

IAASB PROJECT PROPOSAL— CONFORMING AND CONSEQUENTIAL AMENDMENTS TO THE OTHER IAASB STANDARDS ARISING FROM THE QUALITY MANAGEMENT STANDARDS

I. Subject

1. This project considers the implications of the conforming and consequential amendments to the IAASB's Other Standards¹ where they refer to the extant quality control standards.

II. Background and Relevant Considerations

2. At the [September 2020 IAASB meeting](#), the Board approved the Quality Management (QM) standards² for issue.³ As a consequence, the IAASB needs to consider conforming and consequential amendments to the IAASB's Other Standards 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 the standard, cross-references to material within ISQC 1, and alignment of terminology.
3. 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
4. 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.

III. Outline of Proposed Amendments to the IAASB's Other Standards

5. This project will propose conforming and consequential amendments to the IAASB's Other Standards that are necessary to avoid conflicts with the ISQMs.
6. The project does not involve re-consideration of the objectives, requirements, and application material of the Other Standards in their own right. The conforming and consequential amendments

¹ 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).

² 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*

³ Subject to the Public Interest Oversight Board's approval of the due process.

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](#).

are limited to, for example, updating titles of standards, updating references to the QM standards, and aligning terminology. The amendments also include limited changes to align concepts, specifically the conceptual changes in ISQM 1 to deal with resources more broadly.

7. 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.
8. No amendments will be proposed to ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 is in a pre-Clarity format and, for this reason, has not been subject to conforming amendments in recent years to avoid giving the impression that it is up to date. ISRE 2410 contains only one high level reference to quality control.

IV. Project Objectives and How the Project Serves the Public Interest

9. The project objectives are to:
 - (i) Identify any actual or perceived inconsistencies between the IAASB's Other Standards and the ISQMs;
 - (ii) Develop conforming amendments to the International Standards to address such inconsistencies to the extent considered appropriate to ensure that the Other Standards and the ISQMs will be able to operate in conjunction with each other without conflict.
10. It is in the public interest that the Other Standards and the ISQMs be able to operate in concert and without confusion due to the importance of firm-level quality management to the consistent performance of quality engagements.

V. Outline of the Project

Major Issues that Will Be Addressed

11. As the types of changes contemplated are limited, 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 to, and other terminology from ISQC 1 to align with ISQM 1 and ISQM 2.
12. A tabular presentation format will be 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.

Impact Analysis Considerations

13. The primary benefit of this project is the avoidance of actual or perceived inconsistencies between the Other Standards and the ISQMs. Due to the anticipated limited nature of the amendments, the project is not expected to have a significant positive or negative impact on the cost of engagements

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

covered by the Other Standards beyond that necessary to implement the new quality management standards. Conversely, failing to make the limited amendments may lead to confusion in practice regarding the interaction between the QM standards and Other Standards and, accordingly, may increase costs.

VI. Implications for any Specific Persons or Groups

14. The project has implications for national standard setters (NSS) who have adopted the Other Standards and auditors who use the Other Standards or used them as the basis for their audit or other assurance engagement methodology.

VII. Development Process, Project Timetable and Project Output

Development Process and Project Timetable

15. Given the limited nature and scope of the anticipated amendments to the Other Standards and the importance of aligning the effective date of the changes with the ISQMs, this project will be undertaken on an expedited basis as outlined in the proposed project timetable below.

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	See below. As per QM standards

Expected Effective Date

16. 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. It is proposed that the effective date be worded consistently with how ISQM 2's effective date is worded – that is:
 - For reviews of financial statements for periods beginning on or after December 15, 2022; and
 - For other assurance and related services engagements beginning on or after December 15, 2022.