

Meeting: IAASB
Meeting Location: New York
Meeting Date: September 17-21, 2012

Agenda Item

8

Draft Proposed IAASB Staff Q&A—ISQC 1¹ Proportionality

Objective of Agenda Item

1. To obtain the IAASB's input regarding the draft proposed IAASB Staff Questions and Answers (Q&A) publication, *Applying ISQC 1 Proportionately with the Nature and Size of a Firm*.

Background

2. In accordance with the 2012-2014 IAASB Strategy and Work Program, Staff has developed the draft Q&A publication in **Agenda Item 8-A** to highlight how the design of ISQC 1 enables it to be applied in a manner proportionate with the nature and size of a firm. This initiative follows on from the significant interest received on the 2009 Staff Q&A on the proportionate application of the ISAs. It also reflects the IAASB's recognition of the importance of using such a vehicle to help explain how ISQC 1 can be implemented efficiently and effectively by smaller firms.
3. In developing the draft, Staff drew upon the approach taken to the ISAs Proportionality Q&A and other recent staff publications. Input as to the specific areas where there may be concerns concerning the proportionate application of ISQC 1 included discussion with Staff of the IFAC Small and Medium Practices (SMP) Committee as well as informal feedback based on IAASB leadership outreach. Staff has also considered publications of others on guidance on implementing quality control systems in smaller practices to identify areas of implementation concern.
4. The draft Q&A publication endeavors to highlight in a positive manner the key features of ISQC 1 that enable it to be applied in a proportionate manner. It does so by addressing the design of the standard (i.e., a focus on the aims of policies and procedures, as opposed to the specific policies and procedures that may be developed), drawing attention to the importance of studying ISQC 1 and considering which requirements are relevant in the circumstance of the services that a smaller firm may provide, and explaining how the requirements of the standard may be applied in the context of a smaller practice.
5. Staff appreciates how beneficial it might be to go beyond the standard and provide implementation guidance to help smaller firms learn how to handle quality control in an effective and efficient way, and to focus on what helps. Nevertheless, the role of a Staff Publication is to highlight or direct

¹ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

attention to relevant provisions of the IAASB's authoritative pronouncements relating to a particular topic. Staff Publications are to be consistent with, and not interpret or extend beyond, the pronouncements to which they relate. Accordingly, the attached draft Q&A does not introduce new material or address issues not already covered by ISQC 1.

6. In accordance with the process for developing Staff Publications,² the IAASB Steering Committee has provided preliminary input to the draft Q&A, including advice on drafting and on matters which would not be appropriate for inclusion in the publication.

Next Steps

7. Subject to the IAASB's input on the draft Q&A, Staff, in consultation with the Steering Committee, will circulate electronically a revised draft of the Q&A to the Board. In accordance with the process for developing Staff Publications:
 - IAASB members will be provided an opportunity to consider and comment on whether the Q&A publication is consistent with, and does not extend beyond, the standard to which it relates.
 - Staff, in consultation with the Steering Committee, will address any substantive concern raised by IAASB members. IAASB members will then be provided an opportunity to consider and comment on how these concerns have been addressed by staff.

Staff's intention is to finalize the document before end of Q4 2012. Staff will engage with the IFAC Communications Department on the final design and format of the publication.

Material Presented

Agenda Item 8-A Draft Staff Q&A – Applying ISQC 1 Proportionately with the Nature and Size of a Firm

Action Requested

8. The IAASB is asked to consider the draft Staff Q&A presented in **Agenda Item 8-A** and provide comments in refining the draft.

² See the IAASB website at:
<http://www.ifac.org/sites/default/files/callouts/Process%20for%20Developing%20a%20Staff%20Publication.pdf>