

ED-ISQM 1: Question 8 – Responsibilities of Leadership for Relevant Ethical Requirements or Independence and Independence of Other Firms or Persons within the Network

With respect to matters regarding relevant ethical requirements:

- (a) Should ED-ISQM 1 require firms to assign responsibility for relevant ethical requirements to an individual in the firm? If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual? *[Note: for the purposes of the Nvivo analysis, responses on this question were separated between the first part of the question and the second part. The report below therefore separates the responses into “Q8(a)” and “Q8(a).1”]*
- (b) Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network

Q8(a) - Should ED-ISQM 1 require firms to assign responsibility for relevant ethical requirements to an individual in the firm

Q8(a) - Agree

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy

Yes, we believe that the ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual or individuals in a firm. We also believe that the firm should be required to assign responsibility for compliance with independence requirements to an individual or individuals.

3. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

We agree with requiring firms to assign responsibility for relevant ethical requirements to an individual in the firm. We note that in SMPs, this may be the same person responsible for other aspects of the system of quality management.

Some Canadian stakeholders suggested that certain aspects of monitoring compliance with the independence requirement, such as obtaining annual confirmation of compliance with independence requirements, may be administrative in nature and does not need to be assigned to a senior person in the firm.

Conselho Federal de Contabilidade - Federal Accounting Council (Brazil)

Response: Yes. The responsibilities for ethical and independence requirements shall be assign to one or more individuals depending on the size and complexity of the firm.

Hong Kong Institute of Certified Public Accountants

We believe it is the current practice of a majority of firms to assign responsibility for relevant ethical requirements, including independence requirements to an individual for operational purposes. Depending on the size of the firm, this individual may be supported by a team or other colleagues under the supervision of this individual.

4. Accounting Firms

Crowe Global

Response: Responsibility for relevant ethical and independence requirements should be assigned to designated individuals.

Mazars USA LLP

Response: In practice, we believe this assignment is already largely in place, even if it is not the only responsibility for the individual(s). We agree with the concept and despite the prescriptive nature of this requirement, we agree ED-ISQM 1 should require assignment of responsibilities.

Nexia International

YES

RSM International Limited

Response: We do consider it necessary to require a firm to assign responsibility for ethics and/or independence to an individual and therefore recommend that this is made clear in the final standard. Accountability and ownership of ensuring compliance with ethical and independence requirements are critical to audit quality.

5. Public Sector Organizations

Australasian Council of Auditors General

ACAG would support the assignment of responsibility for relevant ethical requirements, noting that relevant ethical requirements in the public sector include ethical requirements outside of those defined in auditing standards and the Code of Ethics for Professional Accountants (the Code), such as codes of conduct and gift policies.

International Organization of Supreme Audit Institutions

Yes, we support assigning responsibility for ethical and independence requirements at firm level.

National Audit Office of Malta

Yes. It would be better to assign particular individuals to fulfil both roles.

6. Member Bodies and Other Professional Organizations

Institute of CPAs of Uganda

ICPAU thinks that the ED- ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual or individuals, depending on the size of the firm. This person should ensure that the firm and all the individuals assigned to the different engagements fulfil all their ethical requirements as per the Professional Accountants Code of Ethics and the professional standards.

Institute of Independent Auditors of Brazil (IBRACON)

Yes. The firm can determine if one or more individuals will be responsible for relevant ethical requirements and independence.

Malaysian Institute of CPAs

(a) Yes, provided that the individual has the full authority to carry out the responsibility effectively.

Royal Institute of Chartered Surveyors

Yes, assigning responsibility for relevant ethical requirements to an individual or a certain group of individuals at a firm to establish policies for compliance (as well as non-compliance) will properly address this important topic. Also, we believe a firm should assign responsibility for compliance (and non-compliance) with independence requirements to an individual or a certain group of individuals.

South African Institute of Chartered Accountants

In incorporating this in ED-ISQM 1, we suggest that paragraph 24(a)(iii)(b) retain the requirement for the assignment of operational responsibility for the monitoring and remediation process. A third bullet can then be added to address assigning operational responsibility and accountability for the relevant ethical requirements.

SAICA is in favour of the inclusion of a requirement for the firm to assign responsibility and accountability for the relevant ethical requirements to an individual within the firm. As indicated earlier in this comment letter, there is a strong behavioral aspect to achieving audit quality and compliance with ethical requirements is seen as fundamental to the consistent performance of high quality engagements. It is our view that assigning ultimate responsibility and accountability for compliance with the relevant ethical requirements will enhance the prominence of these requirements and result in firms formally incorporating ethical requirements in the SOQM.

Wirtschaftsprüferkammer

Yes, we agree.

Q8(a) - Agree but with further comments

2. Regulators and Audit Oversight Authorities

Financial Reporting Council United Kingdom

We would support the view of IESBA that ISQM1 should more broadly capture responsibility for relevant ethical requirements. Such a responsibility would include responsibility for compliance with independence requirements. However, as with operational responsibility, ISQM1 should recognise that a firm may not have the resources available to address the requirement, as may be the case with an SMP, and accordingly that responsibility may also rest with the individual assigned ultimate responsibility and accountability for the system of quality management.

Independent Regulatory Board for Auditors (South Africa)

We support the requirement that firms assign responsibility for relevant ethical requirements to an individual in the firm. We recommend that the firm also be required to assign responsibility for compliance with independence requirements to an individual in the firm. We understand this to mean that operational responsibility will be assigned to an individual such as a chief ethics officer. It is necessary to clarify whether the chief ethics officer will report directly to the individual assigned ultimate responsibility and accountability in paragraph 24(a).

It is likely that more due care will be taken with this requirement if it is assigned to an individual. However, relevant ethical requirements, like many other requirements included in the ED-ISQM 1, cannot be implemented in isolation. The individual will need to ensure that there is a consultative, monitoring and enforcement approach in executing their responsibilities.

3. National Auditing Standard Setters

Institut Der Wirtschaftsprüfer

Firms should assign responsibility for quality management over the understanding and fulfillment of relevant ethical requirements to an individual in the firm. However, it would be entirely inappropriate to hold a single individual responsible for every ethical violation perpetrated within a firm because many of the preventative measures undertaken by the firm will have only limited effectiveness and other measures relate to after-the-fact detection and mitigation. As long as the individual responsible for quality management over the understanding and fulfillment of relevant ethical requirements has established and maintained an appropriately designed and effective system of quality management for that matter (which can only provide reasonable – not absolute assurance), then that individual has fulfilled his or her responsibilities under a quality management standard.

Japanese Institute of CPAs

It is vital to take a proactive measure to ensure compliance with relevant ethical requirements within the firm in a consistent manner. Therefore, we believe that ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual in the firm. In order to ensure scalability, the application material can explain that the firm may appoint a person who is responsible for relevant ethical requirements as well as independence requirements.

New Zealand Auditing and Assurance Standards Board

In principle, the NZAuASB agrees a firm would assign operational responsibility for both relevant ethical requirements and independence requirements to an individual within the firm. In fact, firms would assign operational responsibility for all components.

However, there is a need for a combined responsibility. Responsibility for compliance with both ethical and independence requirements ultimately lies with each individual. Pushing responsibility down through the whole firm and creating an ethical culture is the challenge in practice, just as it is in any corporate governance situation. Mandating operational responsibility to an individual is important, but careful management will be needed to avoid responsibility or compliance being seen in practice to lie with the relevant individual.

Royal Nederlandse Beroepsorganisatie van Accountants

In our opinion, ultimate responsibility for relevant ethical requirements should be addressed at firm level and to the ultimate individual responsible for quality. This can be organized in various ways. The tasks could be spread across different individuals and individuals should also be allowed to combine this with other tasks (they do not have to be dedicated to a single task).

4. Accounting Firms

Baker Tilly International

Response: We agree with suggestions from IESBA that the requirements in ED-ISQM1 should more broadly capture responsibility for ethical matters rather than focusing solely on independence. This would strengthen the importance of the ethical standards in totality since, after all, those standards are referred to as the “Code of Ethics for Professional Accountants, including international independence standards” which reiterates their broader importance.

Therefore, we propose that ED-ISQM1 requires that firms assign responsibility for relevant ethical requirements, including independence, to an individual (or individuals) in the firm. In this way firms may assign overall responsibility to a single individual (e.g. “Ethics Partner”), more than one individual or use delegation powers to enable another individual to be responsible for independence specifically.

In expanding the above requirements as we propose, we also propose expanding the requirement in ED-ISQM1.33d such that the firm should “obtain, at least annually, documented confirmation of compliance with ethical requirements, including independence, from all personnel required to comply with relevant ethical requirements”.

Grant Thornton International Limited

We are of the view that firms should be required to assign responsibility for relevant ethical requirements to an individual in the firm. Additionally, depending on the size and the complexity of the firm, it may also be appropriate for another individual to be assigned responsibility for compliance with independence requirements. For example, for larger firms, with multiple offices or networks with member firms across multiple jurisdictions, where independence reporting and monitoring may be more difficult and require the use of IT systems, it may be appropriate to appoint a separate individual to be responsible for independence. In smaller firms, independence may be much simpler and, as such, may not require separate monitoring.

Haysmacintyre LLP

It would make sense for both of these responsibilities to sit with the firm’s Ethics Partner.

MNP LLP

Yes, we agree that the responsibility for both ethical requirements as well as independence should be assigned to an individual in the firm.

Moore Stephens International

Response: While there may be issues for the smallest firms, we believe it is appropriate for a named individual to ‘own’ relevant ethical requirements and compliance with independence requirements. We would prefer to see stronger linkage between this proposed standard and the International Code of Ethics for Professional Accountants as to the auditor independence requirements for PIE audits – the removal of the possibility to perform any non-audit and assurance services.

5. Public Sector Organizations

Office of the Auditor General of Alberta

Response: Yes, an individual within the firm should be assigned responsibility for relevant ethical requirements. We note that some firms may choose or may be required to contract out or outsource some ethics or independence processes. However, we agree that someone within the firm is still responsible for the overall ethical responsibilities, including independence.

6. Member Bodies and Other Professional Organizations

Accountancy Europe

Yes, we agree and think that this is consistent with the IESBA Code that includes in paragraph 900.3 that many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility

for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with ISQC 1. In addition, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.

CA Ireland

Yes the standard should require that a firm assign responsibility for relevant ethical requirements to an individual to ensure that appropriate systems and procedures are in place so that the firm complies with its ethical obligations. However, the standard should also reaffirm that compliance with applicable ethical standards is also an individual responsibility.

Comision Interamericana de Control de Calidad de la AIC

Response: Yes, we agree, but a practical guide should elaborate on the responsibilities of the applicable ethical requirements, in order to avoid misinterpretations of the text of the standard.

Comite Control de Calidad del ICPARD

Response: Yes, we agree, but a practical guide should be elaborated on the responsibilities of the applicable ethical requirements to avoid misinterpretations of the text of the standard.

Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)

CNDCEC deems appropriate that ED-ISQM 1 requires to assign the responsibility for compliance with applicable ethical requirements to an individual within the firm. The same individual should have the responsibility for the compliance with independence requirements. Attributing those responsibilities to the same individual is particularly important in small and medium-sized practices.

Illinois CPA Society

Response: We support the ED, that the responsibility for ethics and independence should be the same person.

Institute of Chartered Accountants in England and Wales

Responsibility for relevant ethical requirements should be assigned to firms' designated ethics partners. Consideration might be given to covering this in the IESBA Code of Ethics.

Institute of Chartered Accountants of Scotland (ICAS)

We agree and believe that this is consistent with the content of the extant version of the IESBA Code. This states at paragraph 900.3 that many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with ISQC 1. In addition, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.

New York State Society of CPAs

Response: The proposed requirement aligns with current standards, and we believe that assignment of this responsibility is generally the practice at most quality-oriented firms. We suggest emphasizing to firms that this assignment does not preclude delegation of different aspects of the function to other individuals reporting to the designated individual. This would better ensure that firms would not misinterpret the standard in a manner that prevents needed flexibility.

9. Individuals and Others

Shady Fouad Ahmed Mehelba

We believe in other than SMPs this will be appropriate to delegate for one of the level responsible for governance that responsibilities , that level should have adequately described within the structure

Training and Advisory Services and Chartered Accountants Academy

Yes and Others as well

Ethical requirements are crucial in the performance of engagements and as such, the responsibility should be assigned to both an individual and to the entire engagement team. The assigned to an individual in the firm emphasizes the importance for ethics and independence. Isolation of responsibility will more likely ensure compliance. The individual responsible for ethics could also be assigned the responsibility for independence even in larger firms.

Q8(a) - Disagree

3. National Auditing Standard Setters

AICPA

We support the requirements in ED-ISQM 1 regarding relevant ethical requirements. We do not support a requirement for firms to assign operational responsibility for relevant ethical requirements to an individual in the firm. We believe that the structure of responsibility in the Governance and Leadership component provided in paragraph 24 is sufficiently flexible to allow firms to assign operational responsibility for various components or other aspects of the system as appropriate for their firm's needs, and we do not believe the Relevant Ethical Requirements component should be treated differently. In addition, it is not clear what the criteria for appointing this individual would be and what this individual's responsibility would entail. Would this person be responsible for overseeing the firm's responses as prescribed by paragraph 33 of ED-ISQM 1? If so, that would be akin to requiring that every firm have an ethics officer, which we believe is beyond the scope of what a principles-based standard should require. We are concerned that such a requirement could be interpreted as that individual being responsible for the compliance with relevant ethical requirements of the firm as a whole and of each individual person within the firm, which may not be practicable.

Kammer der Steuerberater und Wirtschaftsprüfer

Answer: In relation to ethical requirements, the requirement should be dependent of the size of the firm. For independence we consider it essential to have a designated person as the topic is quite complex and often requires consultation. For larger audit firms, where complex independence issues are more likely to occur, there should be a requirement that independence function is adequately staffed to ensure compliance with all relevant laws and professional rules prevailing.

4. Accounting Firms

BDO International

We acknowledge the importance that ethical behaviour, independence and objectivity play in our profession and the impact it can have on stakeholders. These are areas that are particularly important given the complexity of regulatory rules and standards that can apply within a jurisdiction and across transnational audits.

While it is important that responsibilities are assigned to appropriate individuals within firms, we would not support a prescriptive approach if it inhibited the flexibility afforded to firms to operationalise or structure roles and responsibilities accordingly.

Deloitte Touche Tohmatsu Limited

Response: DTTL does not believe that ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual in the firm, over and above any other specific aspect of the system of quality management. However, we agree that independence is of sufficient importance for the firm to be required to assign responsibility to an individual (hereafter referred to as an “Independence Leader” for ease), subject to two considerations below.

ETY Global

No. It would lead to difficulties in implementation for SMPs due to lack of resources and scalability issues.

EY Global Limited

No, we don't think that ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual in the firm. Firms and network structures vary widely and, as such, the standard should provide flexibility in determining the granularity needed for the roles and assignments of operational responsibility for the firm's system of quality management. We do not believe any other operational responsibility roles beyond those prescribed for the system of quality managing as a whole, independence and monitoring and remediation should be required by the standard.

KPMG IFRG Limited

We believe that the IAASB has included the Independence role to retain existing ISQC1 requirements, however, given the focus and emphasis on SoQM Leadership roles within the Governance and Leadership component of the ED, we believe that the Independence role does not need to be separately identified or treated in a different way than other leadership roles existing within the SoQM.

We believe it may be more appropriate to address the assignment of responsibility for both independence and ethical requirements in the IESBA Code of Ethics. If the IAASB determines that either role should be addressed in ISQM1, we believe a cross reference to the IESBA would be sufficient and appropriate clarification.

Kreston International

Response: This should not be required by the standard as the response should be able to reflect the circumstances of the firm.

MGI Worldwide

Response

Whilst appointing an “ethics partner” within larger firms may be appropriate, having a very formal structure for SMPs may not be appropriate where the choice is limited as to who could take on the role. In the spirit of the draft standard, this should be scalable and apply on a risk basis for each firm.

Nexia Smith & Williamson

Such responsibilities already rest with the ethics partner and the engagement partner under ethical standards. We see no need for this to be changed or duplicated in ED-ISQM 1 – a cross-reference would suffice.

PKF International Limited

We do not believe that the ED-ISQM 1 should require the firm to assign responsibility for relevant ethical requirements to an individual within the firm. Relevant ethical requirements and related ethical principles could in part be met through other elements of the quality management system (such as Resources). Assigning responsibility for ethical requirements broadly will simply not be practical or feasible.

PKF South Africa

We do not believe that the ED-ISQM 1 should require the firm to assign responsibility for relevant ethical requirements to an individual within the firm. Relevant ethical requirements and related ethical principles could in part be met through other elements of the quality management system (such as Resources). Assigning responsibility for ethical requirements broadly will simply not be practical or feasible.

We believe the narrower focus on independence should be retained. However, we suggest that firms should only be required to assign responsibility for compliance with independence requirements to an individual where independence has been identified as a risk (e.g. if firms do not perform any assurance or other work for which independence is required, this should not be a required response).

Firms who are subject to independence requirements generally invest significant resources into managing independence, and complex independence considerations often need to be considered by those with specialist knowledge. Where a risk to independence of such a nature has been assessed by a firm it therefore follows that overall responsibility should be assigned for independence.

This approach would also help with the scalability of the standard and would be particularly beneficial to SMPs that do not perform audit work.

PriceWaterhouseCoopers

We agree that responsibility for compliance with independence requirements can be assigned to a single individual within a firm. However, we recognise that relevant ethical requirements is a far broader topic, and perhaps too broad to assign responsibility for compliance with such requirements to a single individual.

If the Board were to adopt a requirement addressed at relevant ethical requirements, rather than independence, we suggest it would be necessary to allow for a further level of assignment, such that that individual could assign, for example, operational responsibility for independence to another individual who reported to them.

5. Public Sector Organizations

Auditor General South Africa

The ED-ISQM 1 assigns responsibility for quality management system to the chief executive officer or the firm's managing director (or equivalent). Furthermore, the components of the proposed system of quality management include relevant ethical requirements. Therefore, the chief executive officer or firms managing director (or equivalent) are ultimately responsible for the responsibility for relevant ethical requirements. Assigning a specific individual in the firm for relevant ethical requirements is too prescriptive and may not result in scalability.

Provincial Auditor Saskatchewan (1)

No, we feel that this responsibility should be part of the scalability decisions and allow flexible structures for firms (e.g., committee vs individual).

Swedish National Audit Office

No

US Government Accountability Office

We believe that the final ISQM 1 should not dictate precisely how firms meet the requirements related to relevant ethical requirements, including independence. Firms should be given latitude to determine, based on their individual structures and situations, whether a single individual should be assigned responsibilities for these duties or if another method is more efficient and effective for ensuring that the firm adheres to the underlying principles.

6. Member Bodies and Other Professional Organizations

Australian Accounting Professional and Ethics Standards Board

Subject to APESB's significant concerns about the current form, scalability and prescriptive nature of the proposed ED-ISQM 1, we support the requirement for firm's to assign ultimate responsibility and accountability for the system of quality management to the CEO, managing partner or managing board of partners. APESB supports the ability for the person(s) with ultimate responsibility and accountability to assign operational responsibility for the system of quality management to other individuals where appropriate. However, APESB is of the view that requiring firms to assign specific aspects, including compliance with independence requirements and the monitoring and remediation process, is too prescriptive. Firms should be able to use professional judgement to determine how responsibility for aspects of the system are to be assigned or delegated.

Belgian Institute of Registered Auditors IBR-IRE

Enough flexibility should be left to the firm. The firm should be able to choose whether the individual or the firm is responsible. In the end, the responsibility always remains with the top management.

California Society of CPA's

No, this would be too narrow a requirement. It might work in a very small firm, but in a somewhat larger firm more people may need to be involved.

Center for Audit Quality

We support the proposed requirements in ED-ISQM 1. While assigning responsibility for compliance with independence requirements to an individual is arguably prescriptive, we recognize the importance and complexity of independence rules. Further, we believe this already occurs in practice and therefore we do not object to this requirement. We do not believe any further responsibilities for relevant ethical requirements should be assigned as these requirements are broad and firms may operationalize oversight of compliance with such requirements differently.

CPA Australia

Response: Whilst many firms do allocate responsibility for ethics and independence to one individual, we do not consider it necessary to require all firms to do so. We do not think that the management of ethics and independence needs to be "called out" specifically as requiring assignment in a prescribed way. In some firm structures it may be unreasonable for one individual to take responsibility for ethics or compliance with independence requirements for the entire firm. For example, a firm encompassing offices across an entire jurisdiction, rather than an individual office, may prefer to delegate that role on a different basis, such as at the office or region level. Responsibilities for oversight are reasonable, however responsibility for the

outcomes should be shared and ultimately it should be the individual engagement leader's responsibility to ensure compliance of his/her team.

European Federation of Accountants and Auditors for SMEs

While we agree it is appropriate to assign an individual to be responsible for the relevant ethical requirements in a firm, we question whether such granularity is required in all firms. In very small firms few individuals will be available.

IFAC Small and Medium Practices Committee

Although it is appropriate to assign an individual to be responsible for the relevant ethical requirements in a firm (probably, the same individual will also be responsible for compliance with the independence requirements applicable in the firm for many SMPs), it is debatable whether such level of granularity is required in all firms. SMPs may also struggle with this due to small number of suitable individuals available – for a sole practitioner, “assignment” is misplaced – he or she would need to acknowledge their responsibility for all quality matters (unless suitably qualified staff are available). Being too prescriptive could result in an SMP assigning as a mere compliance act (i.e., form over substance) to anyone available to comply with the requirement “to assign”, whereas other interventions may be more appropriate in terms of achieving quality objectives.

Institute of Chartered Accountants of Pakistan

We believe that every individual in the firm is responsible for ethics and independence. This aspect should be clarified that assigning responsibility for relevant ethical requirements and compliance with independence requirements to an individual in the firm would not relieve all others from their responsibility to follow ethics and independence. A senior personnel of the firm should be made responsible to deal with ethics and independence issues at firm and individual level. However, considering varied scale and sizes of firms (more importantly from sole practitioner perspective), we believe that firms should be allowed to use professional judgement to determine how responsibility for aspects of the system are to be assigned or delegated.

Institute of Singapore Chartered Accountants

On whether an individual should be separately assigned responsibilities for relevant ethical requirements, proponents to this proposal considered the following factors:

- There should be a consistent message communicated across the firm and network on ethical behaviour. Ethical behaviour may be influenced by different risk appetites of individuals, hence a separate individual in charge can help drive consistent messaging.
- While it is important to address ethical aspects in detail at the engagement level, ethical issues should be escalated to the firm level. It would be important to have a point of contact for such situations.
- The role of the managing partner, which also includes growing the firm's business, may conflict with his responsibilities over ethical requirements. In this respect, having a separate individual in charge, who may report directly to the firm's governance body, can circumvent such conflict of interest. However, this would only work in a bigger firm structure.

A different perspective on the proposal to assign the responsibilities to a separate person is the following:

- A sole proprietor or a small set-up would not have the capacity to allocate the roles to different individuals. Even if the role was allocated to a separate individual, there might not be any substance to the arrangement if decisions made by the assigned person can be influenced by his reporting officer.

While we note that there are merits to assigning such responsibility to a separate person, this decision should be determined by the firm according to its risk assessment. Smaller set-ups that deal with private entities and that do not provide non-audit services are expected to have lower risks compared to larger firms which deal with listed entities and are multi-disciplinary. For firms with lower assessed risk, it may not be critical to separate these roles.

Although we note that the proposed standard allows for scalability, it is not clear which part of the standard can be scaled. We suggest that more examples be provided to describe situations where a separate person might be required for ethical requirements.

Korean Institute of CPAs

Assigning responsibilities for relevant ethical requirements to an individual in the firm is not appropriate, as we consider, taking into account excessive responsibilities to be shouldered to the individual. In case of small firms, in particular, it would not be meaningful to assign responsibilities for ethical requirements to individuals.

Nordic Federation of Public Accountants

We do not believe it is necessary to have such a general requirement even though in practice this task might be delegated to an individual. It is the firm and its leadership that has overall responsibility and accountability to comply with this standard. Having another individual responsible and accountable for compliance with the ethical requirements only contributes to uncertainty regarding how this person's responsibility and accountability relate to the responsibility of the firm's leadership.

Q8 - Unclear

3. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board

The AUASB understands that this is already common practice.

Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)

We agree that ED-ISQM1 deals with matters regarding relevant ethical requirements.

4. Accounting Firms

Duncan and Topliss

(a) Achieving an ethical culture (by hitting the ethical requirements) can only be achieved through collaboration. Although assigning overall responsibility to an individual may be applicable, the emphasis should be on those that control the firm, as a group. Therefore, if there really is only an individual that has control and no others (small firm), then ok, but if there is a management board structure in place, then it should fall on that board, as a body to be responsible. That is not to say that there cannot be an individual to lead this process or be the firm's representative.

Mazars

Response: We believe it is useful for an appropriate individual to be assigned responsibility for ethical requirements, but do not consider it necessary for responsibility for compliance to be assigned to an individual, where this is above or beyond any local requirement, and the duty of each professional accountant.

5. Public Sector Organizations

Office of the Auditor General New Zealand

We have no comments to make in respect of this question other than to state that the application of responsibilities for ethical requirements can be difficult for more complex firm structures. It would seem logical for a firm to assign operational responsibility for both relevant ethical requirements to an individual within the firm.

Office of the Auditor General of Canada

We are supportive of the focus on independence but would not be concerned with shifting the focus to ethics more broadly.

6. Member Bodies and Other Professional Organizations

Chartered Accountants Australian and New Zealand and ACCA

We agree in principle yes, but this may present challenges in practice. To improve audit quality you need everyone in the firm to take responsibility and embrace quality management. The standards must have principles that firms can apply to best enhance and develop a culture of quality management.

Institut des Experts-comptables et des Conseils Fiscaux – Instituut Van de Accountants en de Belastingconsulenten (IAB-IEC)

Response: Yes, under the conditions of paragraphs A36 and A37 of the draft.

Q8(a).1 - If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual?

Q8(a).1 - Agree

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy

Yes, we believe that the ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual or individuals in a firm. We also believe that the firm should be required to assign responsibility for compliance with independence requirements to an individual or individuals.

3. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

Yes. Canadian stakeholders did not raise any concerns with this material.

Conselho Federal de Contabilidade - Federal Accounting Council (Brazil)

Response: Yes. The responsibilities for ethical and independence requirements shall be assign to one or more individuals depending on the size and complexity of the firm.

Malaysian Institute of Accountants - Auditing and Assurance Standards Board

Response:

We are agreeable to the firm assigning responsibility for compliance with independence requirements to an individual.

4. Accounting Firms

CAS International

Response:

We are agreeable to the firm assigning responsibility for compliance with independence requirements to an individual.

Crowe Global

Response: Responsibility for relevant ethical and independence requirements should be assigned to designated individuals.

EY Global Limited

No, we don't think that ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual in the firm. Firms and network structures vary widely and, as such, the standard should provide flexibility in determining the granularity needed for the roles and assignments of operational responsibility for the firm's system of quality management. We do not believe any other operational responsibility roles beyond those prescribed for the system of quality managing as a whole, independence and monitoring and remediation should be required by the standard.

Haysmacintyre LLP

It would make sense for both of these responsibilities to sit with the firm's Ethics Partner.

Mazars USA LLP

Response: In practice, we believe this assignment is already largely in place, even if it is not the only responsibility for the individual(s). We agree with the concept and despite the prescriptive nature of this requirement, we agree ED-ISQM 1 should require assignment of responsibilities.

MNP LLP

Yes, we agree that the responsibility for both ethical requirements as well as independence should be assigned to an individual in the firm.

Moore Stephens International

Response: While there may be issues for the smallest firms, we believe it is appropriate for a named individual to 'own' relevant ethical requirements and compliance with independence requirements. We would prefer to see stronger linkage between this proposed standard and the International Code of Ethics for Professional Accountants as to the auditor independence requirements for PIE audits – the removal of the possibility to perform any non-audit and assurance services.

Nexia International

YES

PriceWaterhouseCoopers

We agree that responsibility for compliance with independence requirements can be assigned to a single individual within a firm. However, we recognise that relevant ethical requirements is a far broader topic, and perhaps too broad to assign responsibility for compliance with such requirements to a single individual.

If the Board were to adopt a requirement addressed at relevant ethical requirements, rather than independence, we suggest it would be necessary to allow for a further level of assignment, such that that individual could assign, for example, operational responsibility for independence to another individual who reported to them.

RSM International Limited

Response: We do consider it necessary to require a firm to assign responsibility for ethics and/or independence to an individual and therefore recommend that this is made clear in the final standard. Accountability and ownership of ensuring compliance with ethical and independence requirements are critical to audit quality.

5. Public Sector Organizations

Australasian Council of Auditors General

ACAG supports the assignment of operational responsibilities within proposed paragraph 24(a)(iii).

International Organization of Supreme Audit Institutions

Yes, we support assigning responsibility for ethical and independence requirements at firm level.

National Audit Office of Malta

Yes. It would be better to assign particular individuals to fulfil both roles.

Office of the Auditor General of Alberta

Response: Yes

Office of the Auditor General of Canada

We are supportive of the focus on independence but would not be concerned with shifting the focus to ethics more broadly.

6. Member Bodies and Other Professional Organizations

Center for Audit Quality

We support the proposed requirements in ED-ISQM 1. While assigning responsibility for compliance with independence requirements to an individual is arguably prescriptive, we recognize the importance and complexity of independence rules. Further, we believe this already occurs in practice and therefore we do not object to this requirement. We do not believe any further responsibilities for relevant ethical requirements should be assigned as these requirements are broad and firms may operationalize oversight of compliance with such requirements differently.

Institute of Chartered Accountants of Scotland (ICAS)

We agree and believe that this is consistent with the content of the extant version of the IESBA Code. This states at paragraph 900.3 that many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with ISQC 1. In addition, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant’s activities, interests or relationships.

Institute of Independent Auditors of Brazil (IBRACON)

Yes. The firm can determine if one or more individuals will be responsible for relevant ethical requirements and independence.

Malaysian Institute of CPAs

(a) Yes, provided that the individual has the full authority to carry out the responsibility effectively.

Royal Institute of Chartered Surveyors

Yes, assigning responsibility for relevant ethical requirements to an individual or a certain group of individuals at a firm to establish policies for compliance (as well as non-compliance) will properly address this important topic. Also, we believe a firm should assign responsibility for compliance (and non-compliance) with independence requirements to an individual or a certain group of individuals.

Wirtschaftsprüferkammer

Yes, we agree.

9. Individuals and Others

Training and Advisory Services and Chartered Accountants Academy

Yes and Others as well

Ethical requirements are crucial in the performance of engagements and as such, the responsibility should be assigned to both an individual and to the entire engagement team. The assigned to an individual in the firm emphasizes the importance for ethics and independence. Isolation of responsibility will more likely ensure compliance. The individual responsible for ethics could also be assigned the responsibility for independence even in larger firms.

Q8(a).1 - Agree but with further comments

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (South Africa)

We support the requirement that firms assign responsibility for relevant ethical requirements to an individual in the firm. We recommend that the firm also be required to assign responsibility for compliance with independence requirements to an individual in the firm. We understand this to mean that operational responsibility will be assigned to an individual such as a chief ethics officer. It is necessary to clarify whether the chief ethics officer will report directly to the individual assigned ultimate responsibility and accountability in paragraph 24(a).

It is likely that more due care will be taken with this requirement if it is assigned to an individual. However, relevant ethical requirements, like many other requirements included in the ED-ISQM 1, cannot be implemented in isolation. The individual will need to ensure that there is a consultative, monitoring and enforcement approach in executing their responsibilities.

3. National Auditing Standard Setters

Kammer der Steuerberater und Wirtschaftsprüfer

Answer: In relation to ethical requirements, the requirement should be dependent of the size of the firm. For independence we consider it essential to have a designated person as the topic is quite complex and often

requires consultation. For larger audit firms, where complex independence issues are more likely to occur, there should be a requirement that independence function is adequately staffed to ensure compliance with all relevant laws and professional rules prevailing.

New Zealand Auditing and Assurance Standards Board

In principle, the NZAuASB agrees a firm would assign operational responsibility for both relevant ethical requirements and independence requirements to an individual within the firm. In fact, firms would assign operational responsibility for all components.

However, there is a need for a combined responsibility. Responsibility for compliance with both ethical and independence requirements ultimately lies with each individual. Pushing responsibility down through the whole firm and creating an ethical culture is the challenge in practice, just as it is in any corporate governance situation. Mandating operational responsibility to an individual is important, but careful management will be needed to avoid responsibility or compliance being seen in practice to lie with the relevant individual.

4. Accounting Firms

Deloitte Touche Tohmatsu Limited

Response: DTTL does not believe that ED-ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual in the firm, over and above any other specific aspect of the system of quality management. However, we agree that independence is of sufficient importance for the firm to be required to assign responsibility to an individual (hereafter referred to as an “Independence Leader” for ease), subject to two considerations below.

Responsibility for policies and procedures, not “compliance”

DTTL believes the wording of the proposals could suggest that the Independence Leader is responsible for more than the relevant system of quality management because of the use of the words “responsibility for compliance with independence requirements.” The firm’s personnel are responsible for compliance with the independence requirements that apply to them. The Independence Leader should only be assigned responsibility for the system of quality management relating to the independence requirements. Accordingly, we recommend the following revisions to paragraph 24 (also requiring changes to paragraphs A38, A69, and A139):

Paragraph 24(a)(iii)(b)

Specific aspects of the system of quality management, as appropriate to the nature and circumstances of the firm, which shall include operational responsibility for **designing and implementing the firm’s responses [or “policies and procedures”] relating to independence requirements** ~~compliance with independence requirements~~ and the monitoring and remediation process.

Alignment and interaction with the International Ethics Standards Board for Accountants (IESBA) Code

The IESBA Code (the “Code”) currently states in paragraphs 400.4 and 900.3: Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an audit team), in accordance with ISQC 1. In

addition, an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.

Without a very clear description of responsibility in ED-ISQM 1, a reader may be led to the conclusion that "firm" should be read as interchangeable with "Independence Leader" in Parts 4A and 4B of the Code. It would be contrary to the intent of the Code and therefore not in the public interest to suggest that one individual should become responsible for every responsibility assigned to the "firm" in Parts 4A and 4B of the Code.

One example of this potential confusion in ED-ISQM 1 is the very broad description in paragraph A69:

...Furthermore, the individual in the firm assigned operational responsibility for compliance with independence requirements is ordinarily responsible for the oversight of all matters related to independence, including the policies or procedures addressing communication of breaches of independence requirements and determining that appropriate actions have been taken to address the causes and consequences of the breach.

With respect to this paragraph, we note:

- The words "oversight of all matters related to independence" is very broad and could be interpreted to apply to every responsibility in Part 4A and Part 4B.
- The Code provides that "the firm" shall determine whether it is possible to "take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances."
- Others in the firm, including the audit engagement partner, may also be responsible for determining that appropriate actions have been taken to address the consequences of a breach.
- The Code does not use the concept of "causes" of the breach in this context. Consequently, the wording is inconsistent.

Suggested approach for clarity, with respect to the considerations above:

Paragraph A69

...Furthermore, the individual in the firm assigned operational responsibility for **designing and implementing the firm's responses relating to compliance with independence requirements** is ordinarily responsible for **all aspects of the design, implementation, and operation of this aspect of the system of quality management** ~~the oversight of all matters related to independence, including the policies and or procedures addressing communication of breaches of independence requirements and~~ **monitoring and remediation of such breaches in order to respond to identified deficiencies and their related root causes** ~~determining that appropriate actions have been taken to address the causes and consequences of the breach.~~

We also note that R400.80 of the Code contains reference to "Those with responsibility for the policies and procedures relating to independence," which may or may not be intended to be interchangeable with the Independence Leader contemplated in ED-ISQM

PKF International Limited

We believe the narrower focus on independence should be retained. However, we suggest that firms should only be required to assign responsibility for compliance with independence requirements to an individual where independence has been identified as a risk (e.g. if firms do not perform any assurance or other work for which independence is required, this should not be a required response).

Firms who are subject to independence requirements generally invest significant resources into managing independence, and complex independence considerations often need to be considered by those with specialist knowledge. Where a risk to independence of such a nature has been assessed by a firm it therefore follows that overall responsibility should be assigned for independence.

We believe that the firm should have the ability to determine how to design an appropriate response to this aspect of its system of quality management, based on its own risk assessment, rather than ED-ISQM 1 providing specific requirements. This approach would also help with the scalability of the standard and would be particularly beneficial to SMPs that do not perform audit work.

PKF South Africa

We do not believe that the ED-ISQM 1 should require the firm to assign responsibility for relevant ethical requirements to an individual within the firm. Relevant ethical requirements and related ethical principles could in part be met through other elements of the quality management system (such as Resources). Assigning responsibility for ethical requirements broadly will simply not be practical or feasible.

We believe the narrower focus on independence should be retained. However, we suggest that firms should only be required to assign responsibility for compliance with independence requirements to an individual where independence has been identified as a risk (e.g. if firms do not perform any assurance or other work for which independence is required, this should not be a required response).

Firms who are subject to independence requirements generally invest significant resources into managing independence, and complex independence considerations often need to be considered by those with specialist knowledge. Where a risk to independence of such a nature has been assessed by a firm it therefore follows that overall responsibility should be assigned for independence.

This approach would also help with the scalability of the standard and would be particularly beneficial to SMPs that do not perform audit work.

6. Member Bodies and Other Professional Organizations

Comision Interamericana de Control de Calidad de la AIC

Response: Yes, we agree, but a practical guide should elaborate on the responsibilities of the applicable ethical requirements, in order to avoid misinterpretations of the text of the standard.

9. Individuals and Others

Shady Fouad Ahmed Mehelba

We believe in other than SMPs this will be appropriate to delegate for one of the level responsible for governance that responsibilities, that level should have adequately described within the structure

Q8(a).1 - Disagree

3. National Auditing Standard Setters

AICPA

While we believe that the question of whether to require firms to assign responsibility for compliance with independence requirements stands on its own, and that many firms currently do so, we believe that such a requirement would be overly prescriptive and should not be included.

4. Accounting Firms

BDO International

We acknowledge the importance that ethical behaviour, independence and objectivity play in our profession and the impact it can have on stakeholders. These are areas that are particularly important given the complexity of regulatory rules and standards that can apply within a jurisdiction and across transnational audits.

While it is important that responsibilities are assigned to appropriate individuals within firms, we would not support a prescriptive approach if it inhibited the flexibility afforded to firms to operationalise or structure roles and responsibilities accordingly.

ETY Global

No. It would lead to difficulties in implementation for SMPs due to lack of resources and scalability issues.

KPMG IFRG Limited

We believe that the IAASB has included the Independence role to retain existing ISQC1 requirements, however, given the focus and emphasis on SoQM Leadership roles within the Governance and Leadership component of the ED, we believe that the Independence role does not need to be separately identified or treated in a different way than other leadership roles existing within the SoQM.

We believe it may be more appropriate to address the assignment of responsibility for both independence and ethical requirements in the IESBA Code of Ethics. If the IAASB determines that either role should be addressed in ISQM1, we believe a cross reference to the IESBA would be sufficient and appropriate clarification.

Kreston International

Response: This should not be required by the standard as the response should be able to reflect the circumstances of the firm.

5. Public Sector Organizations

Swedish National Audit Office

No

US Government Accountability Office

We believe that the final ISQM 1 should not dictate precisely how firms meet the requirements related to relevant ethical requirements, including independence. Firms should be given latitude to determine, based on their individual structures and situations, whether a single individual should be assigned responsibilities for these duties or if another method is more efficient and effective for ensuring that the firm adheres to the underlying principles.

6. Member Bodies and Other Professional Organizations

Australian Accounting Professional and Ethics Standards Board

Subject to APESB's significant concerns about the current form, scalability and prescriptive nature of the proposed ED-ISQM 1, we support the requirement for firm's to assign ultimate responsibility and accountability for the system of quality management to the CEO, managing partner or managing board of partners. APESB supports the ability for the person(s) with ultimate responsibility and accountability to

assign operational responsibility for the system of quality management to other individuals where appropriate. However, APESB is of the view that requiring firms to assign specific aspects, including compliance with independence requirements and the monitoring and remediation process, is too prescriptive. Firms should be able to use professional judgement to determine how responsibility for aspects of the system are to be assigned or delegated.

Belgian Institute of Registered Auditors IBR-IRE

Enough flexibility should be left to the firm. The firm should be able to choose whether the individual or the firm is responsible. In the end, the responsibility always remains with the top management.

CA Ireland

As stated above, the firm should assign responsibility for relevant ethical requirements to an individual however, as independence would be covered under relevant ethical requirements, assigning responsibility for compliance with independence requirements should be optional for the firm, further enhancing the scalability of the standard. Firms should be allowed to assess whether the extent and complexities of their activities require the assignment of compliance with independence requirements to an individual.

California Society of CPA's

No, this would be too narrow a requirement. It might work in a very small firm, but in a somewhat larger firm more people may need to be involved.

CPA Australia

Response: Whilst many firms do allocate responsibility for ethics and independence to one individual, we do not consider it necessary to require all firms to do so. We do not think that the management of ethics and independence needs to be “called out” specifically as requiring assignment in a prescribed way. In some firm structures it may be unreasonable for one individual to take responsibility for ethics or compliance with independence requirements for the entire firm. For example, a firm encompassing offices across an entire jurisdiction, rather than an individual office, may prefer to delegate that role on a different basis, such as at the office or region level. Responsibilities for oversight are reasonable, however responsibility for the outcomes should be shared and ultimately it should be the individual engagement leader's responsibility to ensure compliance of his/her team.

Institute of Chartered Accountants of Pakistan

We believe that every individual in the firm is responsible for ethics and independence. This aspect should be clarified that assigning responsibility for relevant ethical requirements and compliance with independence requirements to an individual in the firm would not relieve all others from their responsibility to follow ethics and independence. A senior personnel of the firm should be made responsible to deal with ethics and independence issues at firm and individual level. However, considering varied scale and sizes of firms (more importantly from sole practitioner perspective), we believe that firms should be allowed to use professional judgement to determine how responsibility for aspects of the system are to be assigned or delegated.

South African Institute of Chartered Accountants

In light of our view that ED-ISQM 1 should include a requirement for the firm to assign ultimate responsibility and accountability for compliance with the relevant ethical requirements to an individual, it is our view that whether the firm should also be required to assign responsibility and accountability for compliance with independence requirements to an individual would be dependent on the nature and circumstances of the

firm. In larger firms, this may be desirable in terms of the work load required in monitoring compliance and it is likely that these firms have the necessary resources for this. In considering the practicalities around this at SMPs, this may not be desirable in that the size of the firm may not lend itself to separating the responsibility for compliance with independence out of the requirement to comply with the relevant ethical requirements.

In line with how ED-ISQM 1 allows the individual who is ultimately responsible and accountable for the SOQM to assign operational responsibilities for the SOQM, we suggest that the person assigned ultimate responsibility and accountability for compliance with ethical requirements be granted the same ability to assign operational responsibility in this regard.

Q8(a).1 - Unclear

3. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board

The AUASB understands that this is already common practice.

4. Accounting Firms

Grant Thornton International Limited

We are of the view that firms should be required to assign responsibility for relevant ethical requirements to an individual in the firm. Additionally, depending on the size and the complexity of the firm, it may also be appropriate for another individual to be assigned responsibility for compliance with independence requirements. For example, for larger firms, with multiple offices or networks with member firms across multiple jurisdictions, where independence reporting and monitoring may be more difficult and require the use of IT systems, it may be appropriate to appoint a separate individual to be responsible for independence. In smaller firms, independence may be much simpler and, as such, may not require separate monitoring.

6. Member Bodies and Other Professional Organizations

Accountancy Europe

A number of practitioners have told us that understanding the accountability of the network vs the accountability of the firm could be challenging in practice.

Chartered Accountants Australian and New Zealand and ACCA

We agree in principle yes, but this may present challenges in practice. To improve audit quality you need everyone in the firm to take responsibility and embrace quality management. The standards must have principles that firms can apply to best enhance and develop a culture of quality management.

Institut des Experts-comptables et des Conseils Fiscaux – Instituut Van de Accountants en de Belastingconsulenten (IAB-IEC)

Response: Yes, under the conditions of paragraphs A36 and A37 of the draft.

Instituto de Censores Jurados de Cuentas de España

We are of the opinion that the responsibility of safeguarding independence relies on the engagement partner and on each member of the staff and individual providing services on behalf of the firm. However, in larger firms, nominating one individual or team as responsible for independence issues to coordinate all the responses to independence risks and to set common policies and procedures may be adequate. Due to the

large number of engagements and their complexity, in the larger firms this is a task to perform exclusively. The standard does not require firms to appoint a specific individual, but this will probably be the response of the larger firms to ethics risks.

Q8(b) - Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network

Q8(b) - Agree

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (South Africa)

We believe that ED-ISQM 1 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

National Association of State Boards of Accountancy

Yes, we believe that the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

3. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board

The AUASB considers that paragraph A71 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons in the network.

Conselho Federal de Contabilidade - Federal Accounting Council (Brazil)

Response: Yes.

Hong Kong Institute of Certified Public Accountants

We consider the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network as set out in:

- Paragraph 14 of ED-ISQM 1 acknowledges that the network is external to the firm and therefore does not form part of the firm's system of quality management.
- Paragraph 28 of ED-ISQM 1 further emphasizes that in circumstances when a firm is a member of a network, the firm retains full responsibility for its own system of quality management, including complying with the requirements of ED-ISQM 1.
- In designing and implementing responses to address the quality risks identified and assessed by the firm relating to the information and communication quality objectives, paragraphs 41(c)(ii) and A173 of ED-ISQM 1 requires the firm to establish policies or procedures that address the nature, timing and extent of communication and matters to be communicated with the network. Such communication may include matters related to independence, for example in circumstances when relevant ethical requirements include requirements for independence that apply to network firms or employees of network firms.

Japanese Institute of CPAs

We believe that the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Malaysian Institute of Accountants - Auditing and Assurance Standards Board

Response:

We do agree that the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Royal Nederlandse Beroepsorganisatie van Accountants

Yes.

4. Accounting Firms

BDO International

In our view, as outlined primarily in application guidance, ISQM 1 does appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network.

CAS International

Response:

We do agree that standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network.

Crowe Global

Response: The standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Deloitte Touche Tohmatsu Limited

Response: DTTL believes that the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network, and more requirements should not be added to ED-ISQM 1 in this respect. Including more direct requirements for network independence in the standard would be duplicative given that the IESBA Code already addresses network firm independence in detail.

Duncan and Topliss

(b) Yes. Networks are addressed where appropriate, throughout the standard.

ETY Global

Yes.

EY Global Limited

We believe the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Grant Thornton International Limited

We are of the view that the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons in the network.

Kreston International

Response: Yes

Mazars USA LLP

Response: Yes, the standard appropriately addresses the responsibilities of the firm regarding independence of other firms or persons within the network.

MGI Worldwide

Response

Yes – we consider that any proposals to duplicate the requirements on networks for ensuring and monitoring independence through more prescriptive requirements are already addressed within the principles-based approach at the firm-level.

Moore Stephens International

Response: Yes

Nexia International

YES

PKF International Limited

In our view, the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network, through its principles-based requirements addressing relevant ethical requirements.

PKF South Africa

The standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network, through its principles-based requirements addressing relevant ethical requirements.

PriceWaterhouseCoopers

The Standard sets appropriate principles and guidance that reflects the fact that the specific applicability of relevant ethical requirements to the firm, the firm's network, and to others outside of the firm's network, will be determined by the requirements that apply in the firm's jurisdiction.

While we consider the requirements in the standard to be appropriate, we note that we have concerns about the practical implications of the potential change in the definition of the engagement team in proposed ISA 220 (Revised), when applied to individuals outside the firm, including outside a firm's network. The impact of that change will need to be assessed by a firm in complying with the requirements in ISQM 1, which may prove significant. See our related response letter on the exposure draft of ISA 220 (Revised).

We provide a number of other observations on specific paragraphs within this component in appendix

RSM International Limited

Response: Yes these are appropriately addressed.

5. Public Sector Organizations

Auditor General South Africa

The standard does appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network.

National Audit Office of Malta

Yes.

Provincial Auditor Saskatchewan (1)

Yes, the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

6. Member Bodies and Other Professional Organizations

Australian Accounting Professional and Ethics Standards Board

APESB agrees that the requirements under relevant ethical requirements adequately covers responsibilities of the firm regarding independence of other firms or persons within a network.

CA Ireland

Paragraphs 33 (a) and A70 –A71 articulate the necessary requirements.

Center for Audit Quality

We agree ED-ISQM 1 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Comision Interamericana de Control de Calidad de la AIC

Response: Yes, it is treated properly.

Comite Control de Calidad del ICPARD

Response: Yes, it does.

IFAC Small and Medium Practices Committee

Considering that most national oversight systems cannot likely “police” the other firms or persons within the network, the SMPC is of the view that the current proposed standard that allows for a principled-based approach in dealing with network resources and people is an appropriate approach to adopt.

Illinois CPA Society

Response: Yes. However, we believe smaller firms with networks could have challenges in complying with this ED.

Institut des Experts-comptables et des Conseils Fiscaux – Instituut Van de Accountants en de Belastingconsulenten (IAB-IEC)

Response: This has been sufficiently dealt with.

Institute of Chartered Accountants in England and Wales

Yes. The standard reflects the fact that ethical requirements will be determined by the requirements applicable in the firm's jurisdiction.

Institute of Chartered Accountants of Pakistan

We note that the proposed standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Institute of CPAs of Uganda

The principles-based requirements to ethical aspects in ED- ISQM 1 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network since they can be adapted to a variety of circumstances.

Institute of Singapore Chartered Accountants

On network requirements, the standard is clear on the independence responsibilities. Also, such requirements are separately addressed in the auditing standards, such as ISA 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).

Malaysian Institute of CPAs

(b) Yes

Nordic Federation of Public Accountants

Yes, we believe so.

South African Institute of Chartered Accountants

SAICA is satisfied that ED-ISQM 1 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.

Wirtschaftsprüferkammer

Yes, we agree.

9. Individuals and Others

Shady Fouad Ahmed Mehelba

Yes

Training and Advisory Services and Chartered Accountants Academy

Yes

The network firm independence is appropriately addressed in ED-ISQM 1 through the principles-based requirements addressing relevant ethical requirements. Others are of the view that including more direct requirements for independence within the network would result in duplicative requirements, and the specificity of the requirement would contrast with other requirements in the standard. However, having a specific requirement that clearly states the responsibilities of the firm regarding independence might assist enforce compliance by firms.

Q8(b) - Agree but with further comments

3. National Auditing Standard Setters

AICPA

Yes, however it may be helpful to note in paragraph 14 that requirements that pertain to networks are not limited to those in paragraphs 58-63 and related application material in paragraphs A192-A204. For example, independence with regard to networks is addressed in paragraph A71.

New Zealand Auditing and Assurance Standards Board

The NZAuASB is pleased that the proposals make it more explicit that the network may be subject to relevant ethical requirements. However, we consider it may be useful to clarify further whether the firm should understand how the independence requirements applicable to the network could affect the firm's system of quality management. Providing an example of when and how this would apply would be useful, such as in relation to a network firm's client acceptance systems. This could address whether a firm is expected to obtain a type of service organisation report over controls over network independence requirements.

Feedback from our targeted outreach suggested that, in practice, firms do make use of the network firm's monitoring reports to inform an understanding of whether the network firm is in compliance with its ethical requirements, including independence requirements. It may be useful for the standard to emphasise the importance of using the results of the network's monitoring activities to inform the firm's own understanding of how the independence requirements applicable to a network firm apply.

4. Accounting Firms

KPMG IFRG Limited

Paragraph 33(a) states that the firm's responses must include: "Identifying the relevant ethical requirements and determining the applicability of the relevant ethical requirements to the firm, its personnel and others, including, as applicable, the network, network firms, personnel in the network or network firms, or service providers". We believe this matter is dealt with at a sufficiently high level within the ED and believe that such matters should be covered in more detail by the IESBA Code of Ethics and cross-referred in the standard.

Mazars

Response: even if the standard is appropriately addressing this issue, we note the network requirements are set out in paras 58-63, and consider introducing a cross reference to the independence requirements would be useful and prevent any need to duplicate requirements.

Nexia Smith & Williamson

Again, we believe that this should be covered in ethical standards. We see no need for this to be duplicated in ED-ISQM 1 – a cross-reference would suffice.

6. Member Bodies and Other Professional Organizations

Institute of Independent Auditors of Brazil (IBRACON)

Yes. However, we would like to emphasize the difficulty for a scalable application for smaller firms, as mentioned above in some other questions.

New York State Society of CPAs

Response: We believe that the responsibilities are adequately addressed by the strong language throughout the section on networks suggesting that quality is the individual firm's sole responsibility. The firm must therefore consider the independence of other firms or persons in the network including determining to what extent such considerations apply given the specific nature of the network and involvement of the other firms or persons in the firm's engagements. We do, however, believe that addressing the issue more explicitly would be an improvement.

Q8(b) - Disagree

2. Regulators and Audit Oversight Authorities

Financial Reporting Council United Kingdom

We do not believe the standard appropriately emphasises that the firm may have responsibilities in respect of independence in respect of other firms or persons that are external to the firm's network. Whilst the phrase "others subject to relevant ethical requirements" in paragraph 32 could be assumed to encompass those external to the network, the emphasis on "as applicable, the network, network firms, service providers" in paragraph 33(a) implies that those external to the network (other than service providers) are not captured, and paragraph A71 confirms this interpretation.

In our view, the principal approach should be to recognise that, in certain circumstances, other firms that are external to the network performing procedures on an engagement are required to meet the same ethical requirements, including independence, as the firm and its personnel. This is precedented in the auditing standards. For example, in a group audit, ISA 600 requires the group auditor to understand whether the component auditor understands and will comply with the ethical requirements that are relevant to the group audit and, in particular, is independent. Irrespective of whether the component auditor is part of the firm's network or external to the firm's network, when performing work on the financial information of a component for a group audit, the component auditor is subject to ethical requirements that are relevant to the group audit. Such requirements may be different or in addition to those applying to the component auditor when performing a statutory audit in the component auditor's jurisdiction.

3. National Auditing Standard Setters

Kammer der Steuerberater und Wirtschaftsprüfer

Answer: Duplication of regulations should be avoided, as this could lead to different interpretations in practice. The application guidance is very vague and should include more specific references to the IESBA Code.

6. Member Bodies and Other Professional Organizations

California Society of CPA's

Paragraph 32 touches on independence, but independence can be a very big subject when multiple firms are involved. The short answer to this question is "no".

Instituto de Censores Jurados de Cuentas de España

In Paragraph 33a) the standard requires firms to design the relevant ethics requirements relevant to the network, businesses and service providers.

In Para A71, includes how to consider the application of ethics principles to the individuals or entities mentioned in Para 33 a). Consideration of non-firm staff that may be included in the definition of member of the engagement team and application of ethics principles to them is also mentioned. In Spain, according to Article 67.9 of the BRAC, and without prejudice to what is stated in NIA-ES 620, all who participates in an audit engagement is considered as a member of the engagement team.

In para A143 frequent communications with the network are addressed, including those related to independence.

We are of the opinion that, although the draft includes responses to independence risks linked to being part of a network, more detail would be desirable specially to help SMP regarding procedures to communicate independence issues.

Q8(b) - Unclear

6. Member Bodies and Other Professional Organizations

Belgian Institute of Registered Auditors IBR-IRE

As mentioned in answer to question 2) above, concerning the roles and responsibilities (par. A32), we are not convinced that those mentioned are well described/consistent and that the interdiction to cumulate functions is well established in the standard.

Chartered Accountants Australian and New Zealand and ACCA

We believe that there are challenges around this. In reality firms already have procedures in place to manage independence so it is arguable whether this is likely to produce a benefit that would exceed the work effort required.

Royal Institute of Chartered Surveyors

Yes, we believe the standard provides direction to firms about implementing a network-developed IT application that requires all firms in the network and its staff to record and maintain information with respect to independence.