

## Quality Management – Effective Date

### Objective of the IAASB discussion

The objective of this Agenda Item is to provide an overview of respondents' feedback on the covering memorandum to the quality management exposure drafts.

### Section I. Background and Purpose of this Paper

1. The three quality management exposure drafts were accompanied by a covering explanatory memorandum. The covering memorandum provided background to the three projects and an explanation of the significant issues pervasive to the three exposure drafts (including a discussion of scalability and the interrelationship of the three proposed standards). The covering memorandum also set out the IAASB's proposals regarding the effective date and the related implementation period for the three proposed standards, as well as the IAASB's planned implementation support activities.
2. This paper has been prepared to provide an overview of respondents' feedback on the topic of the proposed effective date. Question 1 from the covering memorandum asked:
 

*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?*
3. Respondents' feedback on other matters addressed in the covering memorandum will be discussed at a future IAASB meeting.

### Section II. Introduction

4. Seventy-five (75) comment letters were received in response to the covering memorandum. Not all respondents to the individual quality management exposure drafts provided a response to the covering memorandum.
5. The comments were from the following stakeholder groups:

Monitoring Group Members	4
Investors and Analysts	1
Regulators and Audit Oversight Authorities	5
National Auditing Standard Setters	11
Accounting Firms	23
Public Sector Organizations	6
Member Bodies and Other Professional Organizations	25
<b>Total</b>	<b>75</b>

6. The comments were received from the following regions:

Global	20
Asia Pacific	12
Europe	24
Middle East and Africa	5
North America	14
South America	0
<b>Total</b>	<b>75</b>

#### Other Agenda Items Accompanying this Issues Paper

7. **Agenda Items 5–A.1 to 5–A.2** – provide a summary of respondents’ comments (in table format) for the key issues addressed in this issues paper.
8. **Agenda Item 5–B** is the NVivo reports containing extracts of respondents’ comments (in text format) for the key issues addressed in this issues paper.

#### Section III. Overview of Responses on the Proposed Effective Date

9. The table below shows that the IAASB’s proposal for an 18 month implementation period was not generally supported by respondents from many stakeholder groups, particularly accounting firms, national auditing standard-setters and member bodies and other professional organizations. By contrast, regulators had mixed views and public sector organizations were mostly in favor of the proposed implementation period. In practical terms, the “agree” and “agree but with further commentary” categories can be taken together as the suggestions did not indicate significant opposition to the proposed effective date.

Stakeholder Group	Agree	Disagree	Agree but with further commentary
1. Monitoring Group Members	0	0	0
2. Regulators and Oversight Authorities	2	2	0
3. National Auditing Standard Setters	3	6	1
4. Investors and Analysts	0	0	0
5. Accounting Firms	7	13	3
6. Member Bodies and Other Professional Organizations	1	19	1
7. Public Sector Organizations	4	2	0
<b>Total</b>	<b>17</b>	<b>42</b>	<b>5</b>

#### What Alternative Implementation Dates Were Suggested?

10. Respondents also provided suggestions on alternative implementation periods. The table below summarizes the common themes in these suggestions. By way of explanation, a reference to, for example, 24 months, includes both respondents who would be satisfied with 24 months and those

who wanted at least 24 months. Of the suggested implementation periods provided, at least 24 months was the most common.

Stakeholder Group	24 months	30 months	36 months	Staged approach
1. Monitoring Group Members	0	0	0	0
2. Regulators and Oversight Authorities	1	0	0	0
3. National Auditing Standard Setters	3	0	0	0
4. Investors and Analysts	0	0	0	0
5. Accounting Firms	8	1	0	0
6. Member Bodies and Other Professional Organizations	8	3	2	3
7. Public Sector Organizations	2	0	0	0
<b>Total</b>	<b>22</b>	<b>4</b>	<b>2</b>	<b>3</b>

### Analysis of Responses

11. The covering EM drew attention to the Board's consideration of the different arguments about the appropriate implementation period for the package of QM standards. These same arguments for and against a longer period were present in the responses received.
12. While respondents expressed varying views, some matters were clear. Comments in support of the proposal reflected matters raised by the Board in the covering memorandum – such as the need to balance the public interest of the proposals with giving firms and networks sufficient time to effectively implement the standards. Further, the concerns expressed by the IAASB in the covering memorandum about the need for adequate time for implementation were shared by respondents. In addition to matters highlighted in the covering memo, other matters raised by respondents included:
  - (a) Early adoption should be permitted;
  - (b) The need for third-party software to be updated, purchased, and implemented;
  - (c) National regulators and firms will need time to work on their own programs and systems to ensure that implementation is done consistently and effectively at the national level;
  - (d) Change management will be more difficult than usual due to the differing size and complexity of member firms in a network. Piloting / testing of systems to ensure they are appropriate will also take time;
  - (e) Adequate time is also needed for the conforming amendments to the ISAEs, ISREs, and ISRSs to be understood and implemented;
  - (f) Legislative changes may be needed at the national level, which are subject to inflexible processes;
  - (g) Due process requirements at the national level may require additional time; and
  - (h) The need to adopt, at a similar time, the QM standards and revised standards on risk assessments and agreed-upon procedures may require additional time to implement the quality management standards.

13. In responding to this question, respondents also raised questions about the meaning of the ED-ISQM 1 effective date paragraph. Specifically, there were comments regarding what specific elements of the standards have to be put in place and be operating in order to satisfy the requirement for the system of quality management to be established. It was noted that the wording of the effective date paragraph in ED-ISQM 1 was unchanged from extant. Further work needs to be done to consider whether changes are needed to clarify the IAASB's intent in this regard, and to consider whether respondents' interpretation of the paragraph effected the responses to the effective date question.

#### **Section IV. Way Forward**

14. Consideration of the appropriate effective date for the final quality management standards will take place once the standards are finalized or close to be finalized.

## Appendix 1

### List of Respondents to the Quality Management Covering Memorandum

No.	Acronym	Respondent	Region
<b>Monitoring Group Members</b>			<b>Total: 4</b>
1.	BCBS	Basel Committee on Banking Supervision	Global
2.	IAIS	International Association of Insurance Supervisors	Global
3.	IFIAR	International Forum of Independent Audit Regulators	Global
4.	IOSCO	International Organization of Securities Commissions	Global
<b>Investors and Analysts</b>			<b>Total: 1</b>
5.	ICGN	International Corporate Governance Network	Global
<b>Regulators and Audit Oversight Authorities</b>			<b>Total: 5</b>
6.	CPAB	Canadian Public Accountability Board	North America
7.	FRC	Financial Reporting Council (United Kingdom)	Europe
8.	IRBA	Independent Regulatory Board for Auditors (South Africa)	Middle East and Africa
9.	IAASA	Irish Auditing and Accounting Supervisory Authority	Europe
10.	NASBA	National Association of State Boards of Accountancy	North America
<b>National Auditing Standard Setters</b>			<b>Total: 11</b>
11.	AICPA	American Institute of Certified Public Accountants	North America
12.	AUASB	Australian Auditing and Assurance Standards Board	Asia Pacific
13.	CAASB	Canadian Auditing and Assurance Standards Board	North America
14.	CICPA	Chinese Institute of Certified Public Accountants	Asia Pacific
15.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)	Europe
16.	HKICPA	Hong Kong Institute of Certified Public Accountants	Asia Pacific
17.	JICPA	Japanese Institute of CPAs	Asia Pacific
18.	KSW	Kammer der Steuerberater und Wirtschaftsprüfer	Europe
19.	MAASB	Malaysian Institute of Accountants - Auditing and Assurance Standards Board	Asia Pacific
20.	NZAASB	New Zealand Auditing and Assurance Standards Board	Asia Pacific
21.	NBA	Royal Nederlandse Beroepsorganisatie van Accountants	Europe
<b>Accounting Firms</b>			<b>Total: 23</b>
22.	BTI	Baker Tilly International	Global

No.	Acronym	Respondent	Region
23.	BTVK	Baker Tilly Virchow Krause LLP	North America
24.	BDO	BDO International	Global
25.	CASI	CAS International	Asia Pacific
26.	CHI	Crowe Global	Global
27.	DTTL	Deloitte Touche Tohmatsu Limited	Global
28.	DTL	Duncan and Toplis	Europe
29.	ETY	ETY Global	Middle East and Africa
30.	EYG	EY Global Limited	Global
31.	GTIL	Grant Thornton International Limited	Global
32.	HM	Haysmacintyre LLP	Europe
33.	KPMG	KPMG IFRG Limited	Global
34.	KI	Kreston International	Global
35.	MZRS	Mazars	Global
36.	MZRSUS	Mazars USA LLP	North America
37.	MNP	MNP LLP	North America
38.	MSI	Moore Stephens International	Global
39.	NI	Nexia International	Global
40.	NSW	Nexia Smith & Williamson	Europe
41.	PKFI	PKF International Limited	Global
42.	PwC	PriceWaterhouseCoopers	Global
43.	RSMI	RSM International	Global
44.	SRA	SRA	Europe
<b>Public Sector Organizations</b>			<b>Total: 6</b>
45.	AGSA	Auditor General South Africa	Middle East and Africa
46.	NAOM	National Audit Office of Malta	Europe
47.	OAGNZ	Office of the Auditor General New Zealand	Asia Pacific
48.	OAGA	Office of the Auditor General of Alberta	North America
49.	PAS	Provincial Auditor Saskatchewan	North America
50.	GAO	US Government Accountability Office	North America
<b>Member Bodies and Other Professional Organizations</b>			<b>Total: 25</b>
51.	AE	Accountancy Europe	Europe
52.	APESB	Australian Accounting Professional and Ethics Standards Board	Asia Pacific
53.	IBR-IRE	Belgian Institute of Registered Auditors	Europe

No.	Acronym	Respondent	Region
54.	CAI	CA Ireland	Europe
55.	CalCPA	California Society of CPAs	North America
56.	CAQ	Center for Audit Quality	North America
57.	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili	Europe
58.	CPAA	CPA Australia	Asia Pacific
59.	EFAA	European Federation of Accountants and Auditors for SMEs	Europe
60.	EXPERT	EXPERTsuisse	Europe
61.	FAAPA	Finnish Association of Authorised Public Accountants	Europe
62.	FAR	FAR (Institute for Accounting Profession in Sweden)	Europe
63.	FSR	FSR - Danish Auditors	Europe
64.	SMPC	IFAC Small and Medium Practices Committee	Global
65.	ICPAS	Illinois CPA Society	North America
66.	IEC-IAB	Institut des Experts-Comptables et des Conseils Fiscaux – Instituut Van de Accountants en de Belastingconsulenten	Europe
67.	ICAEW	Institute of Chartered Accountants in England and Wales	Europe
68.	ICAS	Institute of Chartered Accountants of Scotland	Europe
69.	ICPAU	Institute of CPAs of Uganda	Middle East and Africa
70.	IMCP	Instituto Mexicano de Contadores Públicos	North America
71.	KICPA	Korean Institute of CPAs	Asia Pacific
72.	MICPA	Malaysian Institute of CPAs	Asia Pacific
73.	NRF	Nordic Federation of Public Accountants	Europe
74.	SAICA	South African Institute of Chartered Accountants	Middle East and Africa
75.	WPK	Wirtschaftsprüferkammer	Europe