

# Supplement B.1 to Agenda Item 3

## ED-Conforming and Consequential Amendments due to the Quality Management Standards – Conforming and Consequential Amendments Sufficient

### **Question 1**

Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other 6 ISRE 2400 (Revised), Engagements to Review Historical Financial Statements Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards?

### **Q1 – Agree**

#### **1. Regulators and Audit Oversight Bodies**

##### **CPAB**

#### **Responses to specific questions**

##### **Question 1**

*Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards?*

We did not identify any inconsistencies not addressed in the proposed updates included in the exposure draft.

#### **2. National Auditing Standard Setters**

##### **AUASB**

The AUASB considers the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards.

##### **KICPA**

(KICPA response) We believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards.

##### **NZAuASB**

The NZAuASB believes the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's International Standards and the changes made the IAASB in developing and approving the new and revised QM standard.

#### **3. Accounting Firms**

##### **DTT**

We believe the proposed confirming and consequential amendments in the exposure draft are sufficient to resolve actual or perceived inconsistencies between the new/revised QM standards and the Other

Standards and Framework. We are also supportive of changes included to emphasize responsibilities of the engagement partner and engagement team regarding quality management.

#### **KPMG**

We are supportive of the IAASB's objective of amending the IAASB's Other Standards and Framework to address inconsistencies with the new and revised Quality Management standards and to enable these to operate in concert. We consider that it is optimal to make such changes concurrently across all affected IAASB standards, in addition to ISAs, rather than on a piecemeal basis as the Other Standards are revised individually, over time, in order to avoid unnecessary inconsistencies, which may otherwise persist over an indeterminate period.

In considering the proposed amendments, we recognise the statement made by the Board in the Explanatory Memorandum to the Exposure Draft that the amendments are limited in scope, as their development does not involve re-consideration of the objectives, requirements and application material of the IAASB's Other Standards, in their own right. We also support the proposed amendments which, although acknowledged by the Board not to be strictly necessary to remove inconsistencies with ISQM 1, are included to help emphasise certain responsibilities of the engagement partner and/or engagement team, which are foundational principles of ISQM 1.

Accordingly, we consider that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the new and revised Quality Management standards.

#### **PwC**

We believe the proposed amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards (and Assurance Framework) and the changes made by the IAASB in developing and approving the new and revised Quality Management standards.

We are also supportive of the limited other changes to the IAASB's Other Standards, described in the explanatory memorandum, to emphasise the responsibilities of the engagement partner and engagement team with respect to quality management.

#### **4. Member and Other Professional Organizations\**

##### **BICA**

We believe that it is appropriate for IAASB to amend relevant standards to be in line with the new requirements of QM standards. The alignment will avoid any inconsistencies subsequent to application of the QM standards. The proposed amendments are considered sufficient.

##### **MICPA**

###### **Comment:**

We believe that the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards.

Please refer to Appendix II where we have suggested further edits for due consideration by IAASB.

## TFAC

We believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards. The proposed conforming and amendments comprise two main categories; updating links to the structure and concepts in ISQM1, ISQM2, and ISA 220, updating to references and terminology to align with ISQM1 and ISQM2.

## Q1 – Agree with Comments

### 1. Regulators and Audit Oversight Bodies\

#### IRBA

4. The proposed conforming and consequential amendments are reasonable and will be able to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework and the changes made by the IAASB in developing and approving the new and revised QM Standards. However, our recommendations in this section and section C should be considered and addressed to ensure that the proposed conforming and consequential amendments are sufficient.
5. ISQM 1 applies to all firms performing audits or reviews of financial statements, or other assurance or related services engagements. However, ISQM 1 does not refer to a "firm of professional accountants". We have noted that an appropriate amendment has been proposed to paragraph 4 of ISRE 2400 (Revised) (Revised) in the Exposure Draft, but the same amendment has not been carried through to paragraph A60 of ISAE 3000 (Revised), paragraph 3 of ISRS 4400 (Revised) and paragraph 4 of ISRS 4410 (Revised). Therefore, we recommend that these paragraphs be updated by the deletion of the phrase "of professional accountants", as illustrated below. This will ensure consistency of these standards with the requirements of ISQM 1. Our recommendations are in dark red in the table below.

Reference	IAASB Proposed Change	Our Proposed Changes
ISAE 3000 (Revised), paragraph A60	... <ul style="list-style-type: none"> <li>• <u>A system of quality management</u> <del>Quality control policies and procedures</del> implemented across the firm. ISQGM 1 applies to all firms of professional accountants in respect of assurance and related services engagements.</li> </ul> ...	... <ul style="list-style-type: none"> <li>• <u>A system of quality management</u> <del>Quality control policies and procedures</del> implemented across the firm. ISQGM 1 applies to all firms <del>of professional accountants</del> <b>of professional accountants</b> in respect of assurance and related services engagements.</li> </ul> ...
ISRS 4400 (Revised), paragraph 3	<del>Systems of quality control</del> <u>Quality management systems, and policies and/or procedures</u> are the responsibility of the firm. ISQGM 1 applies to firms of professional accountants in respect of a firm's agreed-upon procedures	<del>Systems of quality control</del> <u>Quality management systems, and policies and/or procedures</u> are the responsibility of the firm. ISQGM 1 applies to firms <del>of professional accountants</del> <b>of professional accountants</b> in respect of a firm's agreed-upon procedures

	engagements. <sup>1A</sup> The provisions of this ISRS regarding quality <del>control</del> <u>management</u> at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)	engagements. <sup>1A</sup> The provisions of this ISRS regarding quality <del>control</del> <u>management</u> at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)
ISRS 4410 (Revised), paragraph 4	<del>Systems of quality control</del> <u>management systems, and policies and/or procedures</u> are the responsibility of the firm. ISQCM 1 applies to firms of professional accountants in respect of a firm's compilation engagements. <sup>2</sup> The provisions of this ISRS regarding quality <del>control</del> <u>management</u> at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A6–A11)	<del>Systems of quality control</del> <u>management systems, and policies and/or procedures</u> are the responsibility of the firm. ISQCM 1 applies to firms <del>of professional accountants</del> —in respect of a firm's compilation engagements. <sup>2</sup> The provisions of this ISRS regarding quality <del>control</del> <u>management</u> at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A6–A11)

6. We have noted that some of the proposed amendments remove the use of the term “quality control” and replaces it with “policies or procedures” only, without referring to the system of quality management. This removes the context of quality management; therefore, to achieve consistency, these changes should include “quality management”. We recommend the following changes (in dark red):

Reference	IAASB Proposed Change	Our proposed changes
ISRE 2400 (Revised), paragraph 25	(d) The engagement being performed in accordance with the firm's <del>quality control</del> policies <u>or procedures</u> , including <del>the</del> following:	(d) The engagement being performed in accordance with the firm's <b>system of quality management</b> , <del>quality control</del> policies <u>or procedures</u> , including <del>the</del> following:
ISRS 4400 (Revised), paragraph 19	... (a) The engagement being performed in accordance with the firm's <del>quality control</del> policies <u>and/or</u> procedures by: ...	... (b) The engagement being performed in accordance with the firm's <b>system of quality management</b> , <del>quality control</del> policies <u>and/or</u> procedures by: ...
ISRS 4410 (Revised), paragraph 23	... (b) The engagement being	... (b) The engagement being

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	performed in accordance with the firm's <del>quality control</del> policies <del>and/or</del> procedures by: (Ref: Para. A30) ...	performed in accordance with the firm's <b>system of quality management,</b> <del>quality control</del> policies <del>and/or</del> procedures by: (Ref: Para. A30) ...
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7. For the new requirements introduced in paragraphs 92A of ISRE 2400 (Revised), paragraph 69 of ISAE 3000 (Revised), paragraph 76 of ISAE 3410, paragraph 53 of ISAE 3402 and paragraph A58A of ISRS 4400 (Revised), we recommend that they also make reference to the firm's policies or procedures as follows:

Reference	IAASB Proposed Change	Our proposed changes
ISRE 2400 (Revised), paragraph 92A	... <u>When an engagement quality review is required in accordance with ISQM 1, the practitioner shall not date the report until the completion of the engagement quality review.</u> <sup>5A</sup> ...	... <u>When an engagement quality review is required in accordance with ISQM 1 <b>or the firm's policies or procedures,</b> the practitioner shall not date the report until the completion of the engagement quality review.</u> <sup>5A</sup> ...
ISAE 3000 (Revised), paragraph 69	... <u>(i) When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> (Ref: Para. A184A–A185A) ...	... <u>(ii) When an engagement quality review is required in accordance with ISQM 1 <b>or the firm's policies or procedures,</b> the engagement quality review is complete.</u> (Ref: Para. A184A–A185A) ...
ISAE 3410, paragraph 76	... <u>(ii) When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> ...	... <u>(ii) When an engagement quality review is required in accordance with ISQM 1 <b>or the firm's policies or procedures,</b> the engagement quality review is complete.</u> ...
ISRS 4400 (Revised), proposed new paragraph A58A	A58A. <u>When an engagement quality review is required in accordance with ISQM 1, the engagement quality reviewer is required to notify the</u>	A58A. <u>When an engagement quality review is required in accordance with ISQM 1 <b>or the firm's policies or procedures,</b> the engagement quality</u>

	<u>engagement partner when the engagement quality review is complete.</u>	<u>reviewer is required to notify the engagement partner when the engagement quality review is complete.</u>
ISAE 3402, paragraph 53	... <u>(ii) When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> ...	... <u>(ii) When an engagement quality review is required in accordance with ISQM 1 <b>or the firm's policies or procedures</b>, the engagement quality review is complete.</u> ...

8. Paragraph 19 of ISQM 1 states that: “*The firm shall design, implement and operate a system of quality management. In doing so, the firm shall exercise professional judgment, taking into account the nature and circumstances of the firm and its engagements. The governance and leadership component of the system of quality management establishes the environment that supports the design, implementation and operation of the system of quality management*”.

We have noted that the proposed change to ISRE 2400 (Revised), paragraph A3, correctly captures paragraph 19 of ISQM 1, and therefore changes the wording from the firm’s responsibilities to “*establish and maintaining its system of quality control*” to “*design, implement and operate a system of quality control*”.

However, this proposed change has not been carried through to the illustrative reports in the standards. We, therefore, propose the following changes (our proposed changes are in dark red):

Reference	IAASB Proposed Change	Our proposed changes
ISAE 3402, Appendix 2, Illustrations 1 and 2	... <i>Our Independence and Quality Management</i> <del>Control</del>	... <i>Our Independence and Quality Management</i> <del>Control</del>
ISAE 3410, Appendix 2 Illustrations 1 and 2	We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.	We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
ISAE 3420, Appendix illustration	We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.	We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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	<p>The firm applies International Standard on Quality <del>Control</del> Management 1 and accordingly maintains a comprehensive system of quality <del>control</del> management including documented policies <del>and</del> procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>...</p>	<p>The firm applies International Standard on Quality <del>Control</del> Management 1 and accordingly <del>maintains</del> <u>designs, implements and operates</u> a comprehensive system of quality <del>control</del> management, including documented policies <del>and</del> procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>...</p>
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9. We propose the following changes which have not been identified in the Proposed Amendments to the IAASB's International Standards – *Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards* (Our proposed additions are underlined, and our proposed deletions are a ~~strike through~~ of text):

Reference	Extant Wording	Our Proposed Changes	Comments
<b>ISRE 2400 (Revised)</b>	<b><i>Engagements to Review Historical Financial Statements</i></b>		
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Table of contents	Engagement Level Quality Control	Engagement Level <u>Quality Management</u>	To align the wording to ISQM 1.
<b>ISAE 3000</b>	<b><i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i></b>		
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Table of contents	Quality Control	Quality <del>Control</del> <u>Management</u>	To align with ISQM 1, which makes reference to “quality management”.
Heading to	Quality Control	Quality <del>Control</del> <u>Management</u>	To align with ISQM

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paragraph 31			1, which makes reference to “quality management”.
Paragraph 55(c)	... Whether the internal audit function applies a systematic and disciplined approach, including quality control; and	... Whether the internal audit function applies a systematic and disciplined approach, including <del>control</del> <u>management</u> ; and	To align with ISQM 1, which makes reference to “quality management”.
Paragraph A75 heading	<i>Engagement Quality Control Review</i>	<i>Engagement Quality <del>Control</del> Review</i>	To align with the terminology used in ISQM 1.
<b>ISAE 3410</b>	<b><i>Assurance Engagements on Greenhouse Gas Statements</i></b>		
Table of contents	Engagement Quality Control Reviewer	Engagement Quality <del>Control</del> Reviewer	To align with ISQM 1, which makes reference to “quality management”.
Paragraph 67	Quality Control	Quality <del>Control</del> <u>Management</u>	To align with ISQM 1, which makes reference to “quality management”.
<b>ISAE 4400 (Revised)</b>	<b><i>Agreed-Upon Procedures Engagements</i></b>		
Table of contents	Engagement Level Quality Control	Engagement Level <u>Quality Management</u>	To align the wording to ISQM 1.
<b>ISRS 4410</b>	<b><i>Compilation Engagements</i></b>		
Table of contents	Engagement Level Quality Control	Engagement Level <u>Quality Management</u>	To align the wording to ISQM 1.
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Paragraph 21	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical

			requirements”.
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## 2. National Auditing Standard Setters\

### CAASB

We support the overall approach taken by the IAASB in developing the ED.

However, we have some concerns regarding the proposed wording of illustrative reports in the appendices in ISAE 3402, ISAE 3410, ISAE 3420 and ISRS 4400. These illustrative reports include a statement that “the firm applies ISQM 1, and accordingly, maintains a comprehensive system of quality management including policies or procedures ...”. We recognize that this wording is consistent with the extant standards. However, we are concerned that the statement “maintains a comprehensive system” implies that the system of quality management under ISQM 1 is effective, when it might not be. Implying that the system of quality management is effective when it is not would likely be misleading to stakeholders.

We further note that paragraph 34(e) of ISQM 1 requires the firm to establish policies or procedures that address when it is appropriate to communicate with external parties about the firm’s system of quality management. This requirement is not in ISQC 1. When the system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved, paragraph 55(a)(ii) requires the firm to communicate to external parties in accordance with the firm’s policies or procedures. Such communication may be inconsistent with the firm’s reports under ISAE 3402, ISAE 3410, ISAE 3420 and ISRS 4400. We believe that this would be confusing to external parties and may be misleading.

Accordingly, we believe that the IAASB should develop alternate wording for the above noted reports. We suggest the following example alternate wording: “the firm applies ISQM 1, which requires the firm to design, implement and operate a system of quality management, including policies or procedures ...”.

We believe such wording is not potentially misleading and also would not conflict with other communications the firm might make to external parties under paragraph 34(e) of ISQM 1.

### CNCC-CSOEC

We consider that the propose conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework and the changes made by the IAASB in developing and approving the new and revised QM standards.

We have however the following comments: Definition of "engagement team"

The IAASB's Other Standards ISAE 3000, ISRS 4400, 4410 contain a definition of "engagement team" that is partly consistent with the definition in ISA 220 (revised) and ISQM1. ISQM1 and ISA 220 (revised) have clarified the engagement team definition by including any individual who performs audit procedures.

The proposed changes to the definition of engagement team in the Other Standards are made to align it with the principle underlying the new definition of "engagement team" in the QM standards.

In this context, one of these changes made has been to remove the reference to "engaged by firm or a network firm" when referring to the other individuals. However, no such amendment has been made for

the "external expert". We therefore recommend that the IAASB do so for consistency with ISQM1 paragraph 16(f)<sup>1</sup> and ISA 220 revised paragraph 12 (d)<sup>2</sup>.

Definition of "engagement team" should therefore become in ISAE 3000, ISRS 4400 and 4410: *"A// partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner's external expert engaged by the firm or a network firm."*

Such amendment should be made in all the IAASB's Other Standards that include the definition of "engagement team" and also in the Handbook's Glossary of Terms (the Glossary).

Date of the report when an EQR is required

ISAE 3000, ISAE 3402 and ISRS 2400 have been amended to address the additional constraint on report date related to engagement quality reviews. The following requirement has therefore been included: *"when an engagement quality review is required in accordance with JSQM1, the practitioner shall not date the report until the completion of the engagement quality review"*.

However, we note that the ISRS 4400 has been amended but with a different wording, i.e. *"When an engagement quality review is required in accordance with /SQM 1, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete."* (A58A ISRS 4400)

For achieving consistency in standards, we recommend that ISRS 4400 be amended using the same wording as the one in ISAE 3000, ISAE 3402 and ISRS 2400.

Finally, we have a comment addressing the notes that justify the proposed changes to the IAASB's Other Standards. It relates to the "Engagement Quality Review" section and the justification for deleting the requirements of paragraph 71 of ISAE 3410. We consider that the justification given *"the detailed requirements about the engagement quality review have been deleted as these are covered by ISQM*

<sup>1</sup> *Engagement team - All partners and staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding an external expert and internal auditors who provide direct assistance on an engagement.*

<sup>2</sup> *Engagement team - All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor's external expert and internal auditors who provide direct assistance on an engagement.*

"<sup>2</sup>" is not appropriate. Indeed, this justification used to amend paragraph 36 of ISAE 3000 did not generate the same changes and, in particular, did not result in the total deletion of paragraph 36 of ISAE 3000.

We consider that the following rationale, with reference to paragraph 15<sup>3</sup> of the ISAE 3410, would be more appropriate: *"the detailed requirements about the engagement quality review have been deleted as the practitioner has to comply with the requirements of both this /SAE and /SAE 3000."*

## IDW

As posed, the question is a leading question, because it presumes that the only issue is whether the proposed amendments are sufficient, but does not address whether the proposed amendments are appropriate or might exceed the IAASB's objective of limiting its amendments to those that are conforming and consequential.

We agree the proposed conforming and consequential amendments are sufficient and, with the exception of the matters below, appropriate. The matters we address below (including our response to the request for comments regarding consequential amendments to emphasize the quality management approach) indicate that the IAASB appears to have exceeded its objective of proposing only conforming and consequential amendments.

### **Definition of Engagement Team**

Our main issue relates to the incorporation of the new definition of engagement team from ISQM 1 into ISAE 3000 (Revised) and its impact on that standard and ISAE 3410. Both the IAASB and respondents (including us) to the Exposure Draft of ISQM 1 were far too focused upon the impact of the change in definition in engagement team in ISA 220 on group audits and other issues in relation to ISQM 1. It was far too late that we recognized the potential impact of the change in definition on certain kinds of engagements subject to ISAE 3000 (Revised). However, we did inform the member on the IAASB from Germany of this matter, who did address this issue with the Task Force and the Board prior to the issuance of ISQM 1 and did include this issue in the reasons for his abstention when voting on ISQM 1.

In considering this issue, we also considered the potential impact of the change in definition of engagement team on ISRE 2400 and 2410, ISAE 3402, ISAE 3420, ISRS 4400 and ISRS 4410. Based on our rather cursory consideration of the issue, we have come to the preliminary conclusion that the impact on ISRE 2400 and 2410, ISAE 3402, and ISAE 3420 will not be any different than the impact on ISAs 220 (which has been issued) and 600 (which is being developed on the basis of ISA 220 as issued). We therefore do not take issue with the impact on ISREs 2400 and 2410 and ISAEs 3402 and 3420. We also believe that the change in definition does not pose any difficulties for ISRS 4400, since anyone performing procedures on an engagement that revolves around performing agreed-upon procedures would have been covered under the previous definition. While ISRS 4400 does not address the performance of procedures on a compilation engagement, since ISRS 4400 does not involve performing procedures to gather evidence, and compilations would only occur within an entity, or a group as defined by ISA 600, we believe that the impact of the change in definition would likely be less than that on ISAs 200 and 600.

However, we believe that the situation for some engagements under ISAE 3000 (Revised) and ISAE 3410 is very different. We note that the requirements in each of the ISAs 500 (on using the work of management's expert) 610 (using the work of internal audit), and 620 (using the work of an auditor's expert) were distilled into a paragraph each in ISAE 3000 (Revised). When ISAE 3000 (Revised) was written, consideration was also given to the nature and extent of requirements in ISA 600 that might be relevant to all assurance engagements covered by ISAE 3000 (Revised). In contrast to the treatment given to the requirements in ISAs 500, 610, and 620, only one sentence was included in ISAE 3000 (Revised) on using the work of another practitioner. This issue was deliberated at some length by the IAASB and was not an oversight.

The main reason for this very conservative treatment in ISAE 3000 (Revised) of using the work of other practitioners is the fact that ISA 600 is predicated on group management being in a position to control – or at least exercise significant influence on – the management of components and is therefore in a position to ensure that group management will be in position to obtain the information needed to prepare the group financial statements and to direct component management to have component auditors cooperate with the group auditor. This underlying assumption breaks down for certain kinds of integrated reports, sustainability reports, and green house gas statements (in particular, for scope 2 and some

scope 3 emissions), in which the information included in the reports may be from outside the group from the upstream or downstream supply chains. The likelihood that practitioners are able to gain access to, and direct, supervise and review the work of, other practitioners outside of the boundary of the group in most cases is rather low.

We note that the requirements for corporate social responsibility reports increasingly cover at least upstream supply chains. These developments mean that increasingly such reports included information from outside the corporate group, but comfort about the veracity of that information varies depending upon a number of factors. Where individual entities have considerable market power over their suppliers, those entities may be able to force the use of a model similar to that in ISA 600. However, in many cases the suppliers may have greater market power than an individual entity. In those cases, a “one-to-many” report by the supplier like ISAE 3402 might be a better option because the supplier with greater market power is unlikely to have a practitioner assure custom-made reports for each consumer entity. Another option worth considering for these circumstances is divided responsibility. In any case, simply extending the definition of engagement team so that the practitioner is required to direct, supervise and review another practitioner’s work on information included in the report of the entity in these circumstances is not a viable option.

In the short run, this issue will be substantially exacerbated by laws in the process of being developed within some EU member states that make entities over a certain size responsible for the compliance of suppliers outside of the EU with national social responsibility requirements, and by the current draft of the EU directive that will make assurance (using ISAE 3000, for example) on corporate social responsibility reports mandatory for entities over a certain size as part of the statutory financial statement audit. It is unclear to us at this stage of analysis what the implications are of the engagement team definition to the application of independence requirements for statutory financial statements as set forth by EU law for PIEs (including the “blacklist”) to practitioners assuring information in the upstream supply chain for the purposes of the statutory financial statement audit, but not otherwise involved in assuring information within a group. It is not unthinkable that the extension of these independence requirements to all firms in the supply chain may accelerate a movement towards audit-only (or at least, assurance-only) firms internationally, which we believe is not the intention of the change in the definition of engagement team.

Overall, based on these potential issues, we have come to the conclusion that the new definition of engagement team in ISQM 1 and its incorporation into ISAE 3000 (Revised) has not been subjected to adequate due diligence by the IAASB and its stakeholders (including ourselves). We therefore urgently request that the IAASB undertake a thorough examination of the potential issues we have raised together with IESBA before incorporating the change in the definition of engagement team into ISAE 3000 (Revised).

### **Reference to Engagement Quality Reviews and Report Date**

An additional issue we have identified relates to the proposed requirements in ISRE 2400 paragraph 92A and in ISA 3402 paragraph 53 (n) (ii). Both of these relate to the reference to dating the report when an engagement quality review has been performed. It should be recognized that when some of the other IAASB standards were written, providing guidance on engagement quality control reviews was not considered necessary, even though the application of these standards is predicated upon the firm applying ISQC 1. It would be inappropriate – in fact, disproportionate – to then seek to address engagement quality reviews in those standards by means of conforming and consequential amendments even though these standards have no other references to engagement quality reviews (with the possible

exception of the general reference to the existence of ISQM 2). The two standards mentioned are different than the others because the others do include more extensive references to engagement quality reviews. We also note that ISQM 2 already requires firm policies and procedures to have engagement partners not date reports until the completion of the engagement quality review. For these reasons, we suggest that these references be deleted.

### 3. Accounting Firms

#### EYG

Yes, we believe that the amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework and the changes made by the IAASB in developing and approving the new and revised QM Standards. However, we suggest clarifying edits as follows:

#### ISRE 2400 *Engagements to Review Historical Financial Statements*

- ISRE 2400 paragraph 17(i), which includes the definition of relevant ethical requirements, is not in alignment with ISA 220 paragraph 12(k) as it relates to who is subject to those requirements. It is not clear why a different convention has been chosen for ISRE 2400, particularly because there is not a definition of engagement team specific to ISRE 2400.
  - ISA 220 states: “Principles of professional ethics and ethical requirements that are applicable to professional accountants when undertaking the audit engagement.”
  - The proposed amendment to ISRE 2400 states: “Principles of professional ethics and ethical requirements that are applicable to the engagement team when undertaking reviews of financial statements.”
- ISRE 2400 paragraph 24: For the purposes of engagement level quality management (as opposed to firm level quality management), we believe that the amendment should be adjusted as follows:
  - “The engagement partner....., including ~~being given~~ having sufficient time, ....”
- ISRE 2400 paragraph 25(d)(ii): Similar to the prior comment, we suggest the following adjustment:
  - “Being satisfied.... including ~~being given~~ having sufficient time, ...”
- ISRE 2400 paragraph A17: The word “arising” should be deleted to more closely align with the wording in ISA 220 paragraph 4(c).
- ISRE 2400 paragraph A32: There is a sentence fragment remaining that likely should be deleted as follows: “the circumstances before accepting an”.
- ISRE 2400 paragraph A24: The amendment has been made referring to “relationships” and “engagements” in plural. We believe the amendment should be adjusted to make these terms singular as the practitioner’s consideration is in the context of the specific review engagement being performed (not all review engagements performed by the firm).

#### ISAE 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

- ISAE 3000 paragraph 22(b): Similar to our comment on ISRE 2400, we suggest the following adjustment:

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- o “competence and capabilities, including ~~being given~~ having sufficient time to perform the engagement ...”
- ISAE 3000 paragraph 32(a): It is unclear why the heading “Assignment of the Team” is proposed to be deleted. Instead, perhaps the intention is to propose the heading be changed to “Engagement Resources”, which is suggested for the related application material in paragraph A69. We would be supportive of changing the heading to “Engagement Resources”.
  - o Further, we suggest the following amendment consistent with the comment above: “competence and capabilities, including ~~being given~~ having sufficient time...”
- ISAE 3000 paragraph A126: The phrase “policies and procedures” should be adjusted to “policies or procedures”
- ISAE 3000 paragraph A205: The phrase “of engagement files” should be deleted to achieve alignment of the proposed change to ISQM 1.

*ISAE 3402 Assurance Reports on Controls at a Service Organization*

- ISAE 3402, paragraph A46: Suggested edit to remove the redundant phrase as follows: “... requires firms ~~to establish~~ to establish a quality objective that addresses...”

*ISRS 4400 (Revised) Agreed-Upon Procedures Engagements*

- ISRS 4400 paragraph 3: The amendment refers to “systems” of quality management as being the responsibility of the firm. ISQM 1 requires responsibility for “the system” of quality management. Suggest the worded be amended as follows: “~~Systems~~ The system of quality management....”
- ISRS 4400 paragraph 19(b)(ii): Consistent with prior comments, we suggest the wording be adjusted as follows: “competence and capabilities, including ~~being given~~ having sufficient time...”
- ISRS 4400 paragraph 19(b)(v): The firm is responsible for maintenance and retention of engagement documentation under ISQM 1. The other International Standards addressed in this ED, and the amendments proposed, speak only to the timely assembly of engagement documentation after the report date as an engagement level responsibility. For consistency across the International Standards, we believe the engagement partner’s responsibility in ISRS 4400 should also be limited to timely assembly of engagement documentation. We suggest the following adjustment to the proposed amendment: “Taking responsibility for appropriate engagement documentation being assembled on a timely basis after the date of the agreed-upon procedures report, appropriately maintained and retained.”
- ISRS 4400 paragraph A7 and A47: To avoid unnecessary repetition of the two bullets related to circumstances when dependence on the firm’s policies or procedures may not occur in both of these paragraphs, we suggest paragraph A47 be reworded to refer to the two circumstances in the bullets in A7.

*ISRS 4410 (Revised) Compilation Engagements*

- ISRS 4410 paragraph 4: Consistent with our comment for ISRS 4400 above, we suggest the worded be amended as follows: “~~Systems~~ The system of quality management....”
- ISRS 4410 paragraph 23(b)(ii): Consistent with prior comments, we suggest the wording be adjusted as follows: “competence and capabilities, including ~~being given~~ having sufficient time...”

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- ISRS 4410 paragraph 23(b)(v): Consistent with our comment for ISRS 4400 above, we suggest the wording be adjusted as follows: “Taking responsibility for appropriate engagement documentation being assembled on a timely basis after the date of the agreed-upon procedures report, appropriately maintained and retained.”

#### International Framework for Assurance Engagements

- Paragraph 5(a): The word “control” within “engagement quality control reviewer” should be deleted to align to ISQM 2.
- Paragraph 9: The last bullet in the list “(a) Leadership responsibilities for quality” should be marked as deleted.

#### GTIL

We agree that the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised quality management standards. However, we would like to highlight that ISRE 2410 continues to be excluded from the scope of conforming and consequential amendments, and in fact has not been updated for clarity drafting conventions arising from the IAASB's Clarity Project, or for conforming and consequential amendments arising from subsequent new or amended International Standards. Whilst we agree that it would not be appropriate to make conforming and consequential amendments for the quality management standards in isolation, we would recommend that the IAASB give consideration as to how this might be included in its forward strategy and work plan, as this standard becomes increasingly out-dated.

#### RSM

We have no detailed comments on the proposed conforming and consequential amendments. We support the principle that these other assurance standards should be updated to fully reflect the Quality Management Standards.

We note that the changes set out in paragraph 10 of the Explanatory Memorandum are not strictly necessary but we agree that the assurance standards should be updated as proposed to emphasise the responsibilities of the engagement partner and engagement team for quality management.

We also welcome the inclusion of requirements for appropriate staffing and allowing adequate time for these engagements as well as clarification on the applicability of ISQM 2 and the requirement for any Engagement Quality Review to be completed before the date of the final report.

#### 4. Member and Other Professional Organizations\

##### SMPAG

Other than as explained above relating to the proposed transposition of the definition of engagement team to ISAE 3000 and ISAE 3410, we generally agree that the proposed conforming and consequential amendments are sufficient to resolve inconsistencies between the IAASB Other Standards and Framework.

However, we are concerned about the potential impact from some of the proposed changes which are not strictly necessary to remove inconsistencies with ISQM 1 and have been included to emphasize

responsibilities of the engagement partner or engagement team regarding quality management, which could require further consideration:

- The added requirements relating to EQR in these standards runs counter to the original standards, for which we understand a specific decision was made to not reference EQCR because many of the engagements set forth in certain standards (in particular, ISRE 2400 paragraph 92A and ISAE 3402 paragraph 53 (n) (ii)) would never or seldom have an EQR (i.e., this does not meet the threshold of requirements being applicable in virtually all engagement circumstances).
- ISRE 2400, paragraph 92 now includes *“When an engagement quality review is required in accordance with ISQM 1, the practitioner shall not date the report until the completion of the engagement quality review.”* We question whether it is necessary to include this requirement as it adds unnecessary length and repetition. If, in rare circumstances, an EQR is performed then paragraph 24 (b) of ISQM 2 would adequately address this issues. No such requirement is added to ISA 700, and therefore it should logically not be necessary to add it in this standard.
- ISRS 4400 (Revised), paragraph 19 has been expanded in response to ISQM 1 and ISA 220 (Revised). We are concerned that the engagement partner’s responsibilities are now far more granular than the extant standard, which could result into more admin work being imposed on the engagement partner – adding costs. This may be potentially disproportionate in small engagement teams.

In addition, ISRE 2400 paragraph 4 proposes a change to remove the reference to ‘professional accountants’ in the sentence *“ISQM 1 applies to firms ~~of professional accountants~~ in respect of a firm’s engagements to review financial statements”*. In ISQM 1 the definition of ‘Firm’ states “...of professional accountants”, so it is not clear why this edit is needed.

## Q1 – Disagree

### 5. Public Sector Organizations

#### AGA

In our view, the proposals create inconsistencies among the standards and are not sufficient. Engagement-level quality requirements should integrate with ISQM 1 and 2 (hereinafter “ISQM”). This has been done for financial statement audits with ISA 220 (Revised), but the proposals should also achieve this integration for other IAASB standards.

The proposals create actual and perceived inconsistencies between quality for financial statement audits and other engagements. It appears that quality is intended to be “higher” for financial statement audits, even though quality is as important in other engagements, including other reasonable assurance standards such as ISAE 3000.

The proposals risk creating inconsistencies in application of ISQM. In several areas, ISQM elaborates on its requirements by reference to ISA 220 (Revised). However, it is unclear whether it means that practitioners applying other standards (e.g. ISAE 3000) need to comply with ISA 220 (Revised) requirements when applying ISQM, or adapt these requirements, or ignore these requirements. To illustrate, ISQM 1.A50, footnote 10 directs readers to ISA 220 (Revised) paragraph 35, which contains several specific requirements for consultation. The conforming amendments do not add the same requirements for consultation to other standards, so it is unclear whether consultation in other engagements should follow ISA 220.35 (because ISQM 1 refers to ISA 220.) With respect to

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engagement resources, ISQM 1.A94 and .A96 refer to ISA 220 paragraphs 25 and 26, and these requirements including application guidance in ISA 220.25 and 220.26 make it clear the engagement partner considers human, intellectual and technological resources. However, none of these requirements or guidance are in the proposed conforming amendments for other engagements. So it is unclear whether, and to what extent, the engagement partner has to consider human, intellectual and technological resources on engagements not carried out under the ISAs.

We note there were differences among engagement-level quality control requirements for financial statement audit and other engagements before ISQM, in part due to different histories of these standards. However, with the changes in ISQM, the profession has an opportunity to bring all standards to the same level of quality requirements and reflect best practice, at the engagement level, with respect to quality. Instead, given the same engagement-level quality control requirements are not being added to all engagement standards, there is a risk of inconsistent application of ISQM and quality control. Firms may interpret the unclear guidance in different ways, leading to inconsistent application of the new quality standards across firms. Within firms, they may need to design different systems of quality management, one for financial statement audits and another one(s) for other engagements. Differential engagement-level quality requirements may lead to differences among users as to what quality they can reasonably expect.

Consistency is important to achieving quality. In this respect, the proposals risk reducing quality. Quality across firms, among different types of engagements, and even with engagements of the same type, may vary as a result of the proposals. These inconsistencies are not in the public interest.

We suggest that the same engagement-level quality control requirements and application guidance that are in ISA 220 (Revised) be added to other IAASB engagement standards. Not all ISA 220 (Revised) requirements are relevant: for example ISA 220 (Revised) references to key audit matters are not relevant to other standards because KAM do not exist in other standards. However, many of the quality control requirements in ISA 220 (Revised) apply to and are necessary for other engagements as well, in particular reasonable assurance engagements.

Specific ISA 220 (Revised) requirements that should be added (along with related application guidance) to other IAASB standards including ISAE 3001 include:

- Quality leadership (ISA 220 Revised paragraphs 13, 14,15)
- Engagement resources (ISA 220 Revised paragraphs 25, 26, 27, 28)
- Consultation (ISA 220 Revised, paragraph 35)
- Engagement quality review (ISA 220 Revised, paragraph 36)
- Differences of opinion (ISA 220 Revised, paragraphs 37 and 38)
- Monitoring and remediation (ISA 220 Revised, paragraph 39)
- Overall responsibility by engagement leader (ISA 220 Revised, paragraphs 33, 34, and 40)

The IAASB may identify additional requirements in ISA 220 (Revised) that should be added to other engagement-level standards to achieve consistent engagement-level quality requirements.

**AGC**

We have reviewed the proposed conforming and consequential amendments and have comments on the proposed amendments to ISAE 3000.

**General comment**

For financial audit engagements, ISA 220 (Revised) Quality Management for an Audit of Financial Statements was published in December 2020. This ISA defines the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement leader. It is a rigorous standard that bridges and integrates the requirements of ISQM 1 and ISQM 2 at the firm level to requirements specific at the engagement level. The proposed changes and amendments for Assurance Engagements Other than Audits or Reviews of Historical Financial Information should achieve the same level of integration and robustness as ISA 220.

In our view, the actual proposal creates and maintains inconsistencies between quality for financial statement audits and other engagements. Quality for financial statement audits is higher even though quality is as important in other engagements. With the changes in the system of quality management and the emphasis on quality in our profession, the IAASB has the opportunity to bring the same level of quality requirements at the engagement level for the other engagements.

Below are two specific examples demonstrating that ISA 220 (Revised) requirements are more robust than ISAE 3000 (Proposed).

ISA 220 (Revised)	ISAE 3000 (Proposed)
<p>Review</p> <p>31. The engagement partner shall review audit documentation at appropriate points in time during the audit engagement, including audit documentation relating to:</p> <p>(a) Significant matters;</p> <p>(b) Significant judgments, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached; and</p> <p>(c) Other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.</p>	<p>33. The engagement partner shall take overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. This includes responsibility for:</p> <p>(c) Reviews being performed in accordance with the firm's policies or procedures and reviewing the engagement documentation <u>on or before the date</u> of the assurance report;</p>
<p>Comments:</p> <p>ISA 220.33(c) clearly states the engagement partner shall review audit documentation at appropriate points in time during the audit engagement. ISAE 3000.33 states "on or before the date of the assurance report". We believe the approach outlined in ISA 220 to review audit document throughout the engagement better supports engagement quality objectives.</p>	

ISA 220 (Revised)	ISAE 3000 (Proposed)
Consultation	
<p>35. The engagement partner shall: (Ref: Para. A99–A102)</p> <p>(a) Take responsibility for the engagement team undertaking consultation on:</p> <p>(i) Difficult or contentious matters and matters on which the firm’s policies or procedures require consultation; and</p> <p>(ii) Other matters that, in the engagement partner’s professional judgment, require consultation;</p> <p>(b) Determine that members of the engagement team have undertaken appropriate consultation during the audit engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm;</p> <p>(c) Determine that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and</p> <p>(d) Determine that conclusions agreed have been implemented.</p>	<p>33. The engagement partner shall take overall responsibility for...</p> <p>(e) Appropriate consultation being undertaken by the engagement team on difficult or contention matters.</p>
<p>Comments:</p> <p>ISAE 3000 is missing many elements included in ISA 220.35 which, in our view, are a more robust approach to engagement quality.</p>	

We believe audit quality is as important for the other engagements as for financial statement audits. We suggest that the same level of quality requirements and guidance that are in ISA 220 (Revised) be incorporated into the other engagement standards when applicable.

## Editorial Comments

### 1. Regulators and Audit Oversight Bodies\

#### IRBA

#### C. EDITORIAL COMMENTS

12. The editorial changes recommended below are denoted as **strikethrough** for words that should be deleted and **underlined** for words that should be inserted.

Reference	Proposed IAASB Change	Proposed Editorial	Comment
ISAE 3000 (Revised), paragraph A126	... The firm's quality <del>control</del> management policies and procedures (see also paragraphs A124–A125).	... The firm's quality <del>control</del> management policies <del>and</del> procedures (see also paragraphs A124–A125).	To align with the wording used in ISQM 1 and the other changes in the proposed conforming and consequential amendments.
ISAE 3400, boxed text following TOC	International Standard on Assurance Engagements (ISAE) 3000, <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements</i> , should be read in conjunction with the <i>Preface to the International Quality <del>Control</del>Management, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> .	International Standard on Assurance Engagements (ISAE) <del>3000</del> <b>3400</b> , <del><i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements</i></del> <b><i>The Examination of Prospective Financial Information</i></b> , should be read in conjunction with the <i>Preface to the International Quality <del>Control</del>Management, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> .	The proposed change in the Exposure Draft makes reference to the incorrect standard name and number.

### 3. Accounting Firms

#### DTT

#### Suggested Editorial Changes:

For consistency of the amendments within the exposure draft, we recommend making the editorial changes noted below. Additions are noted in bold underline and deletions are noted in strikethrough.

In addition, we noted that there were a few instances where the “Proposed Change” column of the ED did not appropriately reflect the intended change (i.e., some words were not shown as “underlined” to reflect that they were additions to the language in extant, or some words were missing the “strikethrough” format when they are meant to be deleted). We acknowledge that a full editorial review will be performed on the final document and will address these inconsistencies.

#### ISRE 2400

24. The engagement partner shall have competence in assurance skills and techniques and in financial reporting, and capabilities, including being given sufficient time **to perform the engagement**, appropriate to the engagement circumstances.
25. The engagement partner shall take overall responsibility for:
  - (a) Managing and achieving quality on each review engagement to which that partner is assigned and ~~being~~ sufficiently and appropriately involved throughout the engagement;

...

- (d) The engagement being performed in accordance with the firm's policies or procedures, including:
- (iii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including ~~being given sufficient time, as well as~~ assurance skills and techniques and expertise in financial reporting, as well as being given sufficient time to:

ISAE 3000

33. The engagement partner shall take overall responsibility for managing and achieving quality on the engagement and ~~being~~ sufficiently and appropriately involved throughout the engagement. This includes responsibility for: ...
- A64. ~~An effective~~ firm's system of quality management includes establishing a monitoring and remediation process designed to:
- (a) Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
- A125. Ordinarily, the engagement team may depend on the firm's system of quality management (see paragraph A65). The extent of dependence will vary with the circumstances, and may affect the nature, timing and extent of the practitioner's procedures with respect to such matters as:

...

- Adherence to regulatory and legal requirement, through the firm's monitoring and remediation process.

ISRS 4400

19. The engagement partner shall take responsibility for:
- (a) Managing and achieving quality on the agreed-upon procedures engagement ~~and being sufficiently and appropriately involved throughout the engagement~~ including, if applicable, work performed by a practitioner's expert, and be sufficiently and appropriately involved throughout the engagement; and
- A7. Ordinarily, the engagement team may depend on the firm's system of quality management unless:
- ... For example, the engagement team may depend on the firm's system of quality management in relation to:
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and specific engagements.
  - Adherence to legal and regulatory requirements through the firm's monitoring and remediation process.
- A25. ISQM 1 requires the firm to establish ~~a~~ quality objectives dealing with the appropriateness of its judgments about whether to accept or continue a client relationship or engagement based on information...

A58A. When an engagement quality review is required in accordance with ISQM 1, ~~the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete~~ **the practitioner is required to not date the report until the completion of the engagement quality review.**

ISRS 4410

23. The engagement partner shall take overall responsibility for:

- (a) Managing and achieving quality on each compilation engagement to which that partner is assigned **and be sufficiently and appropriately involved throughout the engagement;**  
and

A10. ...For example, the engagement team may depend on the firm's system of quality management in relation to:

...

- Adherence to regulatory and legal requirement, through the **firm's** monitoring and remediation process.

A31. ISQM 1 requires the firm to establish ~~a~~ **quality objectives** dealing with the appropriateness of its judgments about whether to accept or continue a client relationship or engagement based on information...

PwC

**Appendix 1 - Table of editorial amendments**

<b><u>Standard &amp; Paragraph</u></b>	<b><u>Comment</u></b>
ISRE 2400, para A5	<p><i>“National requirements that deal with the firm’s responsibilities to <del>establish and maintain</del> design, implement and operate a system of quality <del>control</del> management are at least as demanding as <del>ISQC</del>ISQM 1 when they address all the requirements of ISQM 1 <del>elements referred to in paragraph A3</del>, and impose obligations on the firm <del>to that</del> achieve the aims of the requirements set out in objective of <del>ISQC</del>ISQM 1.”</i></p> <p>We are concerned that replacing the word “that” with “to” in the fourth line above could imply a different meaning of the statement. While we understood the statement to mean that any local requirements had to result in an outcome that was consistent with the objective of the standard for those requirements to be deemed “as demanding as ISQM 1”, the change can imply that the local requirements need to include an obligation that expressly makes reference to achieving the objective of ISQM 1. We believe the former wording was clearer and avoids this ambiguity.</p> <p>We further note that the equivalent paragraph in ISAE 3000 (Revised) (paragraph A62) has not been amended in a similar manner. The standards are therefore now inconsistent as proposed. We recommend retaining the word “that” or, at a minimum, confirming with National Standard Setters that the proposed change does not cause a change in interpretation at a jurisdictional level.</p>

<p>ISAE (Revised) A69</p> <p>3000 para</p>	<p><i>“The quality objectives deal with the appropriateness of judgments by the firm about whether to accept or continue relationships and engagements that are based on the firm’s ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.”</i></p> <p>The above sentence was added to paragraph A69 of ISAE 3000 (Revised). However, no comparative sentence was added to ISRE 2400, the reason for which is not clear.</p>
<p>ISRS (Revised) para A5</p> <p>4400</p>	<p>See related comment on ISRE 2400 (Revised) para A5.</p>
<p>ISRS (Revised), proposed para A58A</p> <p>4400 new</p>	<p><i>“When an engagement quality review is required in accordance with ISQM 1, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete.”</i></p> <p>While the proposed application paragraph is factually accurate, we do not agree with the statement in the explanatory memorandum that this reminds practitioners of the additional constraint on the report date under ISQM 2. In each of ISRE 2400 (Revised), ISAE 3000 (Revised), ISAE 3402, and ISAE 3410, a new requirement has been proposed that the engagement partner may not date the report until the engagement quality review is complete. While we expect the number of AUP engagements that will require an engagement quality review to be few, the proposed application paragraph on its own does not directly convey the restriction on dating the report as clearly expressed in the proposed changes to the other engagement standards; it simply conveys the obligation of the engagement quality reviewer. We suggest addressing this matter consistently across all of the IAASB’s other standards.</p>
<p>ISRS (Revised), para A8</p> <p>4410</p>	<p>See related comment on ISRE 2400 (Revised) para A5.</p>
<p>ISRS (Revised), para 40</p> <p>4410</p>	<p>The explanatory memorandum indicates that a proposed new application paragraph (A69) be added to the standard to address the case when an engagement quality review is required by the firm’s policies or procedures for these engagements. There is no paragraph A69 set out within the proposed changes. We assume this was intended to be consistent with proposed paragraph A58A of ISRS 4400 (Revised), described above. If that is correct, our comment on proposed ISRS 4000 (Revised) paragraph A58A would also apply with respect to ISRS 4410.</p>
<p>International Framework for Assurance Engagements, para 9</p> <p>for</p>	<p>The opening paragraph references a footnote 5E. However, there is no corresponding footnote included in the Exposure Draft. We believe that this reference should instead be 3C.</p> <p>Similarly, there is a footnote 3B that does not seem to be referenced from the amended paragraph.</p>

#### 4. Member and Other Professional Organizations

##### MICPA

IAASB Other Standards		Proposed Changes to the IAASB Other Standards		
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category
ISAE 3000 (Revised), paragraph A64	An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.	ISQM 1, paragraph 35	<p>An effective firm's system of quality <del>control</del> <u>management</u> includes <u>establishing</u> a monitoring and remediation process designed to <del>provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.</del></p> <p>(b) <u>Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(c) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.</u></p>	1

IAASB Other Standards		Proposed Changes to the IAASB Other Standards		
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category
ISAE 3402, paragraph A46	<p><b>Documentation</b></p> <p>ISQC 1 (or professional requirements, or requirements in law or regulation that are at least as demanding as ISQC 1) requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.<sup>15</sup> An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.<sup>16</sup></p> <p><sup>5</sup> ISQC 1, paragraph 45</p> <p><sup>16</sup> ISQC 1, paragraph A54</p>	ISQM 1, paragraph 31(f) and A83	<p><b>Documentation</b></p> <p><u>ISQCM</u> 1 (or professional requirements, or requirements in law or regulation that are at least as demanding as <u>ISQCM</u> 1) requires firms to establish <u>to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report</u><del>policies and procedures for the timely completion of the assembly of engagement files.</del><sup>15</sup> An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.<sup>16</sup></p> <p><sup>15</sup> <u>ISQCM</u> 1, paragraph <del>45</del><u>31(f)</u></p> <p><sup>16</sup> <u>ISQCM</u> 1, paragraph <del>A54</del><u>A83</u></p>	2

IAASB Other Standards		Proposed Changes to the IAASB Other Standards		
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category
<b>ISAE 3410</b>	<b><i>Assurance Engagements on Greenhouse Gas Statements</i></b>			
ISAE 3410, paragraph 10	Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional		Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants	2

	<p>Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the engagement partner to be a member of a firm that applies ISQC 1, <sup>7</sup> or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1.</p> <p>(Ref: Para. A5–A6)</p>		<p>(including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the engagement partner to be a member of a firm that applies ISQGM 1,<sup>7</sup> or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQGM 1. (Ref: Para. A5–A6)</p> <p><sup>7</sup> ISAE 3000 (Revised), paragraphs 3(b) and 31 (a). International Standard on Quality <del>Control-Management</del> (ISQGM) 1, <i>Quality <del>Control-Management</del> for Firms that Perform Audits <del>and or</del> Reviews of Financial <del>and or</del> Other Assurance <del>and or</del> Related Service Engagements</i></p>	
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IAASB Other Standards		Proposed Changes to the IAASB Other Standards			MICPA Comments
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category	
ISRS 4400 (Revised), paragraph A5	A jurisdiction that has not adopted ISQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ISQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the	ISQM 1, paragraph 6, based on wording from ISA 220, paragraph A3	A jurisdiction that has not adopted ISQCM 1 in relation to agreed-upon procedures engagements may set out requirements for quality <del>control</del> <u>management</u> in firms performing such engagements. The provisions of this ISRS regarding quality <del>control</del> <u>management</u> at the engagement level are premised on the basis that quality <del>control</del> <u>management</u> requirements adopted are at least as demanding as those of ISQCM 1. This is achieved when those requirements <u>address the requirements of ISQM 1 and impose obligations on the firm to</u>	1	Not aligned with ISRS 4410 (Revised), paragraph A8 on page 91 of the Exposure Draft

IAASB Other Standards		Proposed Changes to the IAASB Other Standards			MICPA Comments
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category	
ISRS 4410 (Revised), paragraph A8	A jurisdiction that has not adopted ISQC 1 in relation to compilation engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ISQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the requirements of ISQC 1, including an obligation to establish a system of quality control that includes policies and	Wording consistent with ISRS 4400 (Revised), paragraph A5.	A jurisdiction that has not adopted ISQCM 1 in relation to compilation engagements may set out requirements for quality <del>control</del> management in firms performing such engagements. The provisions of this ISRS regarding quality <del>control</del> management at the engagement level are premised on the basis that <u>requirements for quality controlmanagement requirements adopted</u> are at least as demanding as those of ISQCM 1. This is achieved when those requirements <u>address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.</u> <del>impose obligations on the firm to achieve the aims of the requirements of ISQCM 1, including an</del>	1	Not aligned with ISRS 4440 (Revised), paragraph A5 on page 75 of the Exposure Draft

IAASB Other Standards		Proposed Changes to the IAASB Other Standards		
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category
International Framework for Assurance Engagements paragraph 5	<p><b>Ethical Principles and Quality Control Standards</b></p> <p>Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:</p> <p>(a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of the IESBA Code related to assurance engagements, other professional requirements, or requirements in law or regulation, that are at least demanding; and</p> <p>(b) The practitioner performing the engagement is a member of a firm that is subject to ISQC 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.</p>		<p><b>Ethical Principles and Quality Control Management Standards</b></p> <p>Quality <del>control</del><u>management</u> within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:</p> <p>(a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of the IESBA Code related to assurance engagements, other professional requirements, or requirements in law or regulation, that are at least demanding; and</p> <p>(b) The practitioner performing the engagement is a member of a firm that is subject to <del>ISQC</del><u>ISQM</u> 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality <del>control</del><u>management</u>, that are at least as demanding as <del>ISQC</del><u>ISQM</u> 1.</p>	2

IAASB Other Standards		Proposed Changes to the IAASB Other Standards		
Ref.	Extant Wording <sup>9</sup>	Notes	Proposed Change <sup>10</sup>	Category
International Framework for Assurance Engagements, paragraph 9	<p><i>ISQC 1</i></p> <p>ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:</p> <p>(a) Leadership responsibilities for quality within the firm;</p> <p>(b) Relevant ethical requirements;</p> <p>(c) Acceptance and continuance of client relationships and specific engagements;</p> <p>(d) Human resources;</p> <p>(e) Engagement performance; and</p> <p>(f) Monitoring.</p>		<p><del><i>ISQM</i></del> 1</p> <p><u>ISQM</u> 1 deals with the firm's responsibilities to <del>establish and maintain</del> <u>design, implement and operate a</u> its system of quality <del>control</del> <u>management</u> for assurance engagements.<sup>3A</sup> <del>Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:</del> <u>A system of quality management addresses the following eight components:</u> <sup>5E</sup></p> <p>3B</p> <p>(a) <u>The firm's risk assessment process;</u></p> <p>(b) <u>Governance and leadership;</u></p> <p>(c) <u>Relevant ethical requirements;</u></p> <p>(d) <u>Acceptance and continuance of client relationships and specific engagements;</u></p> <p>(e) <u>Engagement performance;</u></p> <p>(f) <u>Resources;</u></p> <p>(g) <u>Information and communication; and</u></p> <p>(h) <u>The monitoring and remediation process</u></p>	2

			<p><del>(a) Leadership responsibilities for quality within the firm;</del></p> <p><del>(b) Relevant ethical requirements;</del></p> <p><del>(c) Acceptance and continuance of client relationships and specific engagements;</del></p> <p><del>(d) Human resources;</del></p> <p><del>(e) Engagement performance; and</del></p> <p><del>(f) Monitoring.</del></p> <p>3A <u>ISQM 1, paragraph 1</u></p> <p>3B <u>ISQM 2, Engagement Quality Reviews</u></p> <p>3BC <u>ISQM 1, paragraph 6</u></p>	
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