ED-ISQM 1: Question 14 – Service Providers

Do you support the proposals addressing service providers?

Q14 - Agree

2. Regulators and Audit Oversight Authorities

Financial Reporting Council United Kingdom

We strongly support the proposals addressing service providers. A service provider, similar to a network or network firm, provides the firm with a resource the firm intends to use in its SOQM. Accordingly, as with a network or network firm, the firm needs to determine that such resources are appropriate to use in the firm's SOQM. This is an important clarification.

National Association of State Boards of Accountancy

Yes, we support the proposals addressing service providers.

3. National Auditing Standard Setters

Kammer der Steuerberater und Wirtschaftsprufer

Answer: Basically we support the proposals addressing service providers, but alternative audit delivery models are not dealt with in sufficient detail.

Malaysian Institute of Accountants - Auditing and Assurance Standards Board

Response:

We support the proposals addressing service providers.

4. Accounting Firms

CAS International

Response:

We support the proposals addressing service providers.

Crowe Global

Response: We agree with the proposals addressing service providers.

Duncan and Topliss

R14: Again, yes, the proposals are clear and ensure that a firm considers the impact on their quality management system of any involvement of service providers.

ETY Global

Yes, as it does not remove the firm responsibility for its quality management system.

Haysmacintyre LLP

Response: yes.

Kreston International

Response: The proposals for service providers are appropriate.

MGI Worldwide

Response

Where a firm is relying on service providers for key elements of their quality management (such as the quality of financial statements, audit engagements etc.), we believe the firm should assess the reliability, expertise, independence etc. of such service providers as this is analogous with using a service organisation or expert in an audit and assurance engagement.

PKF International Limited

We support the proposals addressing service providers.

5. Public Sector Organizations

Australasian Council of Auditors General

Yes. In the public sector, the use of service providers is common including engaging audit firms to perform engagements on behalf of the audit office, purchase of audit methodology and IT infrastructure providers. The required responses under paragraph 64(a) – (c) will generally be addressed through procurement processes and evaluation of tender responses.

International Organization of Supreme Audit Institutions

Yes, in agreement. The firm remains equally accountable for the service providers' work and coverage is thus needed.

National Audit Office of Malta

Yes.

Office of the Auditor General New Zealand

We support the proposals addressing service providers.

Office of the Auditor General of Canada

We are generally supportive of the inclusion of proposals concerning service providers.

Provincial Auditor Saskatchewan (1)

Yes, we support the proposals addressing service providers.

6. Member Bodies and Other Professional Organizations

Australian Accounting Professional and Ethics Standards Board

ED-ISQM 1 acknowledges that quality systems of networks can enhance quality for the firms in the network. However, the ultimate responsibility for the achievement of the standard's objective fall on the individual firm. The standard is also clear that when a firm uses a service provider, it is responsible for understanding the provider, nature and scope of services, that the resource is appropriate and that the firm remains responsible for the SQM.

This approach is consistent with APES GN 30 Outsourced Services (originally issued by APESB in 2013 and revised in 2015) which guides on the professional and ethical obligations when dealing with outsourced services.

Subject to APESB's significant concerns about the current form, scalability and prescriptive nature of the proposed ED-ISQM 1, we support the proposals addressing service providers. The standard is clear that when a firm uses a service provider, it is responsible for understanding the provider, nature and scope of services, whether the resource is appropriate, and the firm remains responsible for the SQM. This is consistent with APESB's GN 30 Outsourced Services.

CA Ireland

Yes, we support the proposals addressing service providers. As it is common for firms to use service providers the inclusion of such parties as part of the system of quality management is appropriate.

California Society of CPA's

Paragraphs 64-65 – Yes.

Comision Interamericana de Control de Calidad de la AIC

Response: Yes, we support them.

Comite Control de Calidad del ICPARD

Response: Yes, we do.

European Federation of Accountants and Auditors for SMEs

Yes, we support the proposals.

Illinois CPA Society

Response: Yes.

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

Response: IAB-IEC supports these proposals.

Institute of Chartered Accountants of Scotland (ICAS)

We support the proposals addressing service providers but would welcome more detailed guidance on the approach when dealing with alternative audit delivery models.

Malaysian Institute of CPAs

Yes

Nordic Federation of Public Accountants

Yes, we are supportive of these proposals.

Self-Regulatory Organization of Auditors Association

Yes

Wirtschaftspruferkammer

We support the proposals addressing service providers.

9. Individuals and Others

Shady Fouad Ahmed Mehelba

yes

Training and Advisory Services and Chartered Accountants Academy

We support the proposals addressing service providers as they serve as safeguards to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation, following the requirements of paragraphs 64-65 of ED-ISQM 1 and Paragraph A206 of ED-ISQM 1.

Vera Massarygina

Yes

Q14 - Agree but with further comments

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (South Africa)

Reliance on software providers may become problematic as software is a technological resource. Service providers may not be able to provide any “assurance” on the product. Firms will still need to determine that it is appropriate to use that resource in the system of quality management. We suggest that greater clarity be provided in the standard as to how the firms will “determine that it is appropriate to use that resource”.

We support the proposals addressing service providers. It is clear in ED-ISQM 1 that each firm remains responsible for its system of quality management.

In considering its resource needs, the firm may consider the resources needed to enable consultation, for example, appropriate access to intellectual resources to facilitate research and personnel with the competence and capabilities to provide consultations. In some instances, such as at a smaller firm, human resources to support consultation may only be available externally, for example, from other firms, professional and regulatory bodies, or commercial organisations that provide such services. In such cases, paragraphs 64-65 of ED-ISQM 1 apply. In cases where an external consultant provides consulting services to an audit firm, the firm should ensure that the external consultant is not also involved in the performance of the engagement quality review for that specific engagement or monitoring reviews for the firm. It is the responsibility of the firm to ensure that it has asked the appropriate probing questions regarding the independence of the consulting firm before the consulting firm is appointed.

Paragraph 64(a) of ED-ISQM 1 requires the firm to “understand” the service provider, including determining that the reputation, competence and capabilities of the service provider are appropriate in the context of the intended use of the resource. It is not clear how the firm’s “understanding” is be documented. What is the work effort that is required in order to obtain understanding? How is understanding demonstrated? What is the threshold for understanding?

We recommend providing clarity on the extent of documentation evidencing compliance with the requirements when firms use service providers.

It appears that requirements for the use of service providers are more extensive than those relating to network resources and services. This seems to imply that more work effort is required by the firm regarding service providers. Is this the intention?

The application material (paragraph A210 of ED-ISQM 1) also allows for the understanding of service providers to be obtained by inquiry alone, and this is not sufficient or appropriate. A greater work effort requirement is recommended, including the inspection of documentation.

Paragraph A99 states that "human resources to support consultation may only be available externally, for example, other firms, professional and regulatory bodies, or commercial organizations that provide such services". The implication is that firms could consult with the audit regulator. We recommend that this reference be removed.

3. National Auditing Standard Setters

AICPA

We support the proposals; however, we believe that there will be divergence in practice as to how these will be applied. For example, firms will differ in how they assess the level of risk associated with using commercial IT applications and the corresponding response. Application material or other support material providing considerations for, and examples of, assessing risk and designing responses would be helpful.

Australian Auditing and Assurance Standards Board

The AUASB supports the proposals addressing service providers in ISQM 1, but recommends that the term 'service provider' is more clearly defined within ISQM 1, with examples provided to assist practitioners identify not only who is a service provider captured under ISQM 1, but also to provide clarity as to who is outside the definition.

Canadian Auditing and Assurance Standards Board

Yes. We support the premise that a service provider is a resource that is being used in the system of quality management and, therefore, the firm needs to determine its appropriateness. However, we note that it may be difficult for the firm to meet the requirement in paragraph 64(a) for some services. For example, a service provider may not be willing or able to provide the information that a firm needs to be able to meet this requirement. In other cases, firms may have been using technological resources for a number of years (e.g., time tracking and billing systems). It may not be feasible to try to assess the reputation, competence and capabilities of the service provider, as such attributes may have changed since the technological resource was acquired.

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

However, we have the following concern. We consider that the requirements relating to the network and the service providers are too substantial to implement. The requirements do not seem to be sufficiently scalable. It seems cumbersome for firms in networks or using service providers to require to get a deep understanding of what is documented at the network or service provider level.

We support the proposals addressing service providers. However, we consider that it would be relevant to move paragraph 22 of the draft frequently asked questions regarding ISQM1 into the application and other explanatory material of the proposed standard. This paragraph deals with service provider and address especially the following question: Are all IT applications that are obtained from service providers subject to the requirements of paragraphs 64-65 of ED-ISQM1?

Specific attention must be paid on the reference to paragraph 65-65 in paragraph 22 of the FAQ. This has to be amended for paragraph 64-65.

Finally, we have a concern of proportionality for smaller firms that use a lot of service providers. The risk is that such requirements are totally counterproductive.

Conselho Federal de Contabilidade - Federal Accounting Council (Brazil)

Response: Yes. However, sometimes the firm might not obtain much information about the service provider because it is just a consumer.

Hong Kong Institute of Certified Public Accountants

We support the proposals addressing service providers as a service provider provides a resource, and therefore the firm needs to determine that it is appropriate to use that resource in the system of quality management.

In addition, the IAASB may consider adding "obtaining results of the monitoring activities from the service provider" as one of the examples set out in paragraph A210 for determining the appropriateness of the service provider.

Japanese Institute of CPAs

In order to clarify when the requirements addressing service providers relate to the firm, we suggest the following:

We suggest adding a definition of “service providers” in paragraph 19.

Paragraph A206 describes factors to be considered in determining whether and to what extent paragraph 64 relates to the firm. Therefore, we suggest including the elements of paragraph A206 into the requirement (paragraph 64).

New Zealand Auditing and Assurance Standards Board

The NZAuASB is supportive of the proposal for the firm to determine the appropriateness of the use of resources provided by service providers. However, we consider this may be onerous for SMPs which outsource their audit methodology and, ultimately, their system of quality management to an external service provider.

Many SMPs in New Zealand rely on one software programme for their audit methodology to perform their audit engagements. We are aware that the programme also covers, in essence, the requirements of ISQC 1. Further clarification around what each firm is expected to do in relation to using such software may assist SMPs’ transition to the new standard.

In addition, it may be useful to clarify the examples of the types of IT software providers that could be used, i.e., those that develop specific audit methodology as opposed to more general applications like Excel.

Royal Nederlandse Beroepsorganisatie van Accountants

Undue reliance on service providers is clearly stated. However, especially for sole practitioners and smaller firms, service providers are sometimes essential. We recommend to make clear that service providers can be valuable to the firm and relied upon if the auditor has evaluated that their services are appropriately designed and operating effectively.

4. Accounting Firms

Baker Tilly International

Response: As with networks, above, we believe that these proposals are reasonable and proportionate. It is not unreasonable to expect firms to have the required understanding of service providers. These proposals are in reality a more formalized approach to something which most firms would do in making the determination to use a particular service provider.

However, what is less clear is whether the understanding should be formalized with reports such as an ISAE 3402 report on the controls at the service provider. If this is the intention or expectation then the standard should be clarified, and it is important that the IAASB provides guidance and illustrative examples to assist smaller firms in complying with these requirements as it may not always be easy to obtain the required assurances from service providers. In addition, it is important to consider what firms would do in a situation where such assurance is not available from the service provider as there is currently no obligation for them to provide such information.

BDO International

Yes, service providers often play a critical role in managing data within a firm's system of quality management; therefore, we are supportive of the proposals to understand and assess any service providers used. As above, we agree that the firm should maintain responsibility for its system of quality management and remedy any deficiencies noted either with the service provider itself or the services provided (either through modifications at the firm, notifying the service provider and assessing their planned actions or changing service providers).

The initial challenge may be obtaining the information required from the service providers for firms to meet these requirements.

Deloitte Touche Tohmatsu Limited

Response: DTTL recognizes that firms may use service providers in the system of quality management and is broadly supportive of the need for firms to determine that it is appropriate to use resources provided by a service provider in the system of quality management. With respect to the specific proposals, DTTL supports the requirements addressing service providers as they relate to human resources; however, as it relates to technological or intellectual resources, we have concerns with respect to certain implementation challenges, specifically the need for, and willingness of, service providers to provide information that would enable the fulfillment of the new requirements. Examples include the requirement in paragraph 65(a) regarding understanding the planned remedial actions by the service provider, as well as the example in paragraph A210, which indicates the firm may make inquiries of the service provider or request documentation from the service provider regarding "for technological or intellectual resources, the procedures undertaken by the service provider in designing, implementing and operating the resources" in order to determine if the resource is appropriate.

EY Global Limited

We agree with the proposals addressing service providers as they relate to human resources; however, as it relates to technological resources, we believe that the IAASB needs to re-evaluate what information is realistic to obtain from a service provider. Specifically, we disagree with the example included in paragraph A210 that states in determining if the resource is appropriate, the firm may request documentation of "for technological or intellectual resources, the procedures undertaken in designing, implementing, and

operating the resources." It is very unlikely that service providers would comply with this request as it could be interpreted as a request for trade secrets.

Consistent with our concern on paragraph A210, in FAQ 15, it is unrealistic to expect firms that use third party applications to be able to make inquiries and expect a thorough response as to common errors, functionality issues, or how the changes are tested before being deployed. It is our experience that a vendor providing technological resources would not likely provide a list of common errors or information as to how an application is designed. We recommend that the IAASB perform outreach to service providers of technological resources to determine what is reasonable for firms to obtain (i.e., operations manual, service organization control reports) and update the standard and implementation materials accordingly.

Grant Thornton International Limited

We support the inclusion of requirements for firms to understand the service provider and the scope and nature of the services that it intends to use as part of developing its system of quality management. However, similar to our response to question 13 above, we are of the view that further guidance is required on how firms can scale its response to these requirements based on the service provider being used. For example, we would expect that the response employed by firms when using a service provider such as Microsoft would be different if to that if the service provider was a new, relatively unknown service provider.

KPMG IFRG Limited

We agree with the inclusion of service providers into the scope of the ED. However, we would welcome further examples on what service providers are expected to be in scope. For example, if an audit firm purchases "off the shelf" software and the vendor supplying the software and maintaining is considered a service provider (e.g. the software is supported and managed by a third party and not in-house for the audit firm), we would welcome further guidance and examples on the requirements for testing and documenting the controls around such software.

Mazars USA LLP

Response: We generally support the proposals addressing service providers. We do believe more guidance will be needed when information is not available to firms, and to define the different types of service providers, by complexity or significance, to support customized approaches as promoted throughout the standard.

MNP LLP

In our view the term "service provider" is broad and to apply the requirements of the standard to all service providers may be too onerous. We agree that in the case that engagement quality reviews are performed by a service provider, that the requirements of the standard would apply. However, if the firm is, for example, using a fairly standard and "off the shelf" software solution, then we are not confident that applying the requirements of the standard would be that informative as the initial decision to select the particular software would have addressed most, if not all, qualitative requirements and if there were any concerns, they would have been addressed prior to implementation.

Moore Stephens International

Response: Audit firms of all sizes use service providers for things ranging from training to methodology, audit tools to data analytics… we agree with the principle behind the proposals, but we wonder how this will work in practice. It would be most useful if there was an explicit requirement for auditors using such service providers to require an ISAE 3402 report or equivalent however we note that in practise, this might prove to

be very difficult to obtain as it is not a requirement for service organisations in all jurisdictions to have such an report done, especially considering the type of service organisations many smaller firms use such as IFRS advisors and training providers.

Nexia Smith & Williamson

We would encourage the IAASB to develop suitable application guidance aimed directly at service providers, to assist firms in explaining what is required.

PKF South Africa

We support the proposals addressing service providers. However, we encourage the IAASB to emphasise the impact of the proposed requirements in its outreach activities. Firms would need to communicate the need and secure the support of their service providers to ensure that the necessary information will be provided by such service providers for the firm to comply with the proposed requirements.

PriceWaterhouseCoopers

Networks requirements and services and service providers - We believe that the standard needs to explicitly clarify that regionally developed, or individual network firm-to-network firm, services are within the scope of the network services requirements in order to avoid inconsistent understanding. Similarly, with respect to service providers, further clarity and guidance are needed on the scope of services to which these requirements apply, and the extent of the firm's required responses to quality risks. Otherwise, we fear that there will be inconsistent interpretation and practices emerging. Depending on the scope of application and, therefore, the potentially significant interactions required with external parties, we also believe, the potential costs and benefits of the service provider requirements need to be further assessed. For both these sections of the standard, clear implementation support materials, addressing both audit and other non-audit services within the scope of this standard, will be important.

We support including consideration of the use of service providers within the standard. However, we believe further clarity and guidance are needed on the scope of services to which these requirements apply, and the extent of the firm's required responses to quality risks, to avoid inconsistent interpretation and practice.

For example, while paragraph A205 provides some examples to illustrate the statement in the requirement in paragraph 64 ("when the firm intends to obtain or use resources provided by a service provider in its system of quality management"), the boundaries remain unclear to us. There are examples of service providers for which arguments could be constructed both in support of, or against, whether those services have a bearing on the firm's SoQM.

In our view, there are likely three types of service providers:

1. Those whose services are used to directly support the delivery of engagements
   The existing application guidance lists several examples of service providers that directly support the engagement, including human resources used to provide consultation on technical matters, and IT applications used to perform engagements. These should fall within the scope.
2. Those whose services directly support the design or operation of the firm's SoQM
   These service providers have a direct impact of the SoQM, and may include providers of IT applications that are used to fulfil responses to the firm's identified and assessed quality risks e.g., software to deliver and monitor training. Again, these should fall within the scope.
3. Those whose services for which it is unclear whether they interact, or that may only indirectly interact, with the SoQM

> There is a wide range of services that may be provided by third-party service providers for which it is currently unclear to us if they fall within the scope based on the current drafting. For example, email and cloud services may involve storage of documents that are relevant to the engagements or host databases that capture a firm's policies and procedures, or an HR system may be used to capture and document completion of performance objectives and appraisals that are required by the firm's policies and procedures. We suggest the standard provides additional criteria or guidelines on whether, and to what extent, services of the type described here are within the scope.

With respect to the matters in paragraph 64, we note that further clarity around what is expected in terms of determining reputation and competence would be helpful. Reputation can be a fluid concept, in particular for technological service providers. Are the matters in paragraph 64 expected to be continuously assessed or assessed only periodically, i.e., annually? In addition, technological providers may be unwilling to provide detailed information around their design, implementation and operation of the resource, including, for example, where they may have used subcontractors. In such cases, highlighting relevant considerations for a firm in how it might address an evaluation of the resource may be helpful e.g., through user-acceptance/scenario testing or other safeguards.

We also recommend that any clarified definition be included within the definitions section so that there is absolute clarity that service providers are external to the firm and network, as explained in A205.

Service Providers (refer to our response to question 14): We propose a definition of "service provider" be added.

Paragraph 64 Scope: (refer to our response to question 14): We suggest further clarity and guidance are needed on the scope of services to which these requirements apply, and the extent of the firm's required responses to quality risks, to avoid inconsistent interpretation and practices. We suggest addressing different categories of service provider in the application material. We note that further clarity around what is expected in terms of determining reputation and competence would also be helpful.

RSM International Limited

Response: Yes, we support these proposals, but more implementation guidance will be needed to ensure consistency of application.

5. Public Sector Organizations

Auditor General South Africa

Yes, we support the proposals addressing service providers. However, we recommend that guidance and clarity be provided with respect to the nature, timing and content of the service provider assessments as well as the primary method of confirming reliance on the service providers quality management processes. Also, further guidance needs to be provided with respect to the remedial actions where a service provider fails to meet quality standards.

6. Member Bodies and Other Professional Organizations

Center for Audit Quality

We generally support how the proposal addresses service providers. However, we encourage the Board to consider providing additional guidance to help firms appropriately scale this requirement based on various characteristics of the service provider, including the scope of services it provides. For example, including a discussion about how firms might be expected to apply the requirement to a well-known and reputable service provider compared to a newer, lesser-known service provider could be instructive.

Further, it may be challenging for firms to obtain certain information from service providers as described in the application material. We recommend that the IAASB perform outreach to service providers of technological resources to determine what is reasonable for firms to obtain (i.e., operations manual, service organization control reports) and update the standard and implementation materials accordingly.

Chartered Accountants Australian and New Zealand and ACCA

Yes, but more clarity is needed about who constitutes a service provider. For example, if small firms are using widely available commercial off the shelf solutions for audit methodology does the provider fall within the definition of service provider? A broad definition will increase costs without positively impacting audit quality.

IFAC Small and Medicum Practices Committee

Yes, the SMPC is supportive of the approach in ISQM 1 in addressing these service providers. In practice, while some larger firms might look to assess different service providers formally, smaller firms usually make these assessments informally through usage. It is not clear what the more formal assessment implied by paras 64 and 65 would look like and some examples of this would be helpful.

Institute of Independent Auditors of Brazil (IBRACON)

Yes. However, there may be a challenge in obtaining the information required from the service providers for firms to meet the requirements. Depending on the nature of the services provided, they can have access to confidential information, which can demand stronger controls by firms.

Instituto de Censores Jurados de Cuentas de España

Yes, in general. The fact that service providers should be included in the monitoring scope, as it happens with network service providers (Para 63) is not addressed.

Instituto Mexicano de Contadores Públicos

This request could generate conflicts in the Audit firm, mainly because the service suppliers, in some cases, may be providing information to the Audit firms to complete and follow the new requirements.

New York State Society of CPAs

Response: We support the proposals addressing service providers, but would appreciate (1) additional guidance relating to circumstances where certain information is not available to firms, and (2) further clarification of different types of services providers bases on complexity or another criteria, to enable firms to customize approaches.

Royal Institute of Chartered Surveyors

As many audited financial statements will include fair value measurements, to fully protect the public interest, we recommend that valuation professionals performing fair value measurements for financial reporting should be subject to additional oversight and rules similar to the auditors. Thus, as part of the quality management process, audit firms using external valuation experts, including management staff, to perform fair value measurements for financial reporting should be required to provide his or her qualifications including credentials demonstrating that the individual performing the work adheres to high quality standards and best practice guides and with an enforcement mechanism for non-compliance such as the Certified in Entity and Intangible Valuations (CEIV), MRICS, FRICS, etc. when necessary. This will enhance the quality of valuation work products involving fair value measurements.

Due to limited resources and/or lack of expertise at the firms, we support the proposals addressing service providers. We also believe that firms should use service providers in the system of quality management when necessary. In addition, the standard provides some helpful expectations required of firms when utilizing resources provided by a service provider such as (1) obtaining an understanding of the service provider's reputation and capabilities, (2) establishing the nature and scope of the resources and (3) determining whether the resource is appropriate for use. Although the firms may engage service providers, we agree that the firm still remains responsible for its system of quality management.

In addition, even though it is not explicitly stated in ED-ISQM 1, fair value measurements attributes to a good number of audit deficiencies (as noted in the PCAOB Staff Inspection Brief, Information about 2017 Inspections, Volume 2017 / 3, August 2017). ED-ISQM 1 requires auditors to design and implement effective controls over all aspects of audit/assurance projects (acceptance, performance, leadership, etc.). Generally, when auditors are subject to additional rules and oversight, valuation professionals who perform fair value measurements (FVM) will also be subject to additional rules and oversight. We believe information regarding this point will ensure valuation work products involving fair value measurements are also enhanced.

Furthermore, audit firms utilizing external valuation specialists, including management, to perform fair value measurements for financial reporting should be required to state the valuation specialist's (or management's) qualifications including any credentials such as the Certified in Entity and Intangible Valuations (CEIV), MRICS, FRICS, etc. Further, audit and accounting firms should recommend working with practitioners who follow rigid standards and best practice guides such as the Mandatory Performance Framework (MPF) and with an enforcement mechanism for non-compliance, when necessary. This will enhance the quality and transparency of valuation work products involving fair value measurements.

South African Institute of Chartered Accountants

The proposals addressing service providers are most welcomed and supported by SAICA. These requirements are well thought out and practical. Engagement with practicing service providers found that many of the requirements included in ED-ISQM 1 are currently found in practice despite there being no formal requirement for them.

In considering whether the new requirements will create a barrier to entry into the market, it is believed that although not formally required until including these in ED-ISQM 1, it is current common practice and the new requirements are therefore not likely to have a negative impact on the pool of available service providers.

In line with the concern in relation to limited resources available to firms to assist in the implementation of the proposed new and revised requirements, one possible solution is for firms to engage with service providers. To this end, SAICA welcomes the formalisation of the requirement in relation to using service providers.

In relation to technological resources, a concern in relation to the information to be obtained from the service provider was noted, specifically that included in paragraph A210 and the guidance that documentation relating to the service providers technological and intellectual resources may be requested. The view was that it is unlikely that service providers would comply with this request as it could be interpreted as a request for trade secrets. It was suggested that the IAASB re-evaluate the information that the firm will realistically be able to obtain in this regard.

Q14 - Disagree

4. Accounting Firms

Nexia International

This requirement appears to be too onerous.

6. Member Bodies and Other Professional Organizations

CPA Australia

Response: Whilst it seems reasonable to make sure that the firm's quality management extends to service providers, the practical implications of implementing the requirement are significant. For example, to obtain and effectively evaluate the design, implementation and operation of the technological resources would not be achievable for many firms. The reason that the service is outsourced is usually that the firm does not have the necessary expertise itself and so would not be able to effectively evaluate the quality management information provided, if indeed it can be obtained. The application material rightly states that the service provider may need to supply the firm with an assurance report on the description and design of their controls over the resource, much like the current ISAE 3402 report on controls. This will create a significant additional cost to engaging such services and may not be available from many service providers.

Institute of Chartered Accountants of Pakistan

We believe that it will be extremely challenging for firms to ensure appropriate quality standards of every service provider. Doing so would unnecessarily delay their routine business activities in many cases.

Q14 - Unclear

2. Regulators and Audit Oversight Authorities

Canadian Public Accountability Board

In addition to external monitoring, networks also provide services to local firms, and a distinction is drawn in the exposure draft between the services they provide to the firm and the services provided by an external party. The requirements to understand and assess the network's services (58, A197-198) are approached differently to those of external services providers, and we are unclear why this is the case when the nature of both are the same.

4. Accounting Firms

Mazars

Response: The material in Q&A (Question N° 22) should be included in the application material in A 205. The definition of service provider should be limited to significant or risky services, in accordance with the scalability and risk-based approach promoted by the standard.

6. Member Bodies and Other Professional Organizations

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

See the views expressed in answer no. 9 above.

Institute of Chartered Accountants in England and Wales

Many firms, not all of them small, have long relied on service providers - including professional bodies and commercial providers - for training, audit software or methodologies. An increasing number rely on service

providers for analytics and cloud-based software. In practice, while some larger firms might look to assess different providers formally, smaller firms make that assessment informally through usage. It is not clear what the more formal assessment implied by paragraphs 64 and 65 would look like and some examples of this would be helpful.

Does IAASB envisage providers being asked to provide ISAE 3402 reports, for example? What alternatives might there be?

Institute of CPAs of Uganda

ICPAU believes that there are some inconsistencies in the proposals addressing service providers with the definition of the term engagement team. Para 19(f) excluded external experts from being part of the engagement team however, para A 205 gives an illustration of service providers to include ‘a commercial IT application used to perform audit engagements.’ There is then need to harmonize these two provisions.