

Agenda Item

2

CONFORMING AND CONSEQUENTIAL AMENDMENTS TO THE OTHER IAASB STANDARDS ARISING FROM THE QUALITY MANAGEMENT STANDARDS—ISSUES PAPER

Objectives of Agenda Item:

- a) To approve the IAASB Project Proposal for limited amendments to the IAASB's Other Standards arising from the Quality Management (QM) standards; and
- b) To approve an Exposure Draft with proposed conforming and consequential amendments to the IAASB's Other Standards arising from the QM standards.

Background

1. At the [September 2020 IAASB meeting](#), the Board approved the QM standards¹ for issue.² As a consequence, the IAASB needs to consider conforming and consequential amendments to the IAASB's Other Standards³ where they make reference to the extant quality control standards. The IAASB's Other Standards refer to the International Standard on Quality Control (ISQC) 1⁴ in various ways ranging from simple references to the title of standard, cross-references to material within ISQC 1, and alignment of terminology.
2. In March 2019, the IAASB was presented with the [Staff's proposed approach](#) to the conforming and consequential amendments to the IAASB's Other Standards arising from the three QM projects. Members were generally supportive of the proposed approach to making the conforming and consequential amendments.⁵
3. At the September 2020 IAASB meeting, the Board was presented with [an update on the project](#). The Board expressed general support for the proposed approach to making the conforming and consequential amendments to the IAASB's Other Standards. Staff were cautioned against including too much of the ISA 220 (Revised) approach into the Other Standards, given that the market for the services is different and the project does not contemplate more holistic revisions to the standards.
4. Accordingly, the purpose of the project is to align the extant wording, as appropriate, with the QM standards, thus ensuring that the IAASB's Other Standards can continue to be applied together with

¹ International Quality Management Standard (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*

² Subject to the Public Interest Oversight Board's approval

³ For the purposes of this paper, the IAASB's Other Standards comprise the International Standards on Review Engagements (ISREs), the International Standards on Assurance Engagements (ISAEs), and the International Standards on Related Services (ISRSs).

⁴ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

⁵ [Approved IAASB Public Session Minutes of the March 2019 Meeting](#)

the QM standards. The project does not evaluate or discuss the merits of other revisions that may be necessary to the IAASB's Other Standards. Any further revisions that may be necessary to the IAASB's Other Standards would be required to be considered as part of the Board's future Strategy and Work Plan and be included in the IAASB's Framework for Activities.

Timeline

5. The planned timeline for the project is as follows:

QM Conforming and Consequential Amendments to the IAASB's Other Standards	
Project Milestones	Proposed Dates
Approval of Project Proposal and Exposure Draft	November 2020
Issuance of Exposure Draft	January 2021
Closure of commentary period	April 2021 (90 days)
Board discussion	June 2021, September 2021
Approval of final conforming and consequential amendments	September 2021
Approval by PIOB	December 2021
Effective date	As per QM standards

Project Proposal

6. The IAASB Project Proposal dealing with making the limited conforming and consequential amendments to the IAASB's Other Standards arising from the QM standards discusses in further detail the project objectives, outline and timetable in **Agenda Item 2-A**.

Matter for IAASB Consideration

- Does the IAASB agree with the Project Proposal in **Agenda Item 2-A** for making the limited conforming and consequential amendments to the IAASB's Other Standards arising from the QM standards?

Exposure Draft

- Staff prepared an Exposure Draft (see **Agenda Item 2-B**) which shows proposed conforming and consequential amendments to the IAASB's Other Standards arising from the QM standards by applying the principles outlined in the Project Proposal.
- These amendments are limited, as developing them does not involve re-consideration of the objectives, requirements, and application material of the IAASB's Other Standards in their own right. This project does not address other potential amendments to the IAASB's Other Standards that may have been considered in a project to improve those standards.
- As the types of changes contemplated are limited and involve little or no judgment, it is possible to categorize all changes into two categories. The categories are:

- a) Category 1: Update links to the structure and concepts in ISQM 1 and ISQM 2, such as new or revised definitions. When necessary and appropriate (e.g., when wording was previously aligned with ISA 220⁶), analogous wording in ISA 220 (Revised) is taken into consideration.
 - b) Category 2: Update references and other terminology in ISQC 1 to align with ISQM 1 and ISQM 2.
10. A tabular presentation format has been used to show the extant IAASB's Other Standards text, relevant notes on the relevant paragraphs in the QM standards, the proposed change to the IAASB's Other Standards text, and the category of the change. It is proposed that this format be used for the Exposure Draft to facilitate stakeholder review.

Request for Written Comments

11. To facilitate an effective approval at a virtual meeting, it is requested that members provide any written comments on the draft Exposure Draft by November 9, 2020. Staff will then circulate any necessary final revisions on November 10, 2020.

Matter for IAASB Consideration

2. Does the IAASB approve the draft Exposure Draft (in **Agenda Item 2-B**) of the proposed conforming and consequential amendments to the IAASB's Other Standards arising from the QM standards for issuance for public comment?

Other Matters

Effective Date

12. It is proposed that the effective date of the amendments to the IAASB's Other Standards would be aligned to the effective date of the QM standards.

Exposure Period

13. Staff proposed an exposure period of 90 days. This is less than the ordinary 120-day commentary period, and that this is consistent with the approach for the recently completed project to provide [Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code](#) and complies with the IAASB's [Due Process and Working Procedures](#).

Significant Matters

14. In the Staff's view, the significant matters identified as a result of the Board's discussions and Staff's deliberations since the beginning of this project, and the considerations thereof, have all been reflected in the issues papers presented to the IAASB at its meetings. There are no significant matters it has discussed in this project that have not been brought to the IAASB's attention.
15. Staff does not believe that a consultation paper, field testing, or a roundtable is warranted, as the proposed conforming and consequential amendments are only limited in nature.

⁶ ISA 220, *Quality Control for an Audit of Financial Statements*

Explanatory Memorandum

16. Staff have prepared a draft Explanatory Memorandum to accompany the Exposure Draft, which will be circulated after the IAASB meeting on November 11th. The draft Explanatory Memorandum is brief, in keeping with the limited nature of the amendments.

Matters for IAASB Consideration

3. Does the IAASB agree with the proposed exposure period of 90 days?
4. Does the IAASB agree that the Explanatory Memorandum should propose an effective date that is aligned to the effective date of the QM standards?