

### ED-ISQM 1: Question 15 - Change in Title to “ISQM”

With respect to national standard setters and regulators, will the change in title to “ISQM” create significant difficulties in adopting the standard at a jurisdictional level?

#### Q15 - No challenges

##### 2. Regulators and Audit Oversight Authorities

###### Financial Reporting Council United Kingdom

We do not anticipate any significant difficulties adopting the standard at jurisdictional level as a result of the change in the title.

###### Independent Regulatory Board for Auditors (South Africa)

No, the change in the title to ISQM will not create significant difficulties in adopting the standard.

##### 3. National Auditing Standard Setters

###### AICPA

The change in title will not present significant difficulties for the ASB in converging with the standard. We have consulted with National Association of State Boards of Accountancy, and they have indicated that they do not foresee difficulties with respect to the change in title at the state level in the United States.

###### Conselho Federal de Contabilidade - Federal Accounting Council (Brazil)

No. We agree that changing the title will not create difficulties in the adoption of the standard.

###### Hong Kong Institute of Certified Public Accountants

There is no concern locally over the change in title to "ISQM".

###### Institut Der Wirtschaftsprufer

No, in our jurisdiction the change in title to ISQM will not cause any difficulties.

###### Japanese Institute of CPAs

We believe that the change in the title will not create significant difficulties in Japan.

###### Kammer der Steuerberater und Wirtschaftsprufer

No, we do not think so. In practice, there might be translation issues with new terminology.

###### Malaysian Institute of Accountants - Auditing and Assurance Standards Board

The change in title will not create a significant difficulty in adopting the standard in Malaysia.

###### New Zealand Auditing and Assurance Standards Board

In New Zealand, the XRB has adopted ISQC 1 but amended the scope as appropriate for its mandate, limited to assurance engagements. The XRB standard was renamed Professional and Ethical Standard 3 (Amended) Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements i.e., the XRB has not adopted the title “International Standard on Quality Control”.

The change in title from ISQC to ISQM is unlikely to have an impact for the XRB as it will continue to issue this standard as part of the Professional and Ethical Standards. The NZAuASB intends to adopt the new title amended for its mandate Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance Engagements.

#### **4. Accounting Firms**

##### **CAS International**

We see no issue.

##### **Crowe Global**

We are a network, not a standard setter or regulator, but we do not perceive any issues and encourage standard setters and regulators to adopt the IAASB's new approach.

##### **Duncan and Topliss**

R15: We don't see why this would be an issue.

##### **ETY Global**

No difficulty in adopting the standard due to the change in the title expected in the jurisdiction.

##### **KPMG IFRG Limited**

We believe the name change reflects the nature of the new standard and do not believe it will create any difficulties in adopting the standard.

##### **Mazars**

No.

##### **Mazars USA LLP**

We do not see any difficulties with the change in title and approach to a quality management framework.

##### **Nexia International**

NO

##### **Nexia Smith & Williamson**

We do not anticipate any.

##### **PKF International Limited**

In our view, the change in title to "ISQM" will not create significant difficulties in adopting the standard at a jurisdictional level.

##### **PKF South Africa**

The change in title to "ISQM" will not create significant difficulties in adopting the standard at a jurisdictional level.

##### **RSM International Limited**

We do not believe this will cause an issue.

## **5. Public Sector Organizations**

### **Auditor General South Africa**

No, the change in the title to “ISQM” will not create significant difficulties in adopting the standard at a jurisdiction level.

### **National Audit Office of Malta**

No.

### **Office of the Auditor General New Zealand**

We are not aware of any difficulties that will arise because of the change in the title of the proposed standard.

### **Office of the Auditor General of Alberta**

We do not anticipate the change in title creating significant difficulties.

### **Provincial Auditor Saskatchewan (1)**

No, we don't foresee any significant difficulties with the change in title to “ISQM”.

## **6. Member Bodies and Other Professional Organizations**

### **CA Ireland**

No

### **Center for Audit Quality**

We do not object to the change in title to “ISQM.”

### **Comision Interamericana de Control de Calidad de la AIC**

We believe that it will not create difficulties.

### **Comite Control de Calidad del ICPARD**

No, it won't.

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

According to CNDCEC the change in title would not create significant difficulties in adopting the new standard, since in the Italian legislation there is no explicit reference to ISQC 1.

### **CPA Australia**

We are not aware of any jurisdictional problems with changing the name of the standard.

### **Illinois CPA Society**

No.

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

Changes in title alone will not result in significant difficulties.

### **Institute of Chartered Accountants in England and Wales**

The change in title should make little difference to the process of adoption.

### **Institute of Chartered Accountants of Pakistan**

We do not anticipate that the change in title to 'ISQM' would create a significant difficulty in adoption of the standard.

### **Institute of Chartered Accountants of Scotland (ICAS)**

We do not envisage any significant difficulties arising from the change to ISQM in the UK but are aware that there are some jurisdictions where a change in legislation may be required when a reference to ISQC 1 is included.

### **Institute of CPAs of Uganda**

ICPAU does not think the change in title will create significant difficulties in adopting the standard. In fact the title is a quick way for national standard setters and regulators to easily understand that the standard has changed the approach of addressing risks to quality in engagements from quality control to quality management.

### **Institute of Independent Auditors of Brazil (IBRACON)**

No. We agree with the proposed change to ISQM and we do not believe this is going to create any difficulties in the adoption.

### **Instituto de Censores Jurados de Cuentas de España**

No. In fact, in Spain we do not foresee a problem since the Spanish regulator already included the concept "internal organisation" in the Audit law as a firm's management concept. Therefore ISQM 1 is aligned with regulatory changes in force in Spain from 2021.

### **Malaysian Institute of CPAs**

No. The International Standards on Auditing (ISA) are adopted and implemented by the local professional bodies such as MIA and MICPA which follow international practice.

### **New York State Society of CPAs**

Response: We do not see any issues with this in the US.

### **Self-Regulatory Organization of Auditors Association**

No

### **The Finnish Association of Authorised Public Accountants**

We do not mention ISQC1 by name in Finnish legislation. We refer, though, to our comments on the translation issues.

## **9. Individuals and Others**

### **Shady Fouad Ahmed Mehelba**

No, but in some jurisdictions the risk management, governance and transparency report may have oversighting professional organizations, that issue related pronouncements for controlling these functions and reporting over them, I believe we may need to be alerting for that cautions that may result in conflicts

with the specific procedures and objective of ISQM related to these terminologies , and since we have these terminologies in ISQM .avoiding conflict that may be foreseeable especially with procedures regard governance , significant public entities and transparency report, we might need a group for gathering informative deliberative resources for the incoming period to enhance these terminology and define more comprehensive definition ,policies and procedures related to them before authorizing the ISQM for issuance

**Vera Massarygina**

No

## **Q15 - No challenges but conditional or with further commentary**

### **6. Member Bodies and Other Professional Organizations**

#### **European Federation of Accountants and Auditors for SMEs**

We do not foresee significant difficulties but the IAASB should be mindful that it will take time for legislation to be amended and that new terminology may present challenges to translators.

## **Q15 - Challenges**

### **2. Regulators and Audit Oversight Authorities**

#### **National Association of State Boards of Accountancy**

With respect to the state boards of accountancy as regulators of the profession in the United States, we do not believe that there would be significant difficulties in adopting at a jurisdictional level the change in title. However, there are state boards of accountancy that are required by other statutes to adopt only a named, dated version of a particular set of standards. These jurisdictions may face transition issues if they mandate compliance with a set of standards that no longer exists or only exists under a different name.

### **3. National Auditing Standard Setters**

#### **Royal Nederlandse Beroepsorganisatie van Accountants**

We have no problems with changing the title into our own Dutch regulation. However, in the EU Directive the old title of ISQC1 is mentioned. This might create difficulties at the European level.

### **4. Accounting Firms**

#### **BDO International**

While we understand the IAASB's rationale for modifying the name of the extant ISQC 1 to focus less on 'quality control' on the overarching term 'quality management' in our view, what may seem like an inconsequential change can have an unintended impact on different firms, networks and stakeholders. We believe this is an unnecessary change due to the following:

As noted in the Explanatory Memorandum to ED-ISQM 1, in many jurisdictions professional standards must be firstly enshrined in law or regulations prior to becoming effective. Consequently, this can lead to significant delays in professional standards being adopted and implemented successfully. From a network perspective, this can cause issues in terms of timely issuance of guidance, training or support being provided to member firms and could impact adoption of the new approach.

As a network with member firms of very different sizes, we have been supportive of the focus that the IAASB has dedicated to the concept of 'scalability' both in ED-ISQM 1 and other professional standards.

However, minor wording changes for some firms can have a high impact in terms of costly modifications to legacy tools, templates and other resources. In particular, ISQC 1 because of its content and reach is referred to in many firm or network policies and/or agreements. In some respects, these minor changes can ultimately have an adverse effect on scalability and the public interest if they lead to a delay in implementation.

For the reasons outlined above, we do not feel that the benefits of the name change outweigh the time and resources that would be needed to implement the change at the firm or network level although we do understand the emphasis that the IAASB has placed on the need for ongoing 'management'.

## **6. Member Bodies and Other Professional Organizations**

### **Accountancy Europe**

In countries where it is explicitly mentioned into law that auditors need to follow the ISQC 1 as issued by IFAC, there will be a need to amend the reference in the law, which could be seen as an administrative burden for policy makers.

We should be mindful that for some jurisdictions, the costs of translation are very high, and it would be detrimental for worldwide adoption of the IAASB suite of standards if some would not be able to afford it anymore.

### **Australian Accounting Professional and Ethics Standards Board**

APESB understands the change in terminology from engagement quality control review to EQR is due to the shift in focus from quality control to quality management and to ensure consistency of terminology in the suite of standards. This change in terminology will require changes in Australia, including legislative instruments such as ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information. It will also impact the APESB in respect of updating standards (the Code and APES 320) and all relevant member firms in updating their existing quality control documentation.

### **Chartered Accountants Australian and New Zealand and ACCA**

One significant consequence is that in certain jurisdictions changes in national legislation will be required to implement this. This may lead to consequential delays in adoption.

### **IFAC Small and Medium Practices Committee**

There will be a need for national regulators to make the necessary amendment to the local legislation. It is important for the IAASB to be cognizant of such time frame.

### **Korean Institute of CPAs**

We believe that the purpose and role of ISQM are not much different from those of extant ISQC 1, thereby creating no need for changing the title. In addition, relevant legislations use the extant title in several jurisdictions under which case changing title could lead to the revision of such legislations, which sounds somewhat difficult.

### **Nordic Federation of Public Accountants**

For some of the Nordic jurisdictions, the change in title of the standard will have implications on the legislation. Therefore, we urge the IAASB to take this into account when deciding the time frame in which the standards will need to be implemented.

Also, the EU Audit directive from 2014 includes a lot of detailed regulations regarding the internal organization of the audit firms. These regulations are mainly based on ISQC 1 and have been implemented in the legislation/regulation within the EU member bodies. How these articles have been implemented will of course vary. We would like to flag that there might be a risk that when implementing the new quality management standards, some parts of the ISQC 1 might still need to be applied within EU jurisdictions.

### **Wirtschaftsprüferkammer**

The German Professional Charter for Professional Accountants in Public Practice (BS WP/vBP) refers in several provisions to extant ISQC 1. The needs for changes cannot be assessed before a carefully analyses have been executed, which could be seen as an administrative burden.

## **9. Individuals and Others**

### **Training and Advisory Services and Chartered Accountants Academy**

Yes

The change will create significant difficulties in adopting the standard especially in Africa where there is bureaucracy in decision making at jurisdictional level. There is need for advance communication to the national standard setters and regulators on the move from ISQC to ISQM so that standard setters and regulators know in advance the move that is coming. Some pieces of legislation refer to ISQC and the process of changing the wording might be very slow.

## **Q15 - Unclear**

### **3. National Auditing Standard Setters**

#### **Australian Auditing and Assurance Standards Board**

The depth of considerations of the proposals of the standard may be greater and have more implications in jurisdictions where the suite of Auditing Standards (including ISQM 1) are legislative instruments and have force of law implications. The AUASB is concerned that the granular level of detail contained in proposed ISQM 1 makes this standard difficult for practitioners to achieve compliance with all the requirements. This further supports the need for ISQM 1 to be a risk-based standard as described in Question 1(a) above.

### **4. Accounting Firms**

#### **PriceWaterhouseCoopers**

No specific comments. This matter will need to be addressed on a jurisdiction-by-jurisdiction basis with reference to each territory's local law and regulation by national standard setters and other regulatory authorities.

### **6. Member Bodies and Other Professional Organizations**

#### **Belgian Institute of Registered Auditors IBR-IRE**

Yes: see above answer to question 1 b) (professional skepticism at firm's level) and 3) ("may" could be considered as leading to best practices).

#### **California Society of CPA's**

This may be more of an issue at the international level, although there may be some individual U.S. jurisdictional issues.

## **Royal Institute of Chartered Surveyors**

We believe if the implementation and adoption of ISQM-1 improves quality and consistency, and protects the public interest, it would be difficult to argue against adopting this standard at a jurisdictional level.

## **Q15 - Additional comment - Support changing title**

### **1. Monitoring Group**

#### **International Forum of Independent Audit Regulators**

IFIAR supports the IAASB's efforts to renew and strengthen the requirements regarding quality management at the audit firm level and the related name change to International Standards on Quality Management. This reflects the evolving environment in which firms operate, the intensifying focus on quality and the increasing expectations of firms' stakeholders that a quality standard that is based on fairly high level procedures is not fit for today's environment and a more proactive approach to managing quality at both the firm and the engagement level is required.

### **2. Regulators and Audit Oversight Authorities**

#### **Committee of European Auditing Oversight Bodies**

4. In line with our general support for the project, we support the related name change from International Standards on Quality Control to International Standards on Quality Management.

#### **Irish Auditing and Accounting Supervisory Authority**

In line with our general support for the project, we support the related name change from International Standards on Quality Control to International Standards on Quality Management.