophisticated language. We urge the IAASB to use simpler language and sentence construction.

48. FSR - Danish Auditors

The wording and sentence structure are in general very complicated, which makes it difficult even for native English speakers to understand the standards. The structure and length of sentences make it very difficult to translate. As a result of severe issues regarding translation of ISA 540, we therefore strongly encourage the IAASB to reduce the complexity of the sentences. We call for plain English.

In relation to translation we encourage the IAASB to bear in mind that inconsistent language creates severe translation issues. Consistent language is needed at an overall level for all documents issued by the IAASB.

49. Accountancy Europe

The IAASB should be mindful that, for some jurisdictions, translations are becoming very difficult to deal with, due to timing issues, but also volume of the changes. To translate the revised standards, proper due process should be put in place involving knowledgeable experts. It would be detrimental for worldwide adoption of the IAASB suite of standards if some jurisdictions would not be able to afford qualitative translations anymore.

61. Finnish Association

General

We were happy to notice that the language used in these ED's is much more readable and understandable than that used in other recent texts, such as the ISA 315 ED and the final ISA 540 (Revised).

However, we have the following comments relating to potential translation problems and challenges.

Terminology

Changing the term 'quality control' into 'quality management' might result in a need to amend legislation at the level of the European union and in its member states, although European law or Finnish Audit Law do not mention ISQC1 by name.

The term itself will be relatively easy to translate, but some other terms might cause confusion in some languages that have a different lexical density. In this case we refer to 'engagement quality review' and 'engagement quality reviewer' (previously 'engagement quality control review' and 'engagement quality control reviewer'). Finnish, for example, does not have exact equivalents for 'inspection' and 'review', and on the other hand, we do have separate words for different kinds of 'review'. The translation we had for 'engagement quality control review' will not work by just removing the 'control' part from it, because the resulting translation would refer to an inspection in connection with quality control, and therefore we might have to use the equivalent of 'engagement quality management review'. You have deviated from the

previous logic of putting together longer terms consisting of parts, and ours might not be the only language that will have problems with that particular term.

Ambiguous references in relative clauses

There are some cases, but not as many as in ISA 540 (Revised), where a relative clause could refer to several words or expressions. An example:

ISQM 1.42: The firm shall establish the following quality objectives that address the firm's monitoring and remediation process that enable the evaluation of...

Here the first 'that' refers to 'quality objectives', but it is not completely clear what the second 'that' refers to. Maybe it also refers to quality objectives, because that is the only word in plural. But it could also refer to the processes.

In some cases, the relative pronoun is far away from what it refers to, and this makes the sentence difficult to read. For example, ISQM 1.18:

The objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that...

'Including' with an ambiguous reference

Expressions starting with 'including' are frequently used in the text. In some occasions it is not completely clear what 'including' refers to. For example, ISQM 1.23:

The firm shall establish the following quality objectives that address the aspects of the firm's environment that support the design, implementation and operation of the other components of the system of quality management, including the firm's culture, decision-making process, actions, organizational structure and leadership:

Here, 'including' could refer to 'the aspects of the firm's environment' or to 'the other components of the system of quality management', at least.

Complex structures

Sometimes there are expressions that are constructed in an unnecessarily complex manner so that a sentence needs to be read several times in order to be understood. For example, ISQM 1.20:

The individual(s) assigned ultimate responsibility and accountability, and the individual(s) assigned operational responsibility, for the firm's system of quality management shall have an understanding of this ISQM relevant to their responsibilities, including the application and other explanatory material, to understand the objective of this ISQM and to apply its requirements properly.

Multiple prepositional structures

For languages that do not use prepositions, sentences including multiple prepositional structures are a nightmare to translate, often resulting in a translation twice the length of the original. For example, ISQM 1.30 and ISQM 1.A51

The design of the responses shall be based on and responsive to the reasons for the assessments given to quality risks.

Although the quality objectives set out in this ISQM are organized by component, an objective in one component may be related to, support, or be supported by a quality objective in another component.

2. No issues

Regulators and Audit Oversight Authorities

37. IRBA

Standards are not translated in South Africa.

National Auditing Standard Setters

15. Malaysian Institute of Accountants

Not applicable.

33. AUASB

We have no specific comments on this question

Accounting Firms

03. MNP

We do not foresee any potential translation issues.

12. EYG

No comment.

22. Deloitte Touche Tohmatsu Limited

DTTL did not identify any potential issues related to the translation of the proposed standards to bring to the Board's attention.

31. RSM

We have no comments to add in this respect.

35. GTIL

We have no specific comments on translation.

55. CAS International

No comment at this moment.

63. BTI

We have no comments on translation.

66. ETY_Global

Not applicable

70. PwC

No specific comments.

Public Sector Organizations

02. Provincial Auditor Sask

- (c) Translations—Recognizing that many respondents may intend to translate the final ISQMs and ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed standards.

No comment.

18. National Audit Office of Malta

N/A

39. OAGNZ

We do not have any comments on this question.

69. GAO

We are not providing comments relating to potential translation issues.

Member Bodies and Other Professional Organizations

06. CPAAustralia

No comment

07. AGA

None.

10. ICAS

We have no further comments in relation to any of the above.

13. AASB

We have no comments on this question.

16. WPK

n/a

27. CNDCEC

CNDCEC, in its capacity as official translator of IFAC's handbooks and standards, has translated the existing standards on quality control (ISQC 1 and ISA 220) and has fostered their adoption into the Italian legislation that took place in 2015 with a Decision (Determina) of the Italian Ministry of Finance (Ministero delle Finanze - MEF). More recently, in January 2018, ISA 220 has been updated to implement the conforming amendments of IAASB's project on the audit report.

Based on previous experience, CNDCEC does not expect any significant difficulty from the translation and adoption of the new standards.

41. ICPAS

No response.

43. IAB-IEC

As stated above, the translation process will probably be a cooperation between the future Belgian Institute for Tax Advisors and Accountants, IBR-IRE and the Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA) for the Dutch translation, and between the future Belgian Institute for Tax Advisors and Accountants, IBR-IRE and the Conseil Supérieur de l'Ordre des Experts Comptables (CSOEC) for the French translation.

45. CalSCPA

No comment

54. APESB

Not applicable.

68. SAICA

The translation of the final ISQMs and ISA is not required in the South African environment and therefore we have no comment in response to this question.