Agenda Item 5–B.2

Covering Explanatory Memorandum: Question 1 – Implementation Period

Question 1 in the covering explanatory memorandum asked respondents:

Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board? If not, what is an appropriate implementation period?

Alternative Implementation Period Suggested – 24 Months

08. AICPA

It is not clear to us whether establishing a system of quality management in accordance with ED-ISQM 1 would require that the system be tested, monitored, and documented by the effective date, or if the system need only be designed and implemented by the effective date. If the system need only be designed and implemented by the effective date and monitoring the effectiveness and making revisions to processes and related documentation need not be completed by the effective date, it would be helpful to make that explicit so that firms, regulators and other stakeholders have a common understanding.

We do not believe that 18 months from approval of the three standards by the Public Interest Oversight Board (PIOB) is enough time to allow firms to understand, design, implement, document, and train personnel on the new approach to quality management. We agree with the rationale for an appropriately long implementation period stated in paragraph 24 of the IAASB's Covering Explanatory Memorandum. We also agree, as stated in paragraph 25 of the Overall Explanatory Memo, that "a rushed implementation may exacerbate risks to quality, lead to increased inspection findings, and would be inconsistent with the objectives of the IAASB's project to enhance its quality management standards."

We believe that 18 months will result in a rushed and ineffective implementation for firms of all sizes and compositions, even for those firms that have already invested significant resources in quality control processes. Depending on the timing of final approval of the Proposed Standards and a firm's practice, 18 months may encompass one "busy season" for some firms but two "busy seasons" for others.

An implementation period that allows enough time to effectively implement the Proposed Standards is essential in order to achieve the improvements in engagement quality, which is in the public interest. "Getting it right the first time" is key and that requires time. Implementation of the Proposed Standards will require firms to do the following:

- Perform the analysis necessary to determine the systemic changes needed to comply with the Proposed Standards
- Make the necessary organizational changes which, for many firms, will require the addition of additional resources,
- Design, implement, and document the risk assessment approach,
- Design, implement, and document the information and communication requirements,
- Design, implement, and document an enhanced monitoring and remediation process, and
- Design, implement, and document the effectiveness of the overall evaluation of the system of quality management. This requirement in particular will require time for firms to test new processes to ensure the system is operating effectively.

We applaud the IAASB for taking the time necessary to:

- consult publicly and research,
- develop a project proposal,
- draft and debate the Proposed Standards, including allowing five months for exposure, and
- ultimately, get the Proposed Standards right.

We ask that the IAASB provide firms the time necessary to implement the Proposed Standards. Having firms use the risk-based quality management approach in accordance with the Proposed Standards as soon as practicable is in the public interest. We believe that “as soon as practicable” is at minimum an implementation period of 24 months for firms to design, implement, and begin to document of the new approach to quality management. As described above, it should be clear that firms would use the periods after the effective date for monitoring and revising the system, as appropriate. We believe the 24-month period and clarity with respect to implementation approach is necessary for the intended benefits of the Proposed Standards to be achieved, and not create potential unintended consequences related to audit quality.

12. EYG

No. While we understand the reasons provided in The IAASB’s Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews, for proposing an 18-month implementation period for the three standards, including the importance of enhancing quality management at the firm and engagement levels, we believe that an 18-month implementation period is not sufficient. We agree with the statements in paragraph 24 that there are substantial differences in the quality management approach in ED-ISQM 1 and the existing standard on quality control. Those differences require an extensive re-evaluation of the current systems of quality control implementation by firms subject to the standard as well as how those firms interact with a network. This re-evaluation will result in considerable changes in the design, documentation, and monitoring of a system of quality management. Given the significance of the changes in the quality management approach in ED-ISQM 1 and the size and scale of our network, including the increased coordination between member firms and the network required under ISQM 1, an 18-month implementation period is not practical.

Concerns regarding the sufficiency of an 18-month implementation period

We do not agree that the proposed 18-month period is sufficient to allow enough time for firms to effectively implement ED-ISQM 1 and, therefore, we disagree with the statement in paragraph 25 that an 18-month implementation period is practical and in the public interest.

Due to the introduction of a formalized risk assessment process in ED-ISQM 1 that requires a new approach to the design and implementation of a firm’s system of quality management and the significantly expanded requirements for the design and implementation of a firm’s monitoring and remediation process, we believe it will take more than 18 months to effectively design and implement proposed ISQM 1 in a network organization like EY with member firms in over 150 countries that will require systems of quality management tailored to their individual firm circumstances and services. The structure of our organization is complicated by significant variations in size and complexity of the member firms. The differences in structure in many cases result from local laws regulating the size and scope of an entity’s operations and different responsible parties among various member firms within the same country.

Our goal as a network is to achieve consistency in the approach to the development and operation of systems of quality management across all member firms. We believe that systems of quality management that operate consistently across the network will lead to enhanced quality and is in the public interest. Our implementation effort also will require the design and construction of an information technology platform to facilitate this consistency. In addition, because of the size and complexity differences between member firms, and the significant changes in the governance and leadership component of the standard, the change management challenges are also significant.

We believe that an implementation period that would allow sufficient time to overcome the implementation challenges we foresee and achieve compliance with the standards needs to be at least 24 months after the approval of the three standards by the Public Interest Oversight Board.

We fully recognize the magnitude of the proposed changes and have begun to think through re-designing the systems of quality management of our member firms so that we can move as quickly as possible after the quality management standards are approved; however, these early efforts cannot fully compensate for the time needed to fully and effectively implement the final standards, recognizing that the standards will evolve based on comments received on the exposure drafts consistent with the IAASB's due process. In addition, if there are significant changes to any of the quality management standards, we strongly believe that re-exposure needs to be given serious consideration by the IAASB due to the pervasive effects on firms' systems of quality management and on engagement partners' responsibility to manage and achieve quality at the engagement level.

See our response to Q2 in 'Appendix 1 EYG Response to ED-ISQM 1' for further comments on implementation challenges related to ED-ISQM 1.

Concerns with respect to services other than audits

As noted in our comments to Q1 in 'Appendix 1 EYG Response to ED-ISQM 1', we believe that the quality management approach set forth in ED-ISQM 1 is most suited to audits and that the driving need for this approach, as well as its expedited implementation timing, is to enhance audit quality in the public interest, consistent with theme of the 2015 Invitation to Comment.

Also related to the applicability of ISQM 1 to services other than audits, we are concerned with the proposed timeline for conforming and consequential amendments to the International Standards that address non-audit engagements. The amendments are also proposed to be effective December 2021 but PIOB approval of those amendments does not appear to be expected until December 2020. We assume that such conforming and consequential amendments may involve substantive enhancements to engagement-level quality management requirements for engagements other than audits. Accordingly, we are concerned that a 12-month transition period will not be sufficient to implement new engagement-level requirements.

If the scope of ISQM 1 is not amended to apply to audits only, we believe the effective date should at least be stratified to allow firms to focus on implementation for audits first and foremost and then cascade the required implementation with respect to other services with an effective date of at least 12 months subsequent to the effective date with respect to audits. Cascading the date in this manner would also address our concern regarding the timing of the approval of the conforming and consequential amendments.

Because of the significance of the implementation challenges outlined above, our recommendation for an effective date of at least 24 months after approval by the PIOB applies even if the scope of the standard is amended to apply to audit services only.

Overall, we are supportive of the objectives of the exposure drafts including the introduction of a new approach to quality management, a separate quality management standard for engagement quality reviews, and clarity in the role and responsibilities of the engagement partner. We believe that these proposed standards can help to improve quality at the firm and engagement level and the performance of engagement quality reviews. The standards' combined ability to generate improvements in quality is heavily influenced by having an adequate period of time to fully and effectively implement the standards. A rushed implementation to meet a shorter than appropriate transition period may create threats to firms' abilities to effectively design and implement systems of quality management, which may therefore lead to threats to engagement quality.

Proposed ISQM 1 represents a substantial transformative change from extant ISQC 1; therefore, we believe that the implementation period for instituting (i.e., designing and implementing) systems of quality management in accordance with the three interconnected standards should be at least 24 months after approval of the standards by the Public Interest Oversight Board (PIOB). Our intent is to develop a network level approach that can be implemented across the member firms as it is our view that a consist approach to the system of quality management will lead to higher quality and is in the public interest. We do not believe that an 18-month implementation period is sufficient to adequately develop our network approach, including the necessary technology to document and monitor a system of quality management for each member firm in our global organization. See our response to Q1 below for further details on our concerns with an 18-month implementation period.

13. AASB

No. It is unlikely that 18 months will give all stakeholders (e.g., firms, those who prepare guidance, trainers, national standard setters, etc.) sufficient time to prepare. Poor implementation may have negative implications as a firm's system of quality management applies to all the firm's engagements covered under the standard. We believe a longer implementation period of 24 months would give stakeholders sufficient time to achieve a successful implementation. It will also give stakeholders time to translate the standards, where translation is necessary.

The objective of ED-ISQM 1 is for firms to design, implement and operate a system of quality management. The effective date states that systems of quality management are required to be established by a certain date. We believe the IAASB should clarify what "required to be established" means to eliminate ambiguity and ensure a uniform understanding by all firms. We recognize that this wording is consistent with extant ISQC 1. However, "establishing" may not necessarily result in implementation or operation. For example, it is not clear to us whether monitoring activities are "established" when they have been designed, or whether "established" means that they must be in operation, which requires a longer timeframe.

We suggest that the IAASB either:

- change the wording of the effective date to be "The firm is required to design, implement and operate its system of quality management by TBD," or
- consider whether the effective date should be bifurcated (for example, firms must design and implement systems of quality management by a certain date and the system of quality management must be in operation for engagements beginning on or after that date).

17. IMCP

Considering the process of submission of the standards established by the IMCP, for the application of new standards in Mexico, we do suggest a period of 24 months.

22. Deloitte Touche Tohmatsu Limited

Implementation period

DTTL recognizes the important role of these standards in improving audit quality and agrees with the focus on timely and effective implementation. Embracing the "transformational" nature of the three standards will require focused and significant effort by firms and engagement teams to implement. We agree with the IAASB's view that a rushed implementation may exacerbate risks to quality, lead to increased inspection findings, and would be inconsistent with the objectives of the IAASB's project to enhance its quality management standards. Accordingly, we believe an implementation period that allows sufficient time to achieve compliance with the standards is at least 24 months after the approval of the proposed standards by the Public Interest Oversight Board. (See Appendix I, Question 1)

With respect to the proposed implementation period, DTTL agrees with the Board's perspectives outlined in paragraphs 23 and 24 of the Covering Explanatory Memorandum. We support the view of the IAASB with respect to the impact of ED-ISQM 1, ED-ISQM 2, and ED-220, individually and collectively, on audit quality and agree with the focus on timely and effective implementation. However, we also agree with the views of the Board that the new quality management approach in ED-ISQM 1 represents a substantial revision to the extant standard and that there are other new requirements that enhance the rigor across the three standards. Embracing the "transformational" nature of the three standards will require focused and significant effort by firms and engagement teams to implement, including as referenced in the explanatory memorandum, with respect to ED-ISQM 1, implementation of a robust risk assessment process, increased levels of coordination and cooperation within the firm and between the firm and the network, and internal organizational changes. Furthermore, we support the recognition that firms and networks will need time to test aspects of the system to determine that they are appropriate for use across the firm or the network before implementing them. For these reasons, DTTL supports an implementation period of 24 months after the approval of the standards by the Public Interest Oversight Board.

23. MICPA

To consider a longer implementation period of perhaps 24 months rather than the proposed 18 months because small-and medium-sized practitioners (SMPs) may require sufficient time to implement the proposed standards. This may be an important implementation factor since some of the requirements are relatively new and require a robust implementation process.

24. Baker Tilly Virchow Krause LLP

Due to the scope of the proposed changes will believe that an implementation period of at least 24 months is necessary in order to achieve the objective of the proposed standards.

25. Mazars USA LLP

Overall, we strongly support the Proposed Standards, individually and collectively, and recognize the intended improvements resulting from implementation will address the key public interest issues raised as it relates to firms' system of quality management and execution of engagements. We appreciate the Board's continuous efforts in extending this opportunity to comment, and we respectfully ask the Board for modification, clarification, and consideration of additional guidance in certain areas. An implementation date of at least 24 months following PIOB approval, alignment of existing standards (IAASB and IESBA, across all ISA's and specifically to extant ISA 600), the targeted changes and clarity requested herein, and additional guidance will enhance all firms' ability to adopt the Proposed Standards effectively.

The sweeping changes expected from the implementation of the Proposed Standards to a firm's system of quality management and to the execution of audits and reviews and other engagements will require adequate time to assess, design, test, implement, develop guidance, and deliver training. Additional resources will be necessary as well as certain organizational changes. Firms will engage in a detailed and thoughtful exercise in order to successfully implement the Proposed Standards to achieve the intended results. For those firms, like ours, who belong to a global network, the implementation effort requires coordination with our other member firms including the tailoring of the network policies and procedures to ensure compliance with local regulations and standards. Any implementation period of less than 24 months after approval by the Public Interest Oversight Board (PIOB) would not allow enough time for firms to prepare for compliance with the Proposed Standards, potentially resulting in unintended consequences and quality results that are inconsistent with the intended impact of the Proposed Standards. The ability to effectively implement the Proposed Standards should not be compromised by an implementation period that is too short.

29. CAQ

Given the importance of the Proposed Standards and their broad impact, firms require sufficient time for thoughtful and careful implementation. Successful implementation and execution is needed to generate the intended transformational benefits. We agree with the comments in paragraph 25 of the Overall Explanatory Memo that a "rushed implementation may exacerbate risks to quality, lead to increased inspection findings, and would be inconsistent with the objectives of the quality management standards."

As a result, and given the global reach of the Proposed Standards, we strongly believe that an 18-month implementation period is not practical.1 We believe an implementation period that would allow sufficient time to achieve compliance with the standards is at least 24 months after the approval of the Proposed Standards by the Public Interest Oversight Board (PIOB). As further explained in our response to ED-ISQM 1 Request for Comment Question 2, there are certain aspects of the Proposed Standards that may create challenges for implementation, which include:

- Making necessary organizational changes,
- Designing and implementing the risk assessment approach,
- Designing and implementing the information and communication requirements,
- Designing, piloting, and implementing an enhanced monitoring and remediation process, and
- Designing, piloting, and implementing the overall evaluation of the system of quality management. This requirement in particular will require time for firms to test new processes to ensure the system is operating effectively prior to the effective date of the standard.

We believe at least an additional six-month implementation period from that proposed by the Board would provide additional time for firms to effectively implement the Proposed Standards while at the same time move forward with implementation in a timely manner.

32. NR

Even though we anticipate that the final versions of the exposed Quality Management Standards will be much shorter, more principles-based and easier to understand, we still believe that 18 months is too short implementation period. Just the translation of the standards and the development of guidance and training will take time. In order to achieve the best result, the implementation period should not be less than 24 months.

35. GTIL

We are significantly concerned that the proposed effective date of the suite of quality management standards of 18 months from approval will not allow sufficient time for the standards to be properly implemented and will lead to firms not being able to take the time to properly address the new requirements. Such a short implementation period may lead to policies and procedures being implemented that do not fully address the proposed new requirements and may be detrimental to quality in the short term.

Whilst we understand the desire for the suite of quality management standards to be implemented as soon as possible, we are concerned that an 18-month effective date from Public Interest Oversight Board approval may not give firms sufficient time to properly implement the standards in an effective manner that will result in enhanced quality.

If properly implemented, ISQM 1 will require the dedication of a significant amount of firm resources to put into place a risk assessment process. In addition, resources will be needed to update firms' methodologies for the two other quality management standards that will become effective simultaneously. Many firms will find it difficult to allocate additional resources with the ability to commit the necessary time to the simultaneous implementation of the suite of quality management standards, especially, as noted below, if other standards nearing finalisation become effective at the same time. If insufficient time is given for firms to implement ED-ISQM 1 in particular, there is the risk that firms will take the system they have in place today and make only minor adjustments to map the existing processes to the new requirements, rather than taking the necessary time to redesign the existing system to align with the fundamentally revised standards.

We are of the view that firms will find it difficult to implement a number of the changes proposed by ED-ISQM 1 within an 18-month period. For example:

ED-ISQM 1 includes a requirement in respect of a firm establishing a specific culture. For larger firms that may not necessarily have the culture required under ED-ISQM 1, it may take more than 18 months for this culture to cascade through the whole firm and for it to become ingrained in its personnel.

In situations where the firm is a member of a network of firms, the network may be responsible for developing certain parts of the system of quality management, which will then need to be tailored by the individual firms to address their specific facts and circumstances.

For the above noted parts of the system of quality management to be designed, tailored, effectively implemented and tested in an 18-month period would be a tall order for many firms. As such, there is a danger, that despite best efforts, firms will not be in a position to be in full compliance with the proposed standard by the proposed effective date.

ED-ISQM 1 also requires the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate whether that system provides reasonable assurance that the objectives of the system have been fulfilled. It is unclear whether the expectation is that the system of quality management is fully implemented, including the monitoring process and the assessment as to whether reasonable assurance has been achieved, by the effective date to be in compliance with the proposed standard. Even if the expectation is something less than this, the underlying processes required to put in place a system of quality management to fulfil such a significant new requirement would necessitate a period of more than 18 months.

Additionally, there are two additional exposure drafts, which are currently being finalised for approval as a final standard, proposed ISA 315 (Revised) and proposed ISRS 4400 (Revised). Whilst, ISA 315 (Revised) has an effective date of periods beginning on or after December 21, 2020, we note that the timetable for approval of this standard has already slipped by three months to September 2019 and the effective date of ISRS 4400 has yet to be determined. In addition, firms are also implementing changes to their methodologies for the recently published ISA 540 (Revised). For a number of firms, the same pool of resources will be responsible for the implementation of all of these standards, their incorporation into firm methodology and the development of necessary accompanying training. For firms to implement changes in respect of 5 standards, 4 of which represent significant changes, practically simultaneously may actually have an adverse impact on quality.

In conclusion, because of the matters outlined above, we are of the view that the effective date of the standard should be no less than 24 months from its approval. We are further of the view that this effective date should be as of January 1, rather than a mid-year date such as June 30th.

37. IRBA

Paragraph 17 of ED-ISQM 1 states that "systems of quality management in compliance with this ISQM are required to be established by TBD". Our understanding is that the effective date of the final ISQM 1 will be approximately December 2021, based on current IAASB timelines and planning. ED-ISQM 1 paragraphs 55 and 56 require the individual(s) assigned ultimate responsibility and accountability for the quality management system (QMS) to evaluate annually whether the system of quality management provides reasonable assurance that the objectives stated in paragraph 18(a) and (b) have been achieved.

It is therefore necessary to confirm what is meant by "required to be established", as stated in paragraph 17 of ED-ISQM 1. Would the first annual evaluation have to take place at the effective date of December 2021, or at the end of the first year after the effective date, December 2022, or some period in-between? If the first annual evaluation needs to take place by December 2021, the QMS needs to be fully operational and compliant with the new ISQM 1 (as well as ISQM 2 and ISA 220) by January 2021. This allows only six months for firms to develop, test, implement and adjust the new QMS, which may not be feasible (from the expected issue date of the final standards around July 2020).

Representatives of large firms have indicated that preparations have commenced to develop their new IT systems as well as policies and procedures based on the requirements in ED-ISQM 1. These preparations assume that it is unlikely that there will be major changes to the final standards compared to the Exposure Drafts. We are supportive of these proactive measures. However, these firms and other firms have indicated that six months is too short, especially for their IT systems, to make any further changes based on the final quality management standards and any differences between the Exposure Drafts and final standards, and to then test these changes. If it is interpreted that "required to be established" means "the new QMS is in place and working effectively", we recognise the need for more implementation time.

From a regulatory perspective, we believe that a timely and careful approach needs to be followed. This project was commenced at the time of the Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits, in December 2015, and should now be completed, without undue delay in the public interest.

A further consideration is that all three standards need to be implemented concurrently; so, any delays would affect all three proposed quality management standards.

Although we support the issuing of requirements driving improved quality management by firms in the public interest as soon as possible, we believe there is a balance that needs to be achieved. It is imperative that the firms properly and adequately establish their new QMS and that the QMS are working effectively before the quality management standards become effective. Preparation and readiness should not be compromised. We therefore would support a 24-month implementation period after the approval of the three standards by the PIOB. If systems are not ready, this may lead to a further deterioration in audit quality, which will not be in the public interest.

Other possible considerations related to the effective date that have been proposed and that we support are:

- To clarify that the first annual evaluation requirement must be performed by December 2022.

- To encourage firms to have "dry runs" of their new QMSs, in parallel with the existing systems of quality control. Internal monitoring functions and audit regulators could be encouraged to perform pilot inspections in order to provide firms with early feedback on their QMSs.
- To encourage new firms to early adopt the new and revised quality management standards.

The IAASB is also urged to consider in more detail issues related to the transitional period. There will be a transitional period during which firms will have both the old and the new quality systems in place, with audit and other engagements performed across both systems. This has implications across the spectrum of ISQM elements, firms, networks and service providers, as well all parties involved in internal and external monitoring and inspection activities.

39. OAGNZ

We are concerned about the implementation period of 18 months (application date is 1 January 2022) will not provide sufficient time for firms to design and implement the necessary changes. Firms will be transitioning to ISQM 1 in advance of the approval of this standard but due to the different circumstances of each firm, we consider the proposed implementation date will be challenging.

We believe that the proposed 18 month implementation period will be challenging, especially for small and medium sized firms. A significant investment of time will be required up-front to complete the initial risk assessment and then develop appropriate policies and procedures to address the risks identified. We also consider that there will be challenges in respect of monitoring and concluding on all aspects of the system of quality management in the first year. A longer implementation timeframe for this (a minimum of 24 months) would be beneficial, or the IAASB could consider a staged implementation – for example with an implementation date for the risk assessment and a later date from the related policies and procedures and monitoring.

An alternative option, is to consider having a later implementation date for parts of the monitoring component to allow firms to revisit the design of their system of quality management after performing some preliminary monitoring. We consider this would also better support the reasonable assurance requirements, as we expect the first round of monitoring may result in a firm not being able to conclude.

41. ICPAS

No. We believe a more reasonable implementation period of 24 months would be appropriate. Having an additional six months would provide firms sufficient time to implement the new requirements. However, we believe these requirements, especially for small firms and sole practitioners, are particularly onerous, cost prohibitive, and could be a competitive disadvantage.

43. IAB-IEC

This seems to be a bit short. The Belgian Institute of Accountants and Tax Consultants (IAB-IEC), that is currently merging with the Belgian Professional Institute of accredited Bookkeepers and Tax specialists (BIBF-IPCF) to become the Belgian Institute for Tax Advisors and Accountants, is one of two members of IFAC in Belgium (the other being the Belgian Institute of Auditors, IBR-IRE).

Belgium is a member of the European Union (EU). Currently, ISQC 1 has not been adopted on EU-level. Even though the Commission of the EU had the possibility to adopt ISQC 1 from the entry into force of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (hereafter: Audit directive), it did not yet do so.

The cause of this is the European legal culture. The goal of ISQC 1 is a normalization based on the most complex situations ('Think big first'). This leads to a top-down concept, where ISQC 1 needs to be simplified, by additional guidance or other means to meet the needs of SMPs.

In the Anglo-American tradition, it is preferred to enter into the details of the procedures to be implemented. This is reinforced by the pyramidal model of large audit firms, i.e. a model for large companies that are organized internationally and that contain many requirements.

Opposite of this Anglo-American tradition is the European-continental tradition, that is based upon the principle 'Think small first'. The EU and Member States should design rules according to the "Think Small First" principle by taking into account SMEs' characteristics when designing legislation, and simplify the existing regulatory environment.

For this reason, a bottom-up concept is required. It is about starting with requirements designed for SMPs and then adding requirements for larger, more complex firms or networks. Preferably, the more complex standards would be built or based on the less complex ones.

These new standards aim to remedy this. But an early adoption of all three standards as a package, is difficult from a legal-technical perspective. Although ISQM 1, ISQM 2 and ISA 220 aren't drafted from a legislative point of view, by adopting them they will become part of the European legal system. They cannot be adopted in their entirety ('en bloc'). Every standard needs to be adopted separately. The quality test of article 26, 3° of the Audit directive and a cost-benefit analysis must be passed for each separate standard.

The Audit directive thus prohibits the early adoption as a package of all three standards, as described in section 3, marginal 26. The three standards can only be adopted as a package when all three standards have passed the quality test and cost-benefit analysis. Adoption on EU-level within a period of 18 months, seems to be unlikely.

This doesn't prevent the future Belgian Institute for Tax Advisors and Accountants to adopt these standards on a national level. However, it is possible that the adoption would follow a common procedure between the Belgian Institute for Tax Advisors and Accountants and the Belgian Institute of Auditors, with a public consultation of 3 months and a period of 3 months for the High Council for the Economic Professions to give an advice.

Before the adoption process can begin, the standards need to be translated. The use of English standards is prohibited by the Belgian legislation on the use of languages. Because of the bilingual nature of the Belgian profession, the standards need to be translated both in Dutch and French.

This translation process will probably be a cooperation between the future Belgian Institute for Tax Advisors and Accountants, IBR-IRE and the Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA) for the Dutch translation, and between the future Belgian Institute for Tax Advisors and Accountants, IBR-IRE and the Conseil Supérieur de l'Ordre des Experts Comptables (CSOEC) for the French translation.

Even an adoption at national level within an 18-month period, seems difficult. IAB-IEC proposes a period of at least 24 months.

44. IFAC SMPC

We are very concerned that the Board is proposing an implementation period of only 18 months after the PIOB's approval. We acknowledge the rationale that it is in the public interest to have the revised standard implemented as soon as practicable with the aim of enhancing audit quality. However, the SMPC believes a too short implementation time-line may actually exacerbate the risks to quality for the reasons outlined above and hence, would be inconsistent with the IAASB's final objective of enhancing the standards of QM among firms under the banner of public interest.

Under ISQM 1, the systems of QM in compliance with the standard are required to be established by the effective date. However, it is not clear what "established" means in this context. Is the expectation that the system of QM is designed and implemented by that date? Can processes relating to monitoring and remediation be designed and documented but not fully operationalized until a number of engagements are undertaken? It will be helpful if IAASB's expectation can be clearer in this respect.

The volume of standards and implementation support that needs to be translated by many PAOs globally is already causing significant challenges and affecting application of international standards. There will also be a need to train firms on the new QM approach, develop new systems, policies and procedures and execute test runs to ensure the systems and procedures are functioning as expected and follow national due process. We strongly believe that any implementation time line of less than 24 months cannot be expected to be reasonable.

At the very least, we encourage the IAASB to publish the final document in draft form (ahead of PIOB approval) as was done for ISA 540 (Revised) to facilitate adoption processes at a national level.

45. CSCPA

We think 24 months is more realistic than 18 given the potential regulatory changes and need for training and development of practice aids.

63. BTI

We understand the rationale presented for the 18 months period, and fully understand the pressures facing the profession to improve audit quality, and to be seen to be taking action. Given that the explanatory memorandum states that "…the proposals would result in a significant change in practice", a timeframe of less than the proposed 18 months would not be appropriate. We believe that the proposed implementation timetable of only 18 months after approval of the three standards will be extremely challenging and potentially difficult to achieve, for both smaller firms with smaller, or non-existent, central technical functions to support implementation and also larger more complex firms where more significant effort will be required to meet the new standards. Further the impacts on networks referred to in Para.24 will likely be exacerbated in the mid-tier networks which are typically more resource constrained than the largest networks.

We believe that there is a greater risk to quality through ineffective implementation of such significant changes and a more appropriate timetable for implementation would be at least 24 months after approval.

64. CNCC-CSOEC

We are concerned about the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board. We consider the period too short and unrealistic whatever the size of the firms (large or smaller firms). We suggest providing 6 months more to implement the new quality management standards, i.e. a period of 24 months after the approval of the standards.

69. GAO

We do not believe that 18 months will provide sufficient time for affected entities, especially small- and medium-sized governmental audit organizations, to prepare to implement these standards. For many audit organizations, the proposed quality management standards will require substantial revisions to their quality management systems. These audit organizations will then need additional time to evaluate and refine the revised systems to ensure that they develop and implement proper monitoring and remediation processes. We believe that the International Auditing and Assurance Standards Board (IAASB) should consider at a minimum a 24-month period for implementation of the standard, with the possibility of deferring full implementation for another 12 months, to allow audit organizations to evaluate and refine their revised quality management systems.

70. PwC

From our own perspective, PwC Network member firms are well advanced in implementing our own quality management approach into their system of quality management (SoQM). Nevertheless, potentially significant further changes are likely to be needed to align with the final standard.

Based on our experience, it requires a significant investment of time and effort to implement a new, robust and effective quality management system. We also recognise that other firms, and especially smaller practitioners, may not be as far down the path. Firms that also make use of an external service provider in supporting their SoQM may also require additional time.

Therefore, while recognising the importance of driving this change in approach in a timely manner, a longer implementation period of, for example, 24 months is likely to be necessary to allow firms to effect robust and effective implementation in line with the Board's objectives.

71. MAZARS

We particularly want to stress that the first implementation of these standards will incur significant costs for firms and require additional resources. Consequently, we believe that a sufficient time should be given for implementation following the issuance date of the standards. We consider this implementation period should not be less than 24 months.

Alternative Implementation Period Suggested – 30 months

16. WPK

We see that the proposed implementation horizon of 18 months is too short. During implementing a new QM approach the firms have to cope with the implementation of ISA 315.

The Board is proposing an implementation period of 18 months after the PIOB's approval. We understand the rationale to address the issue of public interest. However, 18 months is in our view too short given the extant of the fundamental changes. Unlike the changes or modifications on other standards, the changes resulting from the new Quality Management Approach are far reaching and pertain the entire audit firm. A very careful analysis must be done before the Quality Management Approach can be implemented by the audit firm.

Even the IAASB acknowledges that a rushed implementation may exacerbate risks to quality, lead to increased inspection findings, and would be inconsistent with the objectives of the IAASB's project to enhance its quality management standards. Therefore we would strongly urge the IAASB to extend the implementation period at least by further 12 months.

A follow-up problem arises for the National Standards-Setters due to the fact that several provisions of extant ISCQ 1 have a direct impact on the German Professional Charter for Professional Accountants in Public Practice (BS WP/vBP). The needs for changes must be carefully analysed here as well.

In addition, we expect that audit firms will struggle with the particular challenges of implementing the ISA 315 and fear that this will result in overlapping time. This will lead a double burden for the specialist in the risk management and methodology departments.

48. FSR - Danish Auditors

As the ISQMs and ISA 220 have a comprehensive impact on the overall quality management systems and need to be implemented in all audit firms prior to the effective date, we do not think that the proposed implementation period allows sufficient time for implementation. We suggest to allow at least 30 months for implementation.

49. Accountancy Europe

We think that the proposed implementation period will be manageable for large firms that have enough resources to dedicate to this project. We are concerned about the proposed implementation period for small and very small firms that may not have the time and resources available. We suggest providing 12 months more to make sure all have enough time to implement the new quality management standards.

56. SRA

In the ED's an implementation period is proposed of 18 months after the approval of the three standards by the PIOB. As discussed above implementation in The Netherlands will likely require incorporation into law and legal regulations. We expect that this process and subsequent implementation in the firms will require more time. We therefore suggest to extend the implementation period to 30 months.

Alternative Implementation Period Suggested – 36 months

05. CharteredAccountantsIreland

The proposed adoption of a Quality Management Framework is likely to require significant investment by firms. Lead in time for the new standard will be an important issue for firms and therefore we believe that a longer implementation period should be provided to allow for planning and rolling out new approaches, updating methodologies and software and staff training to be carried out. Lead-in time is also essential for local regulators to develop review procedures and train staff. We would support a minimum of a three year implementation period.

09. KICPA

We believe it takes more than 36 months at least to implement a new QMS. In order to implement three standards of ISQM 1, ISQM 2, and ISA 220, the new QMS should be designed and implemented during which process engagements within firms need to be adjusted and additional resources also to be acquired and developed.

In determining the implementation period, the period applied to listed companies in the past when adopting the COSO Framework could be taken into consideration. In addition, taking into account that accounting firms have different levels of influence on the public interest, according to their respective size, the implementation could be gradually phased in to firms.

Alternative Implementation Period Suggested – Staged approach

06. CPAAustralia

Whilst an implementation period of 18 months sounds reasonable, for practical reasons, we suggest that the effective date may need to be staged, in order to encompass design, implementation and operation of the system of quality management, as well as monitoring and remediation. It will be difficult, if not impossible, for firms to have the components of the system on which other components depend in operation for a sufficient time to have implemented all aspects of the system. Networks and service providers, for example, will also be implementing their systems of quality management with the same implementation date, which would not allow for communication and consideration of the impact of those systems on the firm's system of quality management.

A staged approach to implementation could be done in several different ways. Firstly, a date required for implementation of the system of quality management and a later date for the system to be operating effectively. Secondly, a date for implementation of certain components and another date for others, such as monitoring and remediation processes, which logically only follow-on from the system being in operation for a period of time. Thirdly, a date for the network firms to have a system of quality management in place and later dates for individual firms and engagements so that firms and engagement partners can take into account the network level system when designing and implementing their own systems.

40. ICAEW

Given the implementation challenges, particularly for SMPs, one possibility might be an optional phased implementation process. Certain categories of firm might be given an extra 12 months to allow for effective implementation. This will not necessarily work for all such firms but very small firms and sole practitioners, or firms that do not perform assurance engagements, might benefit. Another alternative, and one which on balance we prefer, is simply extending the implementation date for all firms. This would set a good precedent and would demonstrate IAASB's further commitment to scalability at the smaller end of the spectrum.

Translation seems likely to be a key issue in considering the necessary implementation period. IAASB should consider the need to obtain more detailed information on this, and in particular on the position in countries where firms are required, or have no choice but to use regulator-produced resources. There are many jurisdictions using old versions of ISAs, partly for want of translation resources. Adding to the backlog by imposing a challenging implementation date will not help.

18 months is likely to be the minimum time needed for implementation and longer periods may be needed for some. We note in our main points above the need for a longer implementation period, preferably for all entities, or alternatively for some SMPs, particularly very small firms and sole practitioners, or firms that do not perform assurance engagements. An additional 12 months might be appropriate to allow for the time needed to perform the initial risk assessment and implement any necessary additional controls in response. Early adoption should be permitted.

Those jurisdictions using old versions of ISAs for want of translation and other resources will not welcome any addition to the backlog arising from the imposition of challenging implementation dates.

51. IBR-IRE

Concerning the timing, application is foreseen for December 2021. 18 months for an audit firm to adapt seems too fast. Another option would be to have at least two application dates for two phases: for example, one for audit (in 2021) and one later for the other engagements. This would also be useful for practitioners who are not doing audits. The standard could also leave open to decide at national level the criteria to determine the two application phases.