

Supplement B.3 to Agenda Item 3

ED-Conforming and Consequential Amendments due to the Quality Management Standards – General Comments

1. Regulators and Audit Oversight Bodies

IRBA

A. GENERAL COMMENTS

1. The IRBA welcomes and supports the proposed amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards (QM Standards), which are aimed at avoiding inconsistencies between the extant IAASB's Other Standards and the QM standards, and to ensure that the IAASB's Other Standards and Framework can continue to be applied together with the QM standards.
2. We support the view that it would be ineffective to wait until these standards are revised at some point in the future because the affected standards would not be updated on a timely basis. This is in line with the IRBA's approach to align IRBA pronouncements, issued by our Committee for Auditing Standards, with the QM Standards. The CFAS approved the *Proposed Conforming and Consequential Amendments to CFAS Pronouncements as a result of the IAASB's Quality Management Standards* at its meeting on 18 May 2021 for issue on public exposure.
3. We urge the IAASB to ensure that the finalised conforming and consequential amendments are clear, with regard to the effective date, on aspects that require the design, implementation and operation of systems of quality management as required by ISQM 1. Paragraph 12 of the Exposure Draft proposes that the effective date of the conforming and consequential amendments be the same as those in ISQM 2 for the IAASB's review, other assurance and related services standards. We have noted that the proposed amendments also have aspects that require the design, implementation and operation of systems of quality management as required by ISQM 1. ISQM 1 has a different effective date compared to ISQM 2.

2. National Auditing Standard Setters\\

IDW

Response to the Request for Comments Regarding Consequential Amendments to Emphasize the Quality Management Approach

We refer to paragraph 10 in the Explanatory Memorandum with the explanation that the changes listed in that paragraph are not strictly necessary to remove inconsistencies to ISQM 1. We note that the list is incomplete: the listed changes should also encompass the proposed changes to ISRE 2400 in paragraph 25 (d)(iA) (in relation to sufficient appropriate resources) and (ii) (in relation to sufficient time).

We regard the proposed changes being sensible in practice. However, as noted in the body of our comment letter, as a matter of principle the proposed changes to the other IAASB standards should be limited to conforming and consequential amendments. The heading prior to paragraph 10 refers to the changes noted in paragraph 10 as "consequential amendments". We would like to point out that the changes proposed reflect neither category 1 nor category 2 type changes as described in the Explanatory Memorandum, and therefore the proposed changes noted in paragraph 10 do not qualify as conforming or consequential amendments. We regard proposing changes beyond conforming or consequential

amendments as setting a dangerous precedent that may “open the floodgates”, which may result in commentator or regulatory pressure on the IAASB into making substantive changes beyond those noted in paragraph 10 for these standards and for future projects involving conforming or consequential amendments, and thereby undermine appropriate due process for substantive changes to standards as noted in the body of our comment letter. Therefore, as a matter of principle, we are not in favour of the proposed changes listed in paragraph 10 (and those additional ones we have identified).

4. Member and Other Professional Organizations

SMPAG

GENERAL COMMENTS

The SMPAG closely followed the development of the new and revised Quality Management (QM) Standards and provided multiple comment letters and feedback. This included highlighting the importance that the standards can be operationalized for firms of all sizes and being applicable to all types and nature of engagements. We therefore support the IAASB Exposure Draft to make necessary conforming and consequential amendments to address inconsistencies between the IAASB's Other Standards and Framework with the new and revised QM standards.

In our [response](#) to the IAASB Exposure Draft *Proposed ISA 220 (Revised): Quality Management for an Audit of Financial Statements*, we highlighted concerns with the changes to the engagement team definition, including the potentially significant practical difficulties when the component auditors are not from the same firm, or even the same network, as the group engagement team.

We are also concerned about the potential practical implications and impact of the change in definition of engagement team on certain other assurance and related services being provided. For example, for SMPs who perform assurance procedures on sustainability related supply chain information (under ISAE 3000 or ISAE 3410) when the practitioner performing an assurance engagement of the entire supply chain is unable to “use” them to perform engagement procedures since they would (under the new definitions of engagement teams) have to be subject to direction supervision and review by that auditor. The situation may be very different from that in a group audit as entities in the supply chain will most likely not be in a position to require cooperation in line with the needs of the practitioner “heading” an assurance engagement on supply chain-related information to the aforementioned necessary extent. Before transferring the new definition of engagement team in ISAE 3000 and ISAE 3410, the IAASB should thoroughly consider these implications, as it may have a disproportionate impact on SMPs performing other engagements.