



Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: New York, United States of America
Meeting Date: March 10–11, 2020

Agenda Item B

Proposed ISQM 1¹ – Cover and Report Back

Objectives of Agenda Item

1. The objectives of this agenda item are to:
 - (a) Provide a report back on comments of the Representatives on this project as discussed at the September 2019 meeting (see Appendix C)
 - (b) Provide an overview to Representatives on respondents' feedback on the Exposure Draft (ED) of ISQM 1 (ED-ISQM 1), on areas not previously discussed with the CAG in September 2019.
 - (c) Obtain Representatives' views about the matters highlighted in questions 1–9 of this paper.

Project Status and Timeline

2. The Task Force and the IAASB are working towards approval of the final standard, and its related conforming and consequential amendments, in June 2020.
3. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

IAASB Interaction with the IAASB CAG with Respect to Proposed ISQM 1

4. The substantive issues being raised for the purposes of the March 2020 IAASB meeting are included in this paper and **Agenda Item B.1**. Accordingly, this serves as the final discussion of proposed ISQM 1 prior to its anticipated approval by the IAASB in June 2020. Representatives may wish to take this opportunity to comment on the IAASB's interaction with the CAG during the development and finalization of proposed ISQM 1.

Overview of Discussions of the CAG and the Board

Recap of Previous CAG Discussion in September 2019

5. In the September 2019 CAG meeting, the ISQM 1 Task Force (TF) presented respondents' feedback on the quality management approach, benefits to quality, scalability, the structure of ED-ISQM 1 and

¹ Proposed International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

the firm's risk assessment process. The ISQM 1 TF also sought the CAG's views on proposals addressing:

- (a) The overall scope of firms and services covered by proposed ISQM 1.
- (b) The structure of proposed ISQM 1.
- (c) How proposed ISQM 1 deals with quality objectives, quality risks and responses.
- (d) How proposed ISQM 1 deals with the firm's risk assessment process.

Appendix C to this paper includes Representatives' comments in September 2019 and a report-back on the matters raised by the Representatives

Overview of the IAASB Discussion in September 2019

- 6. Following the CAG discussion in September 2019, the IAASB also discussed the proposals outlined above. The IAASB encouraged the ISQM 1 TF to focus on the following key issues:
 - (a) The scalability of the standard and encouraging firms to appropriately tailor the SOQM for their circumstances;
 - (b) The complexity and prescriptiveness of the requirements; and
 - (c) Developing a standard that can be applied in all circumstances, including when firms only perform related services engagements.
- 7. The IAASB in general supported:
 - (a) The proposed restructuring of the standard;
 - (b) Adjusting the quality objectives to be more streamlined and refining the required responses, although the IAASB was cautious not to lose the robustness of the standard;
 - (c) Introducing the concept of quality risk considerations; and
 - (d) Simplifying the firm's risk assessment process, in particular as it relates to identifying and assessing quality risks, and reconsidering the threshold for identifying quality risks.
- 8. However, the IAASB did not support the proposal for developing separate requirements for firm-level quality management over related service engagements. Instead, the IAASB encouraged the ISQM 1 TF to explore other means of addressing the concerns raised about applying proposed ISQM 1 in all circumstances.

Overview of the IAASB Discussion in December 2019

- 9. In December 2019, the ISQM 1 TF presented drafting to the IAASB on the following areas of proposed ISQM 1:
 - (a) The firm's risk assessment process;
 - (b) Governance and leadership;
 - (c) Engagement performance;
 - (d) Monitoring and remediation; and

- (e) Networks.
10. The key issues considered by the IAASB included:
- (a) The quality risk considerations introduced in the firm's risk assessment process, which focused on the nature and circumstances of the firm and engagements it performs. The IAASB provided various recommendations to clarify how the quality risk considerations would be used in identifying and assessing quality risks and suggested calling them "factors";
 - (b) How the quality objectives and responses in the components had been streamlined and refined, in particular the appropriate level of granularity of the quality objectives and responses;
 - (c) How to embed a risk-based approach in monitoring and remediation, and the approach to addressing the inspection of completed engagements;
 - (d) The approach to firm leadership's annual evaluation of the SOQM;
 - (e) How to address concerns about the need for more robust actions at the network level; and
 - (f) Whether, overall, the revisions to proposed ISQM 1 would address respondents' concerns on scalability, tailoring, complexity, prescriptiveness and applicability to all firms.

CAG Discussion in March 2020

11. For the purposes of the CAG discussion, the Chair of the ISQM 1 TF will present (see **Agenda item B.1**):
- (a) An overview of respondents' feedback on areas not previously discussed with the CAG in September 2019.
 - (b) The ISQM 1 TF's proposals to address the matters highlighted in paragraph 1(c) above.
- Representatives will then be asked to provide input on the questions outlined below in this paper.
12. **Agenda Item B.3** is the clean version of proposed ISQM 1 that will be discussed by the IAASB at the upcoming March 2020 meeting. The revisions to proposed ISQM 1, as reflected in **Agenda Item B.3**, comprise of changes discussed with the Board in September 2019 and December 2019, or proposed changes that will be discussed in March 2020. **Agenda Item B.2** has been prepared to assist Representatives in reviewing **Agenda Item B.3**. **Agenda Item B.2**:
- (a) Summarizes the key changes that have been made to proposed ISQM 1 since ED-ISQM 1.
 - (b) Indicates the relevant aspects of the IAASB Issues Papers in September 2019, December 2019 and March 2020 discussing the proposed changes.
 - (c) Contains references to the summary of respondent feedback on ED-ISQM 1, which was included in the IAASB Issues Papers in September 2019, December 2019 and March 2020.
13. **Appendix D** to this paper provides an overview of the actions taken by the IAASB to address scalability, tailoring the SOQM to the firm's circumstances, complexity, prescriptiveness and developing a standard that can be applied in all circumstance. This Appendix has been included for reference for Representatives in providing input on Question 8 below.

Other Appendices to this Paper

14. **Appendix B** to this paper provides a list of outreach between September 2019 and February 2020 regarding ED-ISQM 1.
15. **Appendix C** to this paper presents a report-back on the matters discussed with the CAG at the September 2019 meeting.

Matters for CAG Consideration

1. Representatives are asked to share their views on how proposed ISQM 1 addresses the identification and assessment of quality risks (see paragraph 22E of **Agenda Item B.3**), in particular:
 - (a) The introduction of factors focused on the nature and circumstances of the firm and the engagements it performs; and
 - (b) Whether the proposals are likely to assist firms in “thinking through” the risk identification and assessment process.
2. Representatives are asked to share their views about the approach taken to streamline the quality objectives and responses across the components (see paragraphs 23, 32, 34, 36, 38, 40 and 41A of **Agenda Item B.3**).
3. Representatives are asked to share their views on the following aspects of monitoring and remediation:
 - (a) How a risk-based approach has been embedded in monitoring and remediation (see paragraph 44 of **Agenda Item B.3**);
 - (b) The proposals addressing the inspection of completed engagements (see paragraphs 45 and A168–A170 of **Agenda Item B.3**);
 - (c) Whether the framework for evaluating findings and identifying deficiencies has been clarified (see paragraphs 19(a), 19(gA) and A173–A177 of **Agenda Item B.3**).
4. Representatives are asked to share their views about the proposals addressing firm leadership’s evaluation of the SOQM (see paragraphs 65A–65C and A209A–A210DD of **Agenda Item B.3**).
5. Representatives are asked to share their views on the proposed way forward for addressing external communications by the firm, in particular as it relates to transparency reporting (see section B.11 of **Agenda Item 4** of the IAASB March 2020 meeting).
6. Representatives are asked to share their views on the proposed way forward in addressing networks, in particular the approach to addressing certain respondents’ comments on more robust actions at the network level (see section B.13 of **Agenda Item 4** of the IAASB March 2020 meeting).
7. Do Representatives support the proposals to address respondents’ comments on public interest (see section B.4 of **Agenda Item 4** of the IAASB March 2020 meeting)?
8. Representatives are asked to share their views on the actions taken to address respondents’ concerns about scalability, tailoring the SOQM to the firm’s circumstances, complexity, prescriptiveness and developing a standard that can be applied in all circumstances (see **Appendix**

D). In particular, are Representatives of the view that these actions appropriately address these concerns?

9. Representatives are asked whether there are any other matters that should be considered by the Board before finalizing ISQM 1?

Material Presented – IAASB CAG Papers

Agenda Item B.1 Proposed ISQM 1 – Presentation

Agenda Item B.2 Tracking of Changes to Proposed ISQM 1 from the Exposure Draft of ISQM 1

Agenda Item B.3 Draft of Proposed ISQM 1 (Clean)

Appendix A

Project History

Project: [ISQM 1](#)

Summary

	IAASB CAG Meeting	IAASB Meeting
Project Commencement	March 2015 September 2015 September 2016	June 2014 (Quality Control only) December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project proposal	November 2016 Teleconference	December 2016
ISQC 1 issues discussion, including ISQC 2 addressing EQC reviews	March 2017 September 2017	December 2016 March 2017 June 2017 August 2017 September 2017
First Read of Draft Exposure Draft of Proposed ISQC 1		December 2017
Second Read of Draft Exposure Draft of Proposed ISQC 1	March 2018	March 2018
Third Read of Draft Exposure Draft of Proposed ISQC 1	September 2018	September 2018
Exposure Draft of ISQM 1 approved	March 2019 (Update and report back)	December 2018
Development of Final Standard	September 2019	September 2019

	March 2020	December 2019 March 2020
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IAASB CAG Discussions: Detailed References

Information gathering: Responding to Calls to Enhance Audit Quality	<p><u>March 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B and C).</p> <p>http://www.ifac.org/meetings/new-york-usa-5</p> <p><u>September 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F).</p> <p>http://www.iaasb.org/cag/meetings/new-york-usa-0</p>
Information gathering: Overview of Responses to the ITC, Group Audits and Engagement Quality Control Reviews	<p><u>September 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item G).</p> <p>http://www.iaasb.org/cag/meetings/new-york-usa</p>
Project Proposal	<p><u>November 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</p>
ISQC 1 issues discussion, including EQC reviews	<p><u>March 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item H).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-meeting</p> <p><u>September 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</p> <p><u>March 2018</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny</p> <p><u>September 2018</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item C).</p> <p>https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</p>

Proposed ISQM 1 – Cover
IAASB CAG Public Session (March 2020)

ISQM 1 update and report back	<u>March 2019</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item H). https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1
ISQM 1 development of final standard	<u>September 2019</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item C) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2

Appendix B

Outreach

1. Various outreach activities took place between September 2019 and February 2020, that had a particular focus on ED-ISQM 1. These outreach activities included:
 - A presentation and discussion with the Public Company Accounting Oversight Board (PCAOB) and U.S. Securities and Exchange Commission (SEC).
 - A presentation to the Committee of European Auditing Oversight Bodies.
 - A meeting with China Securities Regulatory Commission representatives.
 - A presentation and discussion with the Shanghai Securities Regulatory Bureau and Shanghai Stock Exchange representatives.
 - A teleconference with International Association of Insurance Supervisors focused on networks.
 - A teleconference with the Basel Committee on Banking Supervision focused on networks.
 - A presentation to International Organization of Securities Commissions.
 - A presentation and discussion with the Center for Audit Quality.
 - A presentation to the Hong Kong Institute of Certified Public Accountants.
 - A presentation for CPA Australia.
 - A meeting with the Chinese Institute of Certified Public Accountants Representatives.
 - Video and teleconferences with ten large and mid-tier networks, focused on networks.
2. Shortly after the March 2020 CAG meeting, further outreach activities will include:
 - A presentation and discussion with the International Forum of Independent Audit Regulators (IFIAR) Standards Coordination Working Group.
 - A teleconference with the IFAC Small and Medium Practices Committee.
 - A presentation and roundtable discussion with the Global Public Policy Committee, which will include observers from IFIAR, the Public Interest Oversight Board and the PCAOB.
 - A presentation and panel discussion with the Forum of Firms.
 - A presentation and discussion with International Organization of Supreme Audit Institutions.

Appendix C

Report-Back on Matters Discussed at the September 2019 CAG Meeting

Extracts from the draft minutes of the September 2019 IAASB CAG meeting, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force/IAASB Response
OVERALL COMMENTS	
Mmes. Robert and Zietsman and Mr. Sobel noted that the proposals in general appear to be going in the right direction.	Support noted. Ms. French acknowledged the comments, indicating that the message from Representatives is clear about the need to address scalability.
Mr. Dalkin noted that, in his outreach discussions, many have been overwhelmed by the nature and complexity of ED-ISQM 1. Mr. Thompson noted a complex standard is not in the public interest as it creates a deterrent for firms, thereby increasing the risk of audit firm market concentration. Mr. Hansen noted the difficulty of developing a standard that deals with firms of varying size and complexity, however highlighted the lack of incentive for firms to support and implement the standard. While he noted that firms' lack of compliance with the standard would be addressed through peer reviews or external inspections, he emphasized the need to address firm's concerns.	Point accepted. Appendix D provides an overview of how concerns about complexity, prescriptiveness and scalability have been addressed in the standard.
Mr. Dalkin suggested that Proposed ISQM 1 should be broken down into a basic set of requirements that are applicable to all firms, with additional layers of requirements that are only applicable to larger or more complex firms. Ms. Manabat agreed, adding that the approach in ED-ISQM 1 appeared to be a "one-size-fits-all."	Point not accepted. Ms. French noted that a building-block approach had previously been considered by the IAASB but this approach was not taken given concerns about it creating a two-tier standard. Ms. French added that the Board's views on this approach may have changed as a result of the firm's risk assessment process being built out. Ms. French also emphasized that the proposed quality risk considerations may be the mechanism through which a building-block approach is incorporated into the standard.

Representatives' Comments	Task Force/IAASB Response
	<p>Appendix D provides an overview of how concerns about prescriptiveness and scalability have instead been addressed in the standard.</p>
<p>Mr. Ruthman highlighted that while more prescriptive requirements create a burden for firms and perpetuate a checklist-mindset, prescriptive requirements assist auditors in determining what controls need to be in place. He therefore highlighted the need for an appropriate balance in the requirements.</p>	<p>Point partially accepted.</p> <p>The revisions to proposed ISQM 1 have included streamlining the quality objectives and responses by:</p> <ul style="list-style-type: none"> • Grouping quality objectives. • Reducing duplication between quality objectives and responses (e.g., the responses were subsumed into the quality objectives). • Converting responses to quality objectives, or moving aspects of the responses into the quality objectives. • Relocating more granular aspects of the requirements to application material. <p>As a result, the matters addressed in the responses have not been removed from the standard; instead they have been subsumed or located elsewhere.</p>
<p>Mr. Sobel indicated that the approach taken in ED-ISQM 1 appears to “bolt-on” a system of quality management to a firm’s operations, rather than integrating it with the day-to-day activities of the firm. Accordingly, Mr. Sobel suggested that a more integrated approach is needed that is similar to the COSO ERM Framework,² which integrates enterprise risk management into the entity’s strategy and performance. Mr. Sobel added that this approach may facilitate a building-block approach, with high-level principles that are applicable to all firms, and more specific guidance to address larger or smaller firms. Mr. Ruthman also noted that in the public sector firms already have control frameworks in place, and that the standard duplicates the controls that are already in</p>	<p>Point accepted.</p> <p>Paragraph A21A of Agenda Item B.3 has been added to highlight that quality management is not a separate function of the firm, and is integrated into the firm’s operational activities and processes, and that such integration may promote a harmonious approach to managing the firm, and enhancing the effectiveness of quality management.</p>

² Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Enterprise Risk Management — Integrated Framework*

Representatives' Comments	Task Force/IAASB Response
effect. He added that although the standard acknowledges external inspections as a source of input into the firm's monitoring, it could go further to recognize other sources of input arising from the firm's enterprise risk management.	
THE COMPONENTS AND STRUCTURE OF ED-ISQM 1	
Ms. Zietsman supported the ISQM 1 TF's rationale regarding the different types of components, however suggested that governance and leadership may also be a component that addresses "how" the system is managed. Ms. Zietsman noted that these considerations may be useful to the ISQM 1 TF in terms of how it thinks about how to organize Proposed ISQM 1, however she cautioned that the standard should not be over-engineered in categorizing the components and explaining the relationships between the components. In this regard, Ms. Zietsman noted that the COSO Integrated Framework ³ has components and does not explain extensively how the components interrelate. Ms. Zietsman highlighted the key benefit of the new quality management approach as it brings emphasis to the integrated nature of the components and highlighted the need to focus on how information from components feeds into other components.	Point accepted. In revising proposed ISQM 1, the ISQM 1 TF has limited descriptions about the nature of the components and how they interrelate. The interconnected nature of the components has been emphasized in paragraph 9A of Agenda Item B.3 and the related application material.
Ms. Robert sought further information about the ISQM 1 TF's proposals related to the information and communication component.	Ms. French highlighted that some respondents had suggested that information and communication be incorporated into the other components, however the ISQM 1 TF is not proposing to adopt this approach because, among other reasons, it would result in repetitiveness in each component and lengthen the standard.
HOW QUALITY OBJECTIVES, QUALITY RISKS AND RESPONSES ARE DEALT WITH IN PROPOSED ISQM 1	
Mmes. McGeachy, Robert and Zietsman supported the proposals to address quality objectives, quality risks and responses. Ms. Zietsman added that the	Support noted.

³ COSO, *Internal Control – Integrated Framework*

Representatives' Comments	Task Force/IAASB Response
proposal could be responsive to calls for more rigor in the standard, without becoming too prescriptive. She further added that this approach could support a building-block approach, with quality risk considerations that are always relevant, and layering on additional quality risk considerations for certain firms.	
Ms. Zietsman indicated that there appeared to be a theme in respondents' comments about the purpose of the required responses and therefore encouraged the IAASB to further consider how the required responses are addressed in the standard.	Point accepted. The revisions to proposed ISQM 1 have resulted in only a few specified responses remaining. The ISQM 1 TF is of the view that this clarifies the purpose of the specified responses and emphasizes that the specified responses alone will not be sufficient to address all of the firm's assessed quality risks.
THE FIRM'S RISK ASSESSMENT PROCESS	
Ms. Zietsman supported the direction proposed by the ISQM 1 TF, although noted that the proposals would need further consideration when they are drafted. She added that the principles used in the ISAs for risk identification and assessment could be useful, however noted that a risk-based approach in a system of quality management is different from an audit. Ms. Zietsman noted the concerns raised by respondents with respect to the threshold for identifying quality risks, however indicated that having a threshold is important to having appropriate rigor in the standard and supporting firms in implementing the standard.	Point accepted. Ms. French noted that there will be a need for a threshold to be explained somewhere in the standard, and that the Board's feedback will be important to determining the appropriate way forward. The threshold for the identification of quality risks has been included in the definition of quality risks (see paragraph 19(q) of Agenda Item B.3).
THE SCOPE OF FIRMS AND SERVICES COVERED BY PROPOSED ISQM 1	
Mmes. Robert and Zietsman noted that the proposal to develop a separate quality management standard for related services engagements needs further consideration. Ms. Robert added that she was not convinced that this is the right approach, and emphasized the need for consultation, given that the proposal was not part of ED-ISQM 1.	Point accepted. Ms. French highlighted that in her recent outreach activities on the ISQM 1 TF proposals, there have been suggestions to deal with quality management for related services engagements through the quality risk considerations, instead of a developing a separate standard. Following the CAG discussion in September 2019,

Representatives' Comments	Task Force/IAASB Response
	the IAASB did not support developing a separate standard for related services engagements. Appendix D provides an overview of how concerns about scalability and applicability have been addressed in the standard.
Ms. McGeachy indicated that a separate standard could be a good approach but noted that it could lead to concerns about bifurcation of firms. She further added that in Canada, a separate standard could facilitate easier implementation as they have been considering how ED-ISQM 1 would apply to related services engagements. Ms. Yazar noted her support for Ms. McGeachy's comments, emphasizing the extent of feedback from respondents on the scalability of the standard.	Point noted. Please refer to the response above.
OTHER COMMENTS	
Ms. McGeachy commented on the implementation date, emphasizing that the proposals would be a significant change for firms.	Point noted. Ms. French noted that the implementation date is being dealt with through a separate process involving the three quality management Task Force chairs. Ms. French added that the feedback on the implementation date is being presented to the Board in September 2019, although there are no proposals at this stage on the way forward.
Mr. Pavas noted that regulators and inspectors often look at supporting guidance when inspecting audit firms and therefore questioned whether the guidance for SMPs on extant ISQC 1 would be updated. Ms. McGeachy clarified that the guidance was issued by the IFAC SMP Committee.	Point noted. IAASB Staff have encouraged the IFAC SMP Committee to consider updating the guidance.
PIOB OBSERVER'S REMARKS	
Ms. Pettersson indicated that the ISQM 1 TF has made good progress. However, she indicated that there should not be a distinction between the level of quality of an audit engagement and quality of other engagements. She noted that the public is unable to distinguish between the reports, and that	Point accepted. Following the CAG discussion in September 2019, the IAASB did not support developing a separate standard for related services engagements. Appendix D provides an overview of how

Representatives' Comments	Task Force/IAASB Response
a poor-quality non-audit engagement could negatively affect the reputation and credibility of the firm's quality, including the quality of its audit engagements.	concerns about scalability and applicability have been addressed in the standard.

Appendix D

How the Proposals in ISQM 1 Address the Key Areas of Concern Raised by Respondents to ED-ISQM 1

1. As highlighted previously in this paper, the ISQM 1 TF has focused on the following key areas of concern in addition to responding to feedback on specific areas of the standard:
 - (a) The scalability of the standard and firms appropriately tailoring the SOQM for their circumstances;
 - (b) The complexity and prescriptiveness of the requirements; and
 - (c) Developing a standard that can be applied in all circumstances, including when firms only perform related services engagements.
2. The ISQM 1 TF is of the view that the following proposals address these key areas of concern:

	Scalability	Tailoring	Complexity	Prescriptiveness	Applicability
(a) Restructuring the sequence of the components (firm's risk assessment process moved before governance and leadership) and reducing the length of the introduction.			X		
(b) Explicitly describing the firm's risk assessment process and monitoring and remediation as processes.			X		
(c) Adjusting the requirement to establish additional quality objectives to a "consideration," including examples of when additional quality objectives may be required and explicitly stating that additional quality objectives are not always required.	X	X	X	X	X
(d) Simplifying the process for identifying and assessing quality risks and relocating the threshold for identifying quality risks to the definition of quality risks.			X	X	
(e) Introducing factors focused on the nature and circumstances of the firm and the nature and circumstances of the engagements performed by the firm in identifying and assessing quality risks.	X	X			X
(f) Refining the quality objectives and responses in the components, including moving detailed aspects of the requirements to application material.			X	X	X

	Scalability	Tailoring	Complexity	Prescriptiveness	Applicability
(g) Relocating all responses to a separate section “specified responses”. It is noted that this emphasizes that the responses in the standard alone will not be sufficient to achieve the objectives of the SOQM.	X	X	X	X	X
(h) Enhancing the risk-based approach in monitoring and remediation.	X	X			
(i) Refocusing the requirement for engagement inspections on the effect of other monitoring activities on the selection of engagements for inspection, the appropriate combination of selecting engagements and engagement partners and risk.	X	X	X	X	X
(j) Clarifying the framework for evaluating findings and identifying deficiencies, including introducing a new definition of findings and reducing the complexity of the definition of deficiencies.			X		
(k) Revising paragraph 22 of Agenda Item B.3 to deemphasize the focus on compliance.	X	X		X	X
(l) Removing the reference to the firm’s risk assessment process in networks (i.e., was previously reference in paragraph 59 of Agenda Item B.3).			X		
(m) Signposting scalability examples in the application material, and presenting examples in the application material in boxes and tables.	X	X	X		X
(n) Within the examples in the application material, including examples that address less complex and more complex firms to demonstrate the “scaling-up” and the “scaling-down”.	X	X			X
(o) Moving some of the application material and the appendix to guidance outside of the standard.			X	X	
(p) Removing duplicative material, or material that was viewed as unhelpful, unnecessary or superfluous.			X	X	