

Quality Management (Firm level): Comparison of the Requirements in Extant ISQC 1¹ to Proposed (ISQC 1) Revised

Objective of this Agenda Item

The objective of this Agenda Item is to compare the requirements in extant ISQC 1² to Proposed ISQC 1 (Revised), as set out in **Agenda Item 6–A**. The table below provides a cross reference to the paragraph in Proposed ISQC 1 (Revised) that reflects the principles of the extant requirement. However, it is emphasized that these paragraphs are a part of an entire component that has been set up differently than extant ISQC 1, i.e., with component objectives, quality objectives and requirements to identify and assess quality risks and design responses to the quality risks.

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
Introduction			
Scope of this ISQC			
1	This International Standard on Quality Control (ISQC) deals with a firm's responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements. This ISQC is to be read in conjunction with relevant ethical requirements.	Paragraph 1	
2	Other pronouncements of the International Auditing and Assurance Standards Board (IAASB) set out additional standards and guidance on the responsibilities of firm personnel regarding quality control procedures	Paragraph 2	

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

² Given the extent of changes to extant ISQC 1, it is not practicable for the IAASB to review a "track changes" version of Proposed ISQC 1 (Revised).

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	for specific types of engagements. ISA 220, ³ for example, deals with quality control procedures for audits of financial statements.		
3	A system of quality control consists of policies designed to achieve the objective set out in paragraph 11 and the procedures necessary to implement and monitor compliance with those policies.	Paragraphs 3–7	
Authority of this ISQC			
4	This ISQC applies to all firms of professional accountants in respect of audits and reviews of financial statements, and other assurance and related services engagements. The nature and extent of the policies and procedures developed by an individual firm to comply with this ISQC will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network.	Paragraphs 8–9	
5	This ISQC contains the objective of the firm in following the ISQC, and requirements designed to enable the firm to meet that stated objective. In addition, it contains related guidance in the form of application and other explanatory material, as discussed further in paragraph 8, and introductory material that provides context relevant to a proper understanding of the ISQC, and definitions.	Paragraph 10	
6	The objective provides the context in which the requirements of this ISQC are set, and is intended to assist the firm in: <ul style="list-style-type: none"> • Understanding what needs to be accomplished; and • Deciding whether more needs to be done to achieve the objective. 	Paragraph 11	
7	The requirements of this ISQC are expressed using “shall.”	Paragraph 12	
8	Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:	Paragraph 13	

³ International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	<ul style="list-style-type: none"> Explain more precisely what a requirement means or is intended to cover; and Include examples of policies and procedures that may be appropriate in the circumstances. <p>While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ISQC. Where appropriate, additional considerations specific to public sector audit organizations or smaller firms are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in this ISQC. They do not, however, limit or reduce the responsibility of the firm to apply and comply with the requirements in this ISQC.</p>		
9	<p>This ISQC includes, under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of this ISQC. These are provided to assist in the consistent application and interpretation of this ISQC, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. The Glossary of Terms relating to International Standards issued by the IAASB in the <i>Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> published by IFAC includes the terms defined in this ISQC. It also includes descriptions of other terms found in this ISQC to assist in common and consistent interpretation and translation.</p>	Paragraph 14	
Effective Date			
10	Systems of quality control in compliance with this ISQC are required to be established by December 15, 2009.	Paragraph 15	
Objective			
11	The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:	Paragraph 16	

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and (b) Reports issued by the firm or engagement partners are appropriate in the circumstances.		
Definitions			
12	In this ISQC, the following terms have the meanings attributed below:	Paragraph 17	
	(a) Date of report – The date selected by the practitioner to date the report.	Paragraph 17(a)	
	(b) Engagement documentation – The record of work performed, results obtained, and conclusions the practitioner reached (terms such as “working papers” or “workpapers” are sometimes used).	Paragraph 17(c)	
	(c) Engagement partner ⁴ – The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.	Paragraph 17(d)	
	(d) Engagement quality control review – A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities, and those other engagements, if any, for which the firm has determined an engagement quality control review is required.	Paragraph 17(e)	
	(e) Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of	Paragraph 17(f)	

⁴ “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents where relevant.

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.		
(f)	Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes an auditor’s external expert engaged by the firm or by a network firm. The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013). ⁵	Paragraph 17(g)	
(g)	Firm – A sole practitioner, partnership or corporation or other entity of professional accountants.	Paragraph 17(i)	
(h)	Inspection – In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm’s quality control policies and procedures.		Removed, since paragraph A133 describes what an inspection usually involves and to improve the focus on judgments.
(i)	Listed entity – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.	Paragraph 17(j)	
(j)	Monitoring – A process comprising an ongoing consideration and evaluation of the firm’s system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.	Paragraph 17(l)	

⁵ ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistances is restricted to situations where it is permitted.

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	(k) Network firm – A firm or entity that belongs to a network.	Paragraph 17(m)	
	(l) Network – A larger structure: (i) That is aimed at cooperation, and (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.	Paragraph 17(n)	
	(m) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.	Paragraph 17(o)	
	(n) Professional standards – IAASB Engagement Standards, as defined in the IAASB's <i>Preface to the International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements</i> , and relevant ethical requirements.	Paragraph 17(q)	
	(o) Reasonable assurance – In the context of this ISQC, a high, but not absolute, level of assurance.	Paragraph 17(u)	
	(p) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i> (IESBA Code) together with national requirements that are more restrictive.	Paragraph 17(v)	
	(q) Staff – Professionals, other than partners, including any experts the firm employs.	Paragraph 17(y)	
	(r) Suitably qualified external person – An individual outside the firm with the competence and capabilities to act as an engagement partner, for example, a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial	Paragraph 17(z)	

Extant ISQC 1		Paragraph Reference in Proposed ISQC 1 (Revised) (Agenda Item 6–A)	Further explanations
Para. Ref	Paragraph		
	information, or other assurance or related services engagements, or of an organization that provides relevant quality control services.		
Requirements Applying, and Complying with, Relevant Requirements			
13	Personnel within the firm responsible for establishing and maintaining the firm's system of quality control shall have an understanding of the entire text of this ISQC, including its application and other explanatory material, to understand its objective and to apply its requirements properly.	Paragraph 18	
14	The firm shall comply with each requirement of this ISQC unless, in the circumstances of the firm, the requirement is not relevant to the services provided in respect of audits and reviews of financial statements, and other assurance and related services engagements. (Ref: Para. A1)	Paragraph 19	
15	The requirements are designed to enable the firm to achieve the objective stated in this ISQC. The proper application of the requirements is therefore expected to provide a sufficient basis for the achievement of the objective. However, because circumstances vary widely and all such circumstances cannot be anticipated, the firm shall consider whether there are particular matters or circumstances that require the firm to establish policies and procedures in addition to those required by this ISQC to meet the stated objective.	Paragraph A11 Paragraph 22	
Elements of a System of Quality Control			
16	The firm shall establish and maintain a system of quality control that includes policies and procedures that address each of the following elements: <ul style="list-style-type: none"> (a) Leadership responsibilities for quality within the firm. (b) Relevant ethical requirements. (c) Acceptance and continuance of client relationships and specific engagements. (d) Human resources. 	Paragraph 20	

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Para. Ref	Paragraph		
	(e) Engagement performance. (f) Monitoring.		
17	The firm shall document its policies and procedures and communicate them to the firm's personnel. (Ref: Para. A2–A3)	Paragraphs 33(b) and 68(a)–(b)	
Leadership Responsibilities for Quality within the Firm			
18	The firm shall establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing engagements. Such policies and procedures shall require the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent) to assume ultimate responsibility for the firm's system of quality control. (Ref: Para. A4–A5)	Paragraph 26, 27, 28 and 29(a)	
19	The firm shall establish policies and procedures such that any person or persons assigned operational responsibility for the firm's system of quality control by the firm's chief executive officer or managing board of partners has sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility. (Ref: Para. A6)	Paragraph 29(b)	
Relevant Ethical Requirements			
20	The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. (Ref: Para. A7–A10)	Paragraphs 34, 35, 36 and 37	
<i>Independence</i>			
21	The firm shall establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel) maintain independence where required by relevant ethical requirements. Such policies and procedures shall enable the firm to: (Ref: Para. A10) (a) Communicate its independence requirements to its personnel and,	Paragraphs 31(b), 33(b) and 35(b)–(c)	

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	<p>where applicable, others subject to them; and</p> <p>(b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the engagement, where withdrawal is possible under applicable law or regulation.</p>		
22	<p>Such policies and procedures shall require: (Ref: Para. A10)</p> <p>(a) Engagement partners to provide the firm with relevant information about client engagements, including the scope of services, to enable the firm to evaluate the overall impact, if any, on independence requirements;</p> <p>(b) Personnel to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken; and</p> <p>(c) The accumulation and communication of relevant information to appropriate personnel so that:</p> <p>(i) The firm and its personnel can readily determine whether they satisfy independence requirements;</p> <p>(ii) The firm can maintain and update its records relating to independence; and</p> <p>(iii) The firm can take appropriate action regarding identified threats to independence that are not at an acceptable level.</p>	Paragraphs 31, 33, 35 and A68	
23	<p>The firm shall establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions to resolve such situations. The policies and procedures shall include requirements for: (Ref: Para. A10)</p> <p>(a) Personnel to promptly notify the firm of independence breaches of which they become aware;</p> <p>(b) The firm to promptly communicate identified breaches of these policies</p>	Paragraphs 31, 33, 35 and A68	

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	<p>and procedures to:</p> <ul style="list-style-type: none"> (i) The engagement partner who, with the firm, needs to address the breach; and (ii) Other relevant personnel in the firm and, where appropriate, the network, and those subject to the independence requirements who need to take appropriate action; and (c) Prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph 23(b)(ii) of the actions taken to resolve the matter, so that the firm can determine whether it should take further action. 		
24	At least annually, the firm shall obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by relevant ethical requirements. (Ref: Para. A10–A11)	Paragraph 37(b)	
25	<p>The firm shall establish policies and procedures: (Ref: Para. A10)</p> <ul style="list-style-type: none"> (a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and (b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12–A17) 	Paragraphs 35(b)–(c) and A71	
Acceptance and Continuance of Client Relationships and Specific Engagements			
26	The firm shall establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm:	Paragraph 38	Compliance with relevant ethical requirements has been addressed in the component “relevant ethical requirements” (paragraphs 34–37).

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Para. Ref	Paragraph		
	<ul style="list-style-type: none"> (a) Is competent to perform the engagement and has the capabilities, including time and resources, to do so; (Ref: Para. A18, A23) (b) Can comply with relevant ethical requirements; and (c) Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity. (Ref: Para. A19–A20, A23) 		
27	<p>Such policies and procedures shall require:</p> <ul style="list-style-type: none"> (a) The firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. (Ref: Para. A21, A23) (b) If a potential conflict of interest is identified in accepting an engagement from a new or an existing client, the firm to determine whether it is appropriate to accept the engagement. (c) If issues have been identified, and the firm decides to accept or continue the client relationship or a specific engagement, the firm to document how the issues were resolved. 	Paragraph 39(a)	Conflict of interest forms part of relevant ethical requirements and therefore is encompassed in the component “relevant ethical requirements” (paragraphs 34–37). Documentation requirements are encompassed in paragraphs 67–68.
28	<p>The firm shall establish policies and procedures on continuing an engagement and the client relationship, addressing the circumstances where the firm obtains information that would have caused it to decline the engagement had that information been available earlier. Such policies and procedures shall include consideration of:</p> <ul style="list-style-type: none"> (a) The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and (b) The possibility of withdrawing from the engagement or from both the engagement and the client relationship. (Ref: Para. A22–A23) 	Paragraph 39(d) and A79	

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Para. Ref	Paragraph		
Human Resources			
29	<p>The firm shall establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:</p> <ul style="list-style-type: none"> (a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and (b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances. (Ref: Para. A24–A29) 	Paragraphs 42 and 43(a)–(b)	
<i>Assignment of Engagement Teams</i>			
30	<p>The firm shall assign responsibility for each engagement to an engagement partner and shall establish policies and procedures requiring that:</p> <ul style="list-style-type: none"> (a) The identity and role of the engagement partner are communicated to key members of client management and those charged with governance; (b) The engagement partner has the appropriate competence, capabilities, and authority to perform the role; and (c) The responsibilities of the engagement partner are clearly defined and communicated to that partner. (Ref: Para. A30) 	Paragraphs 43(c) and A88	
31	<p>The firm shall also establish policies and procedures to assign appropriate personnel with the necessary competence, and capabilities to:</p> <ul style="list-style-type: none"> (a) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and (b) Enable the firm or engagement partners to issue reports that are appropriate in the circumstances. (Ref: Para. A31) 	Paragraphs 43(c)	

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Para. Ref	Paragraph		
Engagement Performance			
32	<p>The firm shall establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that the firm or the engagement partner issue reports that are appropriate in the circumstances. Such policies and procedures shall include:</p> <p>(a) Matters relevant to promoting consistency in the quality of engagement performance; (Ref: Para. A32–A33)</p> <p>(b) Supervision responsibilities; and (Ref: Para. A34)</p> <p>(c) Review responsibilities. (Ref: Para. A35)</p>	Paragraphs 46 and 47(a)	
33	The firm's review responsibility policies and procedures shall be determined on the basis that work of less experienced team members is reviewed by more experienced engagement team members.	Paragraph 47(a)	
<i>Consultation</i>			
34	<p>The firm shall establish policies and procedures designed to provide it with reasonable assurance that:</p> <p>(a) Appropriate consultation takes place on difficult or contentious matters;</p> <p>(b) Sufficient resources are available to enable appropriate consultation to take place;</p> <p>(c) The nature and scope of, and conclusions resulting from, such consultations are documented and are agreed by both the individual seeking consultation and the individual consulted; and</p> <p>(d) Conclusions resulting from consultations are implemented. (Ref: Para. A36–A40)</p>	Paragraph 47(b) and A103	Resources are addressed in the component "resources" in paragraphs 42–45.
<i>Engagement Quality Control Review</i>			
35	The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the	Paragraph 49	

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Para. Ref	Paragraph		
	<p>engagement team and the conclusions reached in formulating the report. Such policies and procedures shall:</p> <ul style="list-style-type: none"> (a) Require an engagement quality control review for all audits of financial statements of listed entities; (b) Set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements shall be evaluated to determine whether an engagement quality control review should be performed; and (Ref: Para. A41) (c) Require an engagement quality control review for all engagements, if any, meeting the criteria established in compliance with subparagraph 35(b). 		
36	The firm shall establish policies and procedures setting out the nature, timing and extent of an engagement quality control review. Such policies and procedures shall require that the engagement report not be dated until the completion of the engagement quality control review. (Ref: Para. A42–A43)	To be addressed in ISQC 2 ⁶	
37	<p>The firm shall establish policies and procedures to require the engagement quality control review to include:</p> <ul style="list-style-type: none"> (a) Discussion of significant matters with the engagement partner; (b) Review of the financial statements or other subject matter information and the proposed report; (c) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached; and (d) Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate. (Ref: Para. A44) 	To be addressed in ISQC 2	

⁶ ISQC 2, *Engagement Quality Control Reviews*

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Para. Ref	Paragraph		
38	For audits of financial statements of listed entities, the firm shall establish policies and procedures to require the engagement quality control review to also include consideration of the following: <ul style="list-style-type: none"> (a) The engagement team’s evaluation of the firm’s independence in relation to the specific engagement; (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and (c) Whether documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A45–A46) 	To be addressed in ISQC 2	
Criteria for the Eligibility of Engagement Quality Control Reviewers			
39	The firm shall establish policies and procedures to address the appointment of engagement quality control reviewers and establish their eligibility through: <ul style="list-style-type: none"> (a) The technical qualifications required to perform the role, including the necessary experience and authority; and (Ref: Para. A47) (b) The degree to which an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer’s objectivity. (Ref: Para. A48) 	To be addressed in ISQC 2	
40	The firm shall establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer. (Ref: Para. A49–A51)	To be addressed in ISQC 2	
41	The firm’s policies and procedures shall provide for the replacement of the engagement quality control reviewer where the reviewer’s ability to perform an objective review may be impaired.	To be addressed in ISQC 2	
Documentation of the Engagement Quality Control Review			
42	The firm shall establish policies and procedures on documentation of the engagement quality control review which require documentation that: <ul style="list-style-type: none"> (a) The procedures required by the firm’s policies on engagement quality control review have been performed; 	To be addressed in ISQC 2	

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	<p>(b) The engagement quality control review has been completed on or before the date of the report; and</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</p>		
Differences of Opinion			
43	The firm shall establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer. (Ref: Para. A52–A53)	Paragraph 47(c)	
44	Such policies and procedures shall require that: <p>(a) Conclusions reached be documented and implemented; and</p> <p>(b) The report not be dated until the matter is resolved.</p>	Paragraph 47(c) and A106	
Engagement Documentation Completion of the assembly of final engagement files			
45	The firm shall establish policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized. (Ref: Para. A54–A55)	Paragraph 47(d)	
Confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation			
46	The firm shall establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation. (Ref: Para. A56–A59)	Paragraph 47(d)	
Retention of engagement documentation			
47	The firm shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation. (Ref: Para. A60–A63)	Paragraph 47(d)	

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Para. Ref	Paragraph		
Monitoring Monitoring the firm’s quality control policies and procedures			
48	<p>The firm shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process shall:</p> <ul style="list-style-type: none"> (a) Include an ongoing consideration and evaluation of the firm’s system of quality control including, on a cyclical basis, inspection of at least one completed engagement for each engagement partner; (b) Require responsibility for the monitoring process to be assigned to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility; and (c) Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagement. (Ref: Para. A64–A68) 	Paragraphs 50–54	
51	<p>Recommendations for appropriate remedial actions for deficiencies noted shall include one or more of the following:</p> <ul style="list-style-type: none"> (a) Taking appropriate remedial action in relation to an individual engagement or member of personnel; (b) The communication of the findings to those responsible for training and professional development; (c) Changes to the quality control policies and procedures; and (d) Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly. 	Paragraphs 55–58	
53	<p>The firm shall communicate at least annually the results of the monitoring of its system of quality control to engagement partners and other appropriate individuals within the firm, including the firm’s chief executive officer or, if appropriate, its managing board of partners. This communication shall be sufficient to enable the firm and these individuals to take prompt and appropriate action where necessary in accordance</p>	Paragraph 60	

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	with their defined roles and responsibilities. Information communicated shall include the following: <ul style="list-style-type: none"> (a) A description of the monitoring procedures performed. (b) The conclusions drawn from the monitoring procedures. (c) Where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions taken to resolve or amend those deficiencies. 		
54	Some firms operate as part of a network and, for consistency, may implement some of their monitoring procedures on a network basis. Where firms within a network operate under common monitoring policies and procedures designed to comply with this ISQC, and these firms place reliance on such a monitoring system, the firm's policies and procedures shall require that: <ul style="list-style-type: none"> (a) At least annually, the network communicate the overall scope, extent and results of the monitoring process to appropriate individuals within the network firms; and (b) The network communicate promptly any identified deficiencies in the system of quality control to appropriate individuals within the relevant network firm or firms so that the necessary action can be taken, in order that engagement partners in the network firms can rely on the results of the monitoring process implemented within the network, unless the firms or the network advise otherwise. 	Paragraphs 62–66	
<i>Complaints and Allegations</i>			
55	The firm shall establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with: <ul style="list-style-type: none"> (a) Complaints and allegations that the work performed by the firm fails to comply with professional standards and applicable legal and regulatory requirements; and (b) Allegations of non-compliance with the firm's system of quality control. 	Paragraph 33(c)	

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Para. Ref	Paragraph		
	As part of this process, the firm shall establish clearly defined channels for firm personnel to raise any concerns in a manner that enables them to come forward without fear of reprisals. (Ref: Para. A70)		
56	If during the investigations into complaints and allegations, deficiencies in the design or operation of the firm's quality control policies and procedures or non-compliance with the firm's system of quality control by an individual or individuals are identified, the firm shall take appropriate actions as set out in paragraph 51. (Ref: Para. A71–A72)	Paragraph 55	
Documentation of the System of Quality Control			
57	The firm shall establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control. (Ref: Para. A73–A75)	Paragraph 67	
58	The firm shall establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing monitoring procedures to evaluate the firm's compliance with its system of quality control, or for a longer period if required by law or regulation.	Paragraph 69	
59	The firm shall establish policies and procedures requiring documentation of complaints and allegations and the responses to them.	Paragraph 67	