

**Task Force Detailed Responses to Respondents’ Comments on  
QM-Related Conforming Amendments to the Code Exposure Draft**

**Note:** This Agenda Item has been prepared to inform the IESBA of the Task Force’s views on the responses to the Exposure Draft of [Quality Management-Related Conforming Amendments to the Code Exposure Draft \(ED\)](#).

**Question 1: Do you agree with the proposed conforming amendments in this ED?**

No	Respondent	Respondent Comments	Task Force Responses
1	IRBA	<p><b>SECTION 120: CONCEPTUAL FRAMEWORK</b></p> <p>(a) We agree that the conforming amendments are aligned with ISQM 1. In addition, we provide supplementary comments in points (b)-(g) below for your consideration.</p> <p>(b) We noted that substantive changes were made to Section 120, with the introduction of Role and Mindset amendments. These changes are not reflected in paragraph 120.15 A3 as being introduced with the Fee-related amendments and were also not used as a basis for the conforming amendments Exposure Draft. Our recommendation is to align the Role and Mindset amendments with the Fee-related amendments.</p> <p>(c) In addition, we recommend that the following sentence be further conformed to align with ISQM 1: <i>“In the context of audits, reviews and other assurance engagements, the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASB is an example of such conditions, policies and procedures.”</i></p> <p>(d) We agree with the current intention of the sentence, which is to make a link to ISQM 1 and explain that in the context of threats to independence, policies and procedures designed under ISQM 1 as part of its SOQM are an example of policies and procedures that may help to identify and evaluate threats to independence. However, our view is that referring to the</p>	<p>Paragraph 120.15 A3 in the ED already reflected the changes introduced with the revised Fees provisions.</p> <p>Any amendments beyond strictly limited conforming amendments are outside the scope of this project.</p> <p>The Code refers to “conditions, policies and procedures” as generally described in Section 120, not the policies or procedures within the conceptual approach of ISQM 1 to respond to quality risks. Paragraph</p>

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		<p>“existence of a[n] SOQM” as an example of policies and procedures is incorrect as the SOQM itself does not represent a policy or procedure as envisaged in ISQM 1. Policies and procedures exist within the broader SOQM to respond to quality risks. Although all firms will have an SOQM as required by ISQM 1, not all firms will have the same quality risks related to independence; and not all firms will necessarily have policies or procedures that address the specific independence threat identified at the engagement level (because not all engagement level threats will automatically translate to a quality risk at a firm level).</p> <p>(e) So, in this context, firms may or may <i>not</i> have policies or procedures that address the specific threat. We therefore propose that specific reference be made to the consideration of quality risks and the policies and procedures designed in response to these quality risks, as this approach would directly align with ISQM 1.</p> <p>(f) In addition, we propose replacing the reference to “<i>the quality management standards issued by the IAASB</i>” simply with ISQM 1. This is for consistency with other references in the IESBA Code, including:</p> <ul style="list-style-type: none"> <li>• Par. 120.14 A1;</li> <li>• Proposed amendments to par. 320.3 A4;</li> </ul>	<p>120.15 A3 is therefore not necessarily inconsistent with ISQM 1. However, to avoid giving the impression that the mere existence of a SOQM is an example of “conditions, policies and procedures” instead of the actual design, implementation and operation of the SOQM representing those “conditions, policies and procedures,” the Task Force has proposed that the words “the existence of” be deleted from paragraph 120.15 A3. See <b>agenda item 3-B</b>.</p> <p>As above, paragraph 120.15 A3 is describing the general conditions, policies and procedures that might assist in identifying and evaluating threats. It would be going too far to introduce the concept of quality risks within the conceptual framework of the Code. Further, Section 120 is not tied to, and does not depend on, ISQM 1.</p> <p>Not accepted. The system of QM for audits, reviews and other assurance engagements does not comprise ISQM 1 alone but encompasses ISQM 2 and ISA 220 (Revised).</p>

No	Respondent	Respondent Comments	Task Force Responses		
		<ul style="list-style-type: none"> <li>• Proposed amendments to par. 330.4 A2; and</li> <li>• Proposed amendments to par. 400.4.</li> </ul> <p>The requirement to “design, implement and operate a system of quality management” does strictly stem from ISQM 1.19. It is therefore accurate.</p> <p>(g) We propose that the following adjustments be made:</p> <p><i>Considerations for Audits, Reviews, <del>and</del> Other Assurance Engagements <u>and Related Services Engagements [To conform to the Role and Mindset amendments]</u></i></p> <table border="1" data-bbox="583 683 1371 1312"> <tr> <td data-bbox="583 683 751 1312">120.15 A3</td> <td data-bbox="751 683 1371 1312"> <p><i>Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews, <del>and</del> other assurance <u>and related services engagements [To conform to the Role and Mindset amendments], policies and procedures designed and implemented in response to independence quality risks <del>the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASBISQM 1</del> is an example of such conditions, policies and procedures.</u></i></p> </td> </tr> </table>	120.15 A3	<p><i>Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews, <del>and</del> other assurance <u>and related services engagements [To conform to the Role and Mindset amendments], policies and procedures designed and implemented in response to independence quality risks <del>the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASBISQM 1</del> is an example of such conditions, policies and procedures.</u></i></p>	<p>No change. Amendments relating to the Role &amp; Mindset project are outside the scope of this project.</p> <p>No change. It would not be appropriate to extend the scope of this paragraph to cover related services engagements because the paragraph is addressing threats to independence. Related services standards are not assurance engagements and therefore do not require independence.</p> <p>Further, the Task Force believes it would be going too far to incorporate detailed provisions of ISQM 1 in the Code, especially as the concept of quality risk is a concept established and defined in IAASB standards.</p>
120.15 A3	<p><i>Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews, <del>and</del> other assurance <u>and related services engagements [To conform to the Role and Mindset amendments], policies and procedures designed and implemented in response to independence quality risks <del>the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASBISQM 1</del> is an example of such conditions, policies and procedures.</u></i></p>				

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2	IRBA	<p><b>SECTION 320: PROFESSIONAL APPOINTMENTS</b></p> <p><b>Client and Engagement Acceptance</b></p> <p><i>General</i></p> <p>(a) We do not agree with the proposed conforming amendments to paragraph 320.3 A4 and the rationale provided in the supplementary comment. Our reasons and observations are provided in points (b)-(c) and (e) below.</p> <p>(b) The comment that tried to explain how the amendment would be applied practically was confusing. Particularly, we noted the following:</p> <ul style="list-style-type: none"> <li>• The proposed amendment itself does not mention the consideration of the “efficiency/deficiency” of policies and procedures. We were unable to make the link/connection between the comment and the proposed amendment.</li> <li>• It was deliberated if/how the policies and procedures would impact the level of the threat to professional competence and due care. We concluded that the level of the threat is inherent to the client and engagement circumstances and unrelated to the policies and procedures. However, it made sense that in evaluating threats to professional competence and due care, practitioners would be required to consider any existing firm policies and procedures that provide requirements or guidance over and above what is provided in the IESBA Code, as this may assist them in their evaluation. This is consistent with paragraph 120.8 A2.</li> <li>• We found the following concluding comment confusing: <i>“So, the threat to assigning individuals lacking the appropriate competence is higher when the policies or procedures designed and implemented by the system of quality management (SQM) are not effective.”</i> This is because the firm would not design and</li> </ul>	<p>Agree, the level of the threat is related to the client and engagement circumstances. However, the policies or procedures must recognize and respond to the threat to professional competence and due care given the engagement circumstances. The policies or procedures cannot operate in a vacuum without recognizing the particular client and engagement circumstances.</p> <p>Not agreed. If policies and procedures firms design and implement are always expected to be effective, there would be no need for a monitoring and remediation process as required by ISQM 1. Under</p>

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		<p>implement policies and procedures that it does not expect to be effective; and the <i>timing</i> of the evaluation of the threat (at client and engagement level) and the <i>evaluation</i> of the effectiveness of the system of quality management (including the policies and procedures) (at least annually in accordance with ISQM 1.53) happens at different times.</p> <ul style="list-style-type: none"> <li>Therefore, when evaluating the threat at the client and engagement acceptance level, the practitioner will always conclude that the policies and procedures are effective. The inverse impact of this was also deliberated on and the question was: What would be the impact on the client and engagement acceptance evaluation if policies and procedures to respond to risks of inappropriate acceptance due to lack of professional competence and due care were concluded to be deficient? We concluded that there should not be an automatic impact. Deficient responses (policies and procedures) to professional competence and due care quality risks indicate a higher risk of inappropriate acceptance at the firm level, but do not necessarily increase the “threat” at the specific client and engagement acceptance level. That depends on the facts and circumstances of the proposed client and engagement and has to be evaluated separately. (It should not be implied that <i>all</i> client and engagement acceptances now have an increased threat to the fundamental principle of professional competence and due care.)</li> </ul> <p>(c) The proposed editorial amendment starts with “<i>whether the firm has implemented policies and procedures...</i>”, but ISQM 1.34 <i>requires</i> firms to “establish policies and procedures” as a specific response to quality risks (read in conjunction with ISQM 1.26). So, the “whether” applies to “<i>whether</i></p>	<p>such a system of QM, all engagements would be expected to be performed without any quality issues all the time.</p> <p>See above.</p> <p>Not agreed. Policies and procedures must recognize the engagement circumstances to effectively be responses to the quality risks. If the policies and procedures are deficient, this will impact the level of the threat at the engagement level. For example, if, applying deficient policies and procedures, individuals with the appropriate levels of experience or expertise are not assigned to the engagement team recognizing the complexity of a particular engagement, this will increase the level of the threat to professional competence and due care at the engagement level.</p> <p>The changes proposed in paragraph 320.3 A4 are not stating anything different as they state that the policies or procedures are to respond to quality risks. Further, as</p>

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		<p>there are quality risks related to professional competence” when performing the client and engagement acceptance evaluation. If there are quality risks, the policies and procedures are required.</p> <p>(d) As a result of these considerations, we propose that the following adjustments be made:</p> <table border="1" data-bbox="520 480 1371 1403"> <tr> <td data-bbox="520 480 690 1403">320.3 A4</td> <td data-bbox="690 480 1371 1403"> <p><i>Factors that are relevant in evaluating the level of such a threat include:</i></p> <ul style="list-style-type: none"> <li>• <i>An appropriate understanding of:</i> <ul style="list-style-type: none"> <li>○ <i>The nature of the client’s business;</i></li> <li>○ <i>The complexity of its operations;</i></li> <li>○ <i>The requirements of the engagement; and</i></li> <li>○ <i>The purpose, nature and scope of the work to be performed.</i></li> </ul> </li> <li>• <i>Knowledge of <u>the</u> relevant industries or subject matter.</i></li> <li>• <i>Experience with <u>the</u> relevant regulatory or reporting requirements.</i></li> <li>• <del><i>The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently. Firm level quality risks related to professional competence and due care, and the firm’s has implemented policies or procedures that were designed and implemented to respond to those quality risks ; as part of a system of quality</i></del></li> </ul> </td> </tr> </table>	320.3 A4	<p><i>Factors that are relevant in evaluating the level of such a threat include:</i></p> <ul style="list-style-type: none"> <li>• <i>An appropriate understanding of:</i> <ul style="list-style-type: none"> <li>○ <i>The nature of the client’s business;</i></li> <li>○ <i>The complexity of its operations;</i></li> <li>○ <i>The requirements of the engagement; and</i></li> <li>○ <i>The purpose, nature and scope of the work to be performed.</i></li> </ul> </li> <li>• <i>Knowledge of <u>the</u> relevant industries or subject matter.</i></li> <li>• <i>Experience with <u>the</u> relevant regulatory or reporting requirements.</i></li> <li>• <del><i>The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently. Firm level quality risks related to professional competence and due care, and the firm’s has implemented policies or procedures that were designed and implemented to respond to those quality risks ; as part of a system of quality</i></del></li> </ul>
320.3 A4	<p><i>Factors that are relevant in evaluating the level of such a threat include:</i></p> <ul style="list-style-type: none"> <li>• <i>An appropriate understanding of:</i> <ul style="list-style-type: none"> <li>○ <i>The nature of the client’s business;</i></li> <li>○ <i>The complexity of its operations;</i></li> <li>○ <i>The requirements of the engagement; and</i></li> <li>○ <i>The purpose, nature and scope of the work to be performed.</i></li> </ul> </li> <li>• <i>Knowledge of <u>the</u> relevant industries or subject matter.</i></li> <li>• <i>Experience with <u>the</u> relevant regulatory or reporting requirements.</i></li> <li>• <del><i>The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently. Firm level quality risks related to professional competence and due care, and the firm’s has implemented policies or procedures that were designed and implemented to respond to those quality risks ; as part of a system of quality</i></del></li> </ul>			
		<p>this paragraph is describing a factor, it would not be appropriate to suggest that quality risks must first be identified.</p> <p>No change. The suggestion would in effect require an assessment of firm level quality risks at the engagement level <i>for every engagement</i> instead of allowing engagement partners to rely on the firm policies or procedures designed and implemented to respond to the quality risks. Further, the assessment of quality risks by definition needs to take into account the engagement circumstances because different engagements may require different levels of experience and expertise. The system of quality management should be responsive to such considerations through the policies or procedures instead of these considerations being dealt with at the engagement level by the Engagement Partner.</p>		

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		<div data-bbox="520 261 1369 467" style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><del><i>management in accordance with ISQM 1, that respond to quality risks relating to the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</i></del></p> </div> <p>(e) We also noted that this is the first reference to “quality risks” in the IESBA Code, and that the definition for “quality risks” has not been included in the Glossary. No context is provided in the IESBA Code before this new ISQM 1 concept is introduced in Section 320 and there is no explanation on how quality risks should be read and applied in accordance with the IESBA Code. This supports our introductory recommendation for the IESBA to consider, in coordination with the IAASB, the development of non-authoritative guidance that explains the interaction between the IESBA Code and the ISQM 1 requirements. Also refer to the GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS below.</p>	<p>No change. The reference to quality risks in paragraph 320.3 A4 is generalized, especially with the further amendment proposed to indicate that ISQM 1 is only an example of a QM standard. Further, to define within the Code the concept of quality risk as used in ISQM 1 would require also introducing and defining other ISQM 1 concepts such as quality objectives and responses. This would be going beyond the scope of this project.</p>		
3	IRBA	<p><b>SECTION 330: FEES AND OTHER TYPES OF REMUNERATION</b></p> <p><b>Contingent Fees</b></p> <p>(a) Given that the rationale for the proposed amendments to Section 330 matches the rationale provided in the supplementary comment to the proposed conforming amendments in Section 320, the same comments apply.</p> <p>(b) We therefore do not fully agree with the proposed conforming amendments and suggest that the following adjustments be made:</p> <div data-bbox="499 1284 1369 1390" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; padding: 5px;">330.4 A2</td> <td style="padding: 5px;"><i>Factors that are relevant in evaluating the level of such threats include:</i></td> </tr> </table> </div>	330.4 A2	<i>Factors that are relevant in evaluating the level of such threats include:</i>	
330.4 A2	<i>Factors that are relevant in evaluating the level of such threats include:</i>				

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		<ul style="list-style-type: none"> <li>• <i>The nature of the engagement.</i></li> <li>• <i>The range of possible fee amounts.</i></li> <li>• <i>The basis for determining the fee.</i></li> <li>• <i>Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration.</i></li> <li>• <del><i>Quality control policies and procedures. Firm level quality risks related to contingent fees, and the firm's policies or procedures that were designed and implemented to respond to those quality risks, in accordance with ISQM — 1. Whether the firm has implemented policies or procedures, as part of a system of quality management in accordance with ISQM 1, that address threats to compliance with the fundamental principles.</i></del></li> <li>• <i>Whether an independent third party is to review the outcome or result of the transaction.</i></li> <li>• <i>Whether the level of the fee is set by an independent third party such as a regulatory body.</i></li> </ul>	<p>Having considered other feedback from respondents, the Task Force proposes to revert to the wording in the extant Code to keep the factor principles-based, given that Section 330 is broader in scope than engagements performed under ISQM 1. See also discussion on this paragraph in <b>agenda item 3-B</b>.</p>
4	IRBA	<p><b>SECTION 400: APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS</b></p> <p><b>Introduction</b></p> <p><b>General</b></p> <p>(a) We agree that the conforming amendments are aligned with ISQM 1. In addition, we provide the supplementary comments that follow for your consideration.</p>	

No	Respondent	Respondent Comments	Task Force Responses
		<p>(b) In considering the completeness of the proposed conforming amendments, we deliberated on the <i>purpose</i> of the paragraph in trying to understand the rationale for including <i>some</i> cross-references to ISQM 1 while excluding <i>others</i>. For example, we could draw a direct link between the proposed conforming amendments and paragraphs ISQM 1.19, ISQM 1.29, the definition of “relevant ethical requirements” in ISQM 1.16 and ISQM 1.20(c)(i). However, we were not sure why the paragraph did not also include a reference to the enhanced requirements related to <i>accountability</i> of the individual’s designated responsibility in ISQM 1.21 and the specified responses to (inter alia independence-related) quality risks in ISQM 1.34. Our further deliberations are noted in points (c)-(f).</p> <p>(c) The placement of this paragraph under Part 4A made sense under ISQC 1 because there was emphasis on the firm’s requirement to establish policies and procedures to provide it with reasonable assurance that the firm, its personnel and others maintain independence where required by relevant ethical requirements (ISQC 1.21). This was amended in ISQM 1, however, to increase the focus on <b>all</b> relevant ethical requirements (i.e. not just independence). With this in mind, we challenge whether the retention of this paragraph remains appropriate, or whether it should not be removed to align it with the principal amendments to ISQM 1, so as not to place undue emphasis on the consideration of independence requirements above other ethical requirements. The parts of the paragraph that apply more broadly include, for example, the following:</p> <ul style="list-style-type: none"> <li>• <i>“ISQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.</i></li> </ul>	

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		<ul style="list-style-type: none"> <li>• “Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject (including the network, network firms, individuals in the network or network firms, or service providers).”</li> <li>• “ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization.”</li> </ul> <p>(d) The part of paragraph 400.4 that we agree to retain is the one that explains how to read Section 400 and starts with: “Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence...”. As this will become the focus of the conforming amendments to paragraph 400.4, it is also recommended that this part refers to ISA 220, The Firm’s System of Quality Management and Role of Engagement Teams, where this principle stems from. (We acknowledge paragraph 5 of the ED that explains that ISA 220 conforming amendments will be addressed by the Engagement Team – Group Audits Independence project team. However, we still consider this as a relevant recommendation in the context of the proposed ISQM 1 conforming amendments from a completeness perspective and recommend it for a referral to the Engagement Team – Group Audits Independence project team).</p> <p>(e) Due to these considerations, we propose that the following adjustments be made:</p> <table border="1" data-bbox="510 1255 1371 1416"> <tr> <td data-bbox="510 1255 663 1416">400.4</td> <td data-bbox="663 1255 1371 1416"><del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm, provide it with</del></td> </tr> </table>	400.4	<del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm, provide it with</del>	<p>No change. The Task Force believes that it would not be appropriate to import</p>
400.4	<del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm, provide it with</del>				

QM-Related Conforming Amendments – Detailed TF Responses to ED Comments  
 IESBA Meeting (November-December 2021)

No	Respondent	Respondent Comments	Task Force Responses
		<p><del>reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</del></p> <p><del>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers), maintain independence where required by relevant ethics requirements.</del></p> <p><del>ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively.</del></p> <p><del>The allocation of responsibilities within a firm will depend on its size, structure and organization. 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.</del></p> <p><del>A Firms assigns operational responsibility for compliance with independence requirements to an individual(s) that has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility; and understands their assigned roles and that they are accountable for fulfilling them in accordance with ISQM ISQC 1. In addition, ISA 220, The</del></p>	<p>wholesale provisions of ISQM 1 into the Code, consistent with the general approach taken in the revision of Part 4B to be parsimonious when referring to IAASB standards. Further, such an approach of parsimony would minimize the potential for having to revise the Code in future if there is a revision to ISQM 1.</p>

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			<p><i>Firm's System of Quality Management and Role of Engagement Teams, explains that the engagement team, leadled by the engagement partner (herein referred to as the individuals within the firm), is responsible for complying with the requirements of the ISAs in the context of the firm's system of quality management. Consequently, even though many of the provisions of this Part do not prescribe the specific responsibility of the individuals within the firm related to independence, instead referring to "firm" for ease of reference, the provisions apply equally to the individuals within the firm.an individual professional accountantremains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.</i></p>	
5	IRBA	<p><b>Network Firms</b></p> <p>We agree with the conforming amendments made to paragraphs R400.53 and 400.53 A4.</p> <p><b>Breach of an Independence Provision for Audit and Review Engagements</b></p> <p><i>When a Firm Identifies a Breach</i></p> <p>(a) We do not agree that the proposed conforming amendment made to paragraph 400.80 A1 meets the intended objective explained in the supplementary comment.</p> <p>(b) The comment reads: "As above re use of reasonable assurance in the context of a single matter." We agree that under ISQM 1, firms no longer conclude on whether single aspects of the system provide reasonable assurance or not, but instead evaluate and conclude on whether the system as a whole provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54].</p>		<p>Not accepted as there are no references to "reasonable assurance" in paragraph 400.80 A1. The Task Force, however, accepts the suggestion to delete the word "and maintain".</p>

No	Respondent	Respondent Comments	Task Force Responses				
		<p>However, the conforming amendment proposed still implies “assurance on a single matter” (in this case independence) because of how it is drafted.</p> <p>(c) In addition to proposing adjustments to address point 1, we note that the word “maintain” originates from extant ISQC 1, so we recommend that this also be changed.</p> <p>(d) We propose that the following adjustments be made:</p> <table border="1" data-bbox="499 532 1369 1049"> <tr> <td data-bbox="499 532 667 1049">400.80 A1</td> <td data-bbox="667 532 1369 1049"> <p><i>A breach of a provision of this Part might occur despite <del>the firm having a conclusion that the policies and procedures a system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54], including the quality objectives that address the fulfilment of responsibilities related to independence [From ISQM 1.29]. designed to provide it with reasonable assurance that independence is maintained address and maintain independence. It might be necessary to end the audit engagement because of the breach. [The last sentence becomes irrelevant given the preceding updates, as such we propose that it be deleted.]</del></i></p> </td> </tr> </table> <p>(e) Below is an additional conforming amendment to paragraph R400.80 for it to align to ISQM 1.20(c)(i).</p> <table border="1" data-bbox="499 1156 1369 1388"> <tr> <td data-bbox="499 1156 667 1388">R400.80</td> <td data-bbox="667 1156 1369 1388"> <p><i>If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:</i></p> <p><b>(a)</b> <i>End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;</i></p> </td> </tr> </table>	400.80 A1	<p><i>A breach of a provision of this Part might occur despite <del>the firm having a conclusion that the policies and procedures a system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54], including the quality objectives that address the fulfilment of responsibilities related to independence [From ISQM 1.29]. designed to provide it with reasonable assurance that independence is maintained address and maintain independence. It might be necessary to end the audit engagement because of the breach. [The last sentence becomes irrelevant given the preceding updates, as such we propose that it be deleted.]</del></i></p>	R400.80	<p><i>If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:</i></p> <p><b>(a)</b> <i>End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;</i></p>	<p>No change. As explained above, the Task Force does not believe it would be appropriate to repeat provisions in ISQM 1, especially when these provisions include references to quality management concepts such as “quality objectives” that are not defined in the Code. This would also be going beyond conforming amendments.</p>
400.80 A1	<p><i>A breach of a provision of this Part might occur despite <del>the firm having a conclusion that the policies and procedures a system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54], including the quality objectives that address the fulfilment of responsibilities related to independence [From ISQM 1.29]. designed to provide it with reasonable assurance that independence is maintained address and maintain independence. It might be necessary to end the audit engagement because of the breach. [The last sentence becomes irrelevant given the preceding updates, as such we propose that it be deleted.]</del></i></p>						
R400.80	<p><i>If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:</i></p> <p><b>(a)</b> <i>End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;</i></p>						

No	Respondent	Respondent Comments	Task Force Responses
		<p><b>(b)</b> Consider whether any legal or regulatory requirements apply to the breach and, if so:</p> <ul style="list-style-type: none"> <li>(i) Comply with those requirements; and</li> <li>(ii) Consider reporting the breach to a professional or regulatory body or oversight authority if such reporting is common practice or expected in the relevant jurisdiction;</li> </ul> <p><b>(c)</b> Promptly communicate the breach in accordance with its policies and procedures to:</p> <ul style="list-style-type: none"> <li>(i) The engagement partner;</li> <li>(ii) These <u>individual(s)</u> with <u>operational responsibility for <del>the policies and procedures relating to compliance with independence requirements</del> [ISQM 1.20]</u>;</li> <li>(iii) Other relevant personnel in the firm and, where appropriate, the network; and</li> <li>(iv) Those subject to the independence requirements in Part 4A who need to take appropriate action;</li> </ul> <p><b>(d)</b> Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an audit report; and</p> <p><b>(e)</b> Depending on the significance of the breach, determine:</p> <ul style="list-style-type: none"> <li>(i) Whether to end the audit engagement; or</li> </ul>	<p>Suggestion accepted.</p> <p>Subparagraph (c)(ii) indicates the individual(s) to whom the communication of the breach is to be made. It does not set any requirement or expectation as to how that individual(s) discharges their responsibilities. This is addressed by ISQM 1 as part of the firm's system of quality management. Any breach communicated will be dealt with in the context of how the system of quality management has been set up, including the processes and assignees that this individual(s) has designated to assist them in fulfilling their responsibility.</p>

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			<p>(ii) <i>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.</i></p> <p><i>In making this determination, the firm shall exercise professional judgement and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an audit report.</i></p>	<p>This is different from paragraphs 320.3 A4 and 330.4 A2. The Code specifies a standalone process to address a breach. That process does not rely on assessments of firm level quality risks. The firm policies or procedures need to reflect the process specified in the Code.</p>
		<p>(j) ISQM 1.34(a)(ii) requires the firm to establish policies and procedures in response to quality risks related to compliance with relevant ethical requirements, including independence. This subsection does not include a reference to the consideration of firm level quality risks related to independence, and the firm's policies or procedures related to communication, evaluation and reporting of breaches that were designed and implemented to respond to those quality risks, in accordance with ISQM 1. We therefore propose that this be incorporated into paragraphs R400.80 and 400.80 A2-A3. This is consistent with the conforming amendments proposed to paragraphs 320.3 A4 (<i>Client and Engagement Acceptance</i>) and 330.4 A2 (<i>Contingent Fees</i>), based on the principles in paragraphs 120.6 A1 and 120.8 A2.</p> <p>(k) The subsection does not address the consideration of whether “breaches” of independence constitute “findings”, as defined in ISQM 1, and could represent deficiencies in the system of quality management in accordance with ISQM 1.40. We then recommend</p>		

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		<p>that this be clarified in the non-authoritative guidance, should the IESBA, in coordination with the IAASB, decide to pursue the development of non-authoritative guidance specific to the application of the IESBA Code in accordance with ISQM 1, as proposed in our introduction to this comment letter. This comment similarly applies to paragraphs R100.4 and 100.4 A1 that address breaches of the IESBA Code in general.</p>	<p>This matter is outside the scope of this project.</p>		
6	IRBA	<p><b>SECTION 410 (REVISED) FEES</b></p> <p><b>Requirements and Application Material</b></p> <p>(a) Given that the rationale for the proposed amendments to Section 120 matches the rationale explained in the supplementary comment to proposed conforming amendments in Section 410, the same comments apply.</p> <p>(b) We therefore agree that the conforming amendments align with ISQM 1, but propose that the following adjustments be made in line with the proposed adjustments recommended under Section 120:</p> <table border="1" data-bbox="499 915 1360 1282"> <tr> <td data-bbox="499 915 653 1282">410.4 A4</td> <td data-bbox="653 915 1360 1282"> <p><i>The conditions, policies and procedures described in paragraph 120.15 A3 (particularly <u>policies and procedures designed and implemented in response to quality risks</u> <del>the existence of a quality management system designed, and implemented and operated by the firm</del> in accordance with <del>the quality management standards issued by the IAASB/ISQM 1</del>) might also impact the evaluation of whether the threats to independence are at an acceptable level.</i></p> </td> </tr> </table>	410.4 A4	<p><i>The conditions, policies and procedures described in paragraph 120.15 A3 (particularly <u>policies and procedures designed and implemented in response to quality risks</u> <del>the existence of a quality management system designed, and implemented and operated by the firm</del> in accordance with <del>the quality management standards issued by the IAASB/ISQM 1</del>) might also impact the evaluation of whether the threats to independence are at an acceptable level.</i></p>	<p>See comments on paragraph 120.15 A3. The Task Force is proposing to delete “the existence of” in the extant wording to conform to the amendment proposed to paragraph 120.15 A3.</p>
410.4 A4	<p><i>The conditions, policies and procedures described in paragraph 120.15 A3 (particularly <u>policies and procedures designed and implemented in response to quality risks</u> <del>the existence of a quality management system designed, and implemented and operated by the firm</del> in accordance with <del>the quality management standards issued by the IAASB/ISQM 1</del>) might also impact the evaluation of whether the threats to independence are at an acceptable level.</i></p>				

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7	IRBA	<p><b>SECTION 540 LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT</b></p> <p><b>Requirements and Application Material</b></p> <p><b><i>Service in a combination of key audit partner roles</i></b></p> <p>(a) We agree with the conforming amendments made to paragraphs R540.15 and R540.16.</p> <p>(b) Given the nature of the editorial amendments to Section 540, we would like to highlight the additional sections identified where the term “engagement quality control review(er)” needs to be replaced with “engagement quality review”. It is assumed that these amendments are included in the scope of the ISA 220 conforming changes to the IESBA Code, as explained in paragraph 5 of the ED. Regardless, we specify these for completeness, and they include the following:</p> <table border="1" data-bbox="499 841 1371 1305"> <tbody> <tr> <td data-bbox="499 841 743 1019">GLOSSARY</td> <td data-bbox="743 841 1371 1019"> <ul style="list-style-type: none"> <li>• Assurance team</li> <li>• Audit team</li> <li>• Review team</li> </ul> </td> </tr> <tr> <td data-bbox="499 1019 743 1162">R800.10(b)(ii)</td> <td data-bbox="743 1019 1371 1162"><i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i></td> </tr> <tr> <td data-bbox="499 1162 743 1305">R990.7(b)(ii)</td> <td data-bbox="743 1162 1371 1305"><i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i></td> </tr> </tbody> </table>	GLOSSARY	<ul style="list-style-type: none"> <li>• Assurance team</li> <li>• Audit team</li> <li>• Review team</li> </ul>	R800.10(b)(ii)	<i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i>	R990.7(b)(ii)	<i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i>	<p>Conforming amendments to the Code as a result of the Engagement Team – Group Audits Independence (ET-GA) project are addressed separately in the ET-GA project.</p>
GLOSSARY	<ul style="list-style-type: none"> <li>• Assurance team</li> <li>• Audit team</li> <li>• Review team</li> </ul>								
R800.10(b)(ii)	<i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i>								
R990.7(b)(ii)	<i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i>								

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8	IRBA	<p><b>SECTION 900 APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS</b></p> <p><b>Introduction</b></p> <p><b>General</b></p> <p>(a) Given that the rationale for the proposed amendments to Section 400 matches the rationale explained in the supplementary comment to proposed conforming amendments in Section 900, the same comments apply.</p> <p>(b) We therefore agree that the conforming amendments are aligned with ISQM 1. However, we propose that the following adjustments be made in line with the proposed adjustments to Section 400:</p> <table border="1" data-bbox="474 764 1371 1357"> <tr> <td data-bbox="474 764 625 1357">900.3</td> <td data-bbox="625 764 1371 1357"> <p><del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. provide it with reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</del></p> <p><del>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, whenre applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers) , maintain</del></p> </td> </tr> </table>	900.3	<p><del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. provide it with reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</del></p> <p><del>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, whenre applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers) , maintain</del></p>	<p>As above in relation to paragraph 400.4, the Task Force proposes no change.</p>
900.3	<p><del>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. provide it with reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</del></p> <p><del>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, whenre applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers) , maintain</del></p>				

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		<p><del>independence where required by relevant ethics requirements.</del></p> <p><del>ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively.</del></p> <p><del>The allocation of responsibilities within a firm will depend on its size, structure and organization. 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.</del></p> <p><del>A firm assigns operational responsibility for compliance with independence requirements to an individual(s) that has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility; and understands their assigned roles and that they are accountable for fulfilling them in accordance with ISQM ISQC 1. In addition, ISA 220, The Firm’s System of Quality Management and Role of Engagement Teams, explains that the engagement team, lead by the engagement partner (herein referred to as the individuals within the firm), is responsible for complying with the requirements of the ISAs in the context of the firm’s system of quality management. Consequently, even though many of the provisions of this Part do not prescribe the specific responsibility of the individuals within the firm related to independence, instead referring to “firm” for ease of reference, the provisions apply equally to the individuals within the firm. an individual professional accountant remains responsible for compliance with any</del></p>	

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		<p><del>provisions that apply to that accountant's activities, interests or relationships.</del></p>	
9	IRBA	<p><b>GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS</b></p> <p>(a) We request a consideration to update the Glossary so it includes the following ISQM definitions:</p> <ul style="list-style-type: none"> <li>• Quality Risk;</li> <li>• Quality Objective;</li> <li>• Findings;</li> <li>• Deficiency; and</li> <li>• Relevant Ethical Requirements (also refer to the comments provided under Section 400).</li> </ul>	<p>As above, the Task Force proposes no change. In particular, it would not be appropriate to define concepts such as “quality objective” and “findings” that are not used in the Code.</p>
10	UKFRC	<p>We are generally supportive of the proposed conforming amendments. However, the proposed amendments to paragraphs 320.3 A4 and 330.4 A2, while application material rather than requirements, appear to introduce a presumption that ISQM 1 is adopted and that not implementing policies or procedures "in accordance with ISQM 1" could increase the level of threats. We suggest that the language in these paragraphs is modified to reflect the wording in paragraph 3(a) of ISQM 1 that recognises there may be acceptable alternative standards. For example:</p> <p>320.3 A4...</p> <p>Whether the firm has implemented policies or procedures, as part of a system of quality management in accordance with ISQM 1, or national requirements that are at least as demanding, that respond to quality risks relating to the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</p>	<p>Suggestion accepted. Refer to <b>agenda item 3-B</b> to sight the amendment.</p>

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11	APESB	<p><u>Additional Conforming Amendments</u></p> <p>APESB believes the IESBA should consider additional conforming amendments to the IESBA Code to improve alignment and interoperability with ISQM 1 and 2.</p> <p>Paragraph R540.20 of the IESBA Code lists restrictions on activities during ‘cooling-off’ periods and subparagraph (a) sets out the following restriction (emphasis added):</p> <p><i>‘Be an engagement team member or provide <u>quality control</u> for the audit engagement’</i></p> <p>Under paragraph R940.4 of the IESBA Code, if a firm decides that due to the level of threats that those threats can only be addressed by rotating an individual off an assurance team, the firm must determine the appropriate ‘cooling-off’ period for certain roles, including subparagraph (b) which states (emphasis added):</p> <p><i>“Provide <u>quality control</u> for the assurance engagement”.</i></p> <p>To address the issues noted above, APESB is of the view that:</p> <ul style="list-style-type: none"> <li>• paragraph R540.20(a) could be drafted as follows:  <i>“Be an engagement team member or provide quality <u>management control</u> for the audit engagement”;</i> and</li> <li>• paragraph R940.4(b) could be drafted as follows:  <i>‘Provide quality <u>management control</u> for the assurance engagement’.</i></li> </ul> <p>Paragraph 5 in the Explanatory Memorandum to the QM Exposure Draft notes that conforming amendments to the definitions of ‘engagement team’ and</p>	<p>Addressed by the ET-GA TF.</p>

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		<p>'audit team' are being addressed in the Engagement Team – Group Audits Independence project. The extant definitions of 'assurance team' and 'review team' also refer to 'quality control'. APESB favourably notes that the IESBA is also considering conforming amendments to these definitions in that project.</p> <p><u>Paragraph Numbering</u></p> <p>The IESBA <i>Revisions to the Code Addressing the Objectivity of an Engagement Quality Reviewer and Other Appropriate Reviewers</i> (Objectivity Revisions) included consequential amendments to Section 540 of the IESBA Code, including the new paragraph 540.14 A1 after paragraph R540.13 and before the heading 'Service in a combination of key audit partner roles'.</p> <p>Due to this new paragraph 540.14 A1, APESB expected that extant paragraph R540.14 would be renumbered to R540.15 and subsequent paragraphs in Section 540 would also be renumbered accordingly. However, the QM Exposure Draft includes conforming amendments to Section 540 of the IESBA Code and includes extant paragraphs R540.15 and R540.16 (and presumably subsequent paragraphs in Section 540) with the same numbering and are not renumbered to R540.16 and R540.17, respectively.</p> <p>APESB recommends that the IESBA reconsiders the paragraph numbering of all paragraphs in Section 540 after paragraph 540.14 A1 before finalising the revisions.</p> <p><u>Use of Policies or Procedures</u></p> <p>APESB acknowledges that the QM Exposure Draft includes amendments that use '<i>policies or procedures</i>' to be consistent with the use of this terminology in ISQM 1. We believe that such references should be to '<i>policies and procedures</i>' instead.</p> <p>APESB notes the definition of '<i>response</i>' in ISQM 1 includes that procedures are actions to implement policies. As such, a procedure is dependent on the existence of a policy. Further, we are of the view that procedures are necessary</p>	<p>All paragraphs will be appropriately numbered when the approved conforming amendments are incorporated into the Code.</p> <p>Point accepted. The Task Force is proposing to change back to the extant wording "policies and procedures" to avoid inconsistency with the rest of the Code which refers in various places to "policies and procedures". Based on discussion with IAASB staff, the wording in ISQM 1 was changed to "policies or procedures" to</p>

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		<p>to ensure that policies are implemented, as, without such procedures, policies are merely statements of intent.</p> <p>The use of <i>'policies or procedures'</i> is proposed in the QM Exposure Draft and included in two paragraphs in the IESBA Objectivity Revisions. Apart from these references, the IESBA Code consistently refers to <i>'policies and procedures'</i> throughout the standard on all but one occasion in paragraph 300.7 A5. Thus, for example, paragraph 120.15 A3 in the QM Exposure Draft refers twice to <i>'policies and procedures'</i> and refers to the quality management system designed, implemented, and operated according to ISQM 1.</p> <p>APESB believes that <i>'policies and procedures'</i> should be used throughout the IESBA Code to maintain this consistency.</p> <p><u>Contingent Fees</u></p> <p>The fifth dot point in paragraph 330.4 A2 of the extant IESBA Code includes <i>'Quality control policies and procedures'</i> as a factor relevant in evaluating threats created by contingent fees. However, the proposed amendment to this provision has restricted this to policies or procedures under ISQM 1 relating to addressing threats to the fundamental principles. It is unclear to APESB as to why this has changed from a reference to the entire system of quality control under ISQC 1 to specific responses under ISQM 1 and not the entire system of quality management.</p>	<p>allow for greater scalability on the ground that many small and medium practices (SMPs) may have procedures but not necessarily policies.</p> <p>Point accepted and wording reverted to extant Code but referring to quality management instead of quality control.</p>
12	CPAC	<p>We are generally supportive of the proposed conforming amendments and found them to be straightforward and aligned with the recommendations in the Explanatory Memorandum.</p> <p>However, while we understand that the IESBA has proposed changes to paragraphs 400.4 and 900.3 to align with the wording in ISQM 1, paragraph 29(b), we think that there is an opportunity to clarify these amendments for readers of the Code. Specifically, our stakeholders observed that the term "service provider" is not defined in the Code and expressed concern that readers</p>	<p>Point accepted – the Task Force proposes that the phrase in brackets referring to service providers be deleted and introduced through a conforming amendment as a result of the ET-GA project.</p>

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		of the Code may require clarification with this terminology without reference to ISQM 1. We recommend that the IESBA consider the new terminology (i.e. service provider) included with the proposed amendment to paragraphs 400.4 and 900.3 be defined in the IESBA Code or be referenced directly to ISQM 1, paragraph 29(b), to provide clarity.	
13	IDW	Refer to letter submitted by IDW as per this <a href="#">link</a>	The Task Force notes the feedback and is of the view that the concerns raised should be first addressed by the IAASB. The Task Force has shared the comment letter with IAASB staff.
14	DTTL	<p><i>Proposed amendments to Paragraph 400.80 A1</i></p> <p>The paragraph requires a conforming amendment. However, the statement that the system of quality management is responsible for “maintaining” independence does not appear consistent with ISQM1 or the Code. Paragraph 6 of ISQM1 states that a system of quality management “addresses” eight components including “relevant ethical requirements.” It is the firm and its personnel that apply the conceptual framework to “maintain independence” when performing audit engagements (paragraphs 400.6 and 900.5 of the Code).</p> <p>We recommend deleting “and maintain”, and adding “requirements” to the proposed amendment as follows:</p> <p><i>400.80 A1 A breach of a provision of this Part might occur despite the firm having a system of quality management designed to address <del>and</del> maintain independence <u>requirements</u>.</i></p>	Suggested accepted.
15	DTTL	<p><i>Proposed amendments to Paragraph 400.6 and 900.3</i></p> <p>Deloitte Global believes the conforming amendments are consistent with ISQM1, however we recommend the removal of the reference to a “service provider”. The term “service provider” is not a term that is currently used in the</p>	Suggestion accepted – see response to CPAC above on the same point.

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		<p>Code in the same context as in ISQM1. This concept is expected to be introduced into the Code when the definition of “engagement team” is updated as part of a separate project. We recommend for the reference to “service provider” to be removed at this time and re-considered as a conforming amendment upon the completion of that project.</p> <p>Therefore, as this is simply a guidance paragraph summarizing ISQM1 principles we recommend deleting the information in the parenthesis:</p> <p><i>400.4 ISQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence. Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, where applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject (including the network, network firms, individuals in the network or network firms, or service providers).</i></p>	
16	EY	<p>In paragraphs 400.4 and 900.3, the Board is proposing to include “service providers” as others who are subject to the independence requirements to which the firm and the firm’s engagements are subject. This wording, as well as the definition of “service providers”, comes directly from International Standard on Quality Management (ISQM) 1, <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements</i> (ISQM 1). As defined in ISQM 1, a service provider is: “An individual or organization external to the firm that provides a resource that is used in the system of quality management or in the performance of the engagement.”</p>	Ditto.

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		<p>However, the Code does not include a definition of the term “service provider” as it is to be used in the context of the Code, and it does not address the circumstances when ethical requirements would be applicable to service providers. By simply making a reference to ISQM 1, there is a risk that a user of the Code will mistakenly interpret the reference to service providers in ISQM 1 to have a much broader reach than what is intended for its use in the Code. Therefore, we believe that as part of these revisions for conforming amendments the Board should further clarify that for purposes of the Code only non-network component auditors would be captured as service providers that are subject to the independence requirements to which the firm and the firm’s engagements are subject.</p>	
17	KPMG	<p>We are supportive of the proposed revisions to align terminology and reflect revisions to certain concepts and principles in ISQM 1 and ISQM 2, with the following suggestions on specific paragraphs:</p> <p><b>320.3 A4</b> - Consideration should be given to the effectiveness of the implemented policies and procedures that respond to the quality risks. We suggest adding “and the effectiveness of such policies and procedures” to the end of the last bullet, so that the revised sentence reads:</p> <p>Whether the firm has implemented policies or procedures, as part of a system of quality management in accordance with ISQM 1, that respond to quality risks relating to the firm’s ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements, <u>and the effectiveness of such policies and procedures.</u></p> <p><b>320.3 A4</b> and <b>330.4 A2</b> – Given ISQM 1’s applicability to audits or reviews of financial statements, or other assurance or related services engagements, the factors in these sections that were edited to incorporate ISQM 1 would not be applicable to non-assurance engagements provided to an entity that is not an</p>	<p>No change. The Task Force does not believe it is necessary to explicitly specify consideration of the effectiveness of the policies or procedures as monitoring effectiveness is addressed separately by a QM standard such as ISQM 1.</p> <p>Point accepted and changes made.</p>

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No	Respondent	Respondent Comments	Task Force Responses
		<p>audit or assurance client of the firm. The Board should consider whether the applicability of these factors should be clarified.</p> <p><b>400.4</b> and <b>900.3</b> – We agree the concept of reasonable assurance should no longer be referenced against each particular policy or procedure. However, in referring to the overall system of quality management at the beginning of these two paragraphs, we suggest adding to the end of the first sentence, the following from ISQM 1.14:</p> <p>“that provides the firm with reasonable assurance that the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements...”</p> <p>Otherwise, without such language, the linkage to the overall system providing reasonable assurance is broken.</p>	<p>No change. The Task Force does not believe that it would be appropriate or necessary to include significant portions of provisions of ISQM 1 into the Code.</p>
18	PwC	<p>Yes, we agree with the proposed changes subject to consideration of the following comments.</p> <p>320.3 A4 and 330.4.A2 - Although these paragraphs are only drafted in the context of “factors’ we question whether it was intentional that the previous wording did not directly reference ISQC 1 and left it as a more principles-based statement? We therefore wonder whether the Board could achieve the same intent by leaving out the words “in accordance with ISQM 1”, although we can appreciate that the Board may be seeking to more closely link the application material to ISQM 1. We note that 400.80.A1, which is similar in nature, does not directly reference ISQM 1 but works well as a principles-based statement.</p> <p>900.3 - This section deals with assurance engagements other than audits and reviews, so the reference to ISAs in this paragraph seems misplaced and we recommend that this is deleted.</p>	<p>Point accepted and changes made.</p> <p>Not accepted. Part 4B covers audits of specific elements, accounts or items of a financial statement under ISA 805.</p>

**Question 2: In addition to the proposed conforming amendments, the IESBA also considered the matter raised concerning decisions about accepting or providing services to a client in paragraph 300.7 A5. Do you agree with the IESBA’s view on this matter? If not, please explain why.**

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1	IRBA	<p>We provide the following further inputs:</p> <ul style="list-style-type: none"> <li>We connected the reference to the firm’s “operating environment” in the context of its impact on the evaluation of threats to the firm’s “culture” and the specific responsibilities of the firm to “demonstrate its commitment to quality through a culture that exists throughout the firm, which recognises and reinforces the importance of professional ethics, values and attitudes”, in accordance with ISQM 1.28. In addition, it was noted that Role and Mindset amendments to Section 120 also incorporate the introduction of the consideration of <i>Organisation Culture</i> and <i>Firm Culture</i> when applying the conceptual framework. It was then considered appropriate to recommend to the IESBA that this subsection also be updated to refer to “culture”, so as to be consistent with the amendments to Section 120 and the requirements in ISQM 1.28.</li> <li>We noted a repeated use of the phrase “<i>compliance with the fundamental principles</i>” and propose that in the context of firm culture this be updated to the “<i>fulfilment of responsibilities in accordance with relevant ethical requirements</i>” to conform to ISQM 1.</li> </ul>	<p>This suggestion is outside the scope of the QM-related conforming amendments project.</p> <p>As above, the Task Force does not believe Section 300 should adopt terminology so specific to and defined in ISQM 1, especially given that the scope of Section 300 is broader than engagements covered by ISQM 1.</p>
2	UKFRC	<p>We agree with IESBA that it is not necessary to amend the identified bullet point in paragraph 300.7 A5, although we would not have objections to the highlighted wording being deleted. We understand the view expressed by the IAASB staff in the context of ISA 220 being written on the basis of the firm being responsible for client acceptance decisions. However, we would not agree that the wording of paragraph 300.7 A5</p>	<p>Point taken into account. See discussion and Task Force proposal in <b>Agenda Item 3-A</b>.</p> <p>The Task Force notes that Section 300 applies to all types of engagements PAPPs may perform, including engagements not covered by ISQM 1 or other IAASB standards. Accordingly, it would not be</p>

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		<p>implies that engagement partner rather than the firm makes the decision whether to accept or continue the client engagement and, if they do not, the level of threat is necessarily heightened. That paragraph is setting out examples of matters that might impact the evaluation of a level threat. While in many firms client acceptance decisions are made at the firm level, in some there could be individual partners with the authority to make such a decision on their own.</p>	<p>appropriate to anchor paragraph 300.7 A5 to the requirements of ISQM 1 or the ISAs.</p> <p>Additionally, as noted in the ED, in some jurisdictions, engagements must be under the names of engagement partners for licensing, regulatory or other reasons; hence, the responsibility about engagement acceptance might not rest solely with the firms. For these reasons, the Task Force does not believe it would be appropriate to delete the phrase from paragraph 300.7 A5.</p>
3	JICPA	<p>Many firms have established the procedure that partner in charge makes an initial decision upon accepting services, and the firm makes the final decision. Accordingly, in that sense final decision-making authority in relation to acceptance is not, in effect, granted to individual partners. For this reason, we believe that the phrase “including decisions about accepting or providing services to a client” in paragraph 300.7 A5 should be deleted in order to avoid misunderstandings, in line with the comments made by the International Auditing and Assurance Standards Board (IAASB). Conversely, given that it is likely that there will be cases that do not conform to these circumstances in some jurisdictions or in some firms, we believe it would also be possible not to delete the phrase in question but to add “if applicable” to the phrase in question.</p>	As above.
4	IDW	<p>We do not agree with IESBA's view on the matter because it is not the engagement partner that necessarily has the authority within the firm for decisions concerning compliance with the fundamental principles when making decisions about accepting or providing services to a client. Rather this is a decision by the firm. This means that those professional accountants within the firm assigned responsibility to make those decisions about accepting or providing services to a client make those</p>	As above.

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		<p>decisions – not the engagement partner. We therefore suggest that the reference to “engagement partner” be replace with “Those professional accountants within the firm having the authority ....”.</p>	
5	ISCA	<p>The International Auditing and Assurance Standards Board (“IAASB”) Staff suggested that the phrase “including decisions about accepting or providing services to a client” be deleted on the ground that the provision in Paragraph 300.7 A5 implies that the engagement partner makes the decision to accept or continue the client engagement.</p> <p>IAASB appears to take the position that given the firm can override the engagement partner on client acceptance decisions, reference to engagement partner involvement should be struck out. On the other hand, IESBA views that regardless of the firm’s ability to override the engagement partner, the engagement partner is always responsible despite the firm’s involvement.</p> <p>These two views seem to be polarised at each end of the spectrum. We believe that the decision whether to accept or continue a client relationship or specific engagement should be the shared responsibility of the firm and the engagement partner.</p> <p>As such, we recommend that IESBA reconsiders its decision not to amend this provision, to reflect the arguments put forth by the IAASB Staff in the ED that the firm makes the decision whether to accept or continue a client relationship or specific engagement and the engagement partner confirms that the firm followed its policies or procedures in this regard.</p>	As above.
6	KICPA	<p>Regarding question 2 in the request for specific comments, the ED explains that the IESBA doesn’t agree on the amendment to paragraph 300.7 A5 proposed by the IAASB on the ground that “IESBA considered that authority and accountability rest with individual professional</p>	As above.

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		<p>accountants in public practice within the firm even though decisions about accepting or providing services to a client are those of the firm”, which, in our opinion, constitutes a sufficiently valid reason. On the other hand, the IAASB has concerns that the phrase “including decisions about accepting or providing services to a client” may mislead the audience to believe that it implies the “engagement partner makes the decision to accept or continue the client engagement”. We believe that such concerns also need to be heeded and respected. The engagement partner has a wide range of other authorities across overall professional service concerning the professional accountant’s compliance with the fundamental principles, besides the authority to make decisions about accepting or providing services to a client. Making decisions about accepting or providing services to a client is only one of such wide-ranging authorities. Therefore, deleting the phrase in the Code wouldn’t undermine the purpose of the paragraph. In this regard, we respect the concerns raised by the IAASB and find its suggestion acceptable.</p>	
7	GTIL	<p>GTIL does not agree with IESBA’s view concerning decisions about accepting or providing services to a client in paragraph 300.7. International Standard on Quality Management 1 (ISQM 1) (paragraph 30) requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and specific engagements. Furthermore, under ISQM 1 for acceptance and continuance decisions, <b>the firm</b> is required to make judgments about the firm’s ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. The engagement partner may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate. If the engagement partner has concerns</p>	As above.

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		<p>regarding the appropriateness of the conclusions reached, the engagement partner may discuss the basis for those conclusions with those involved in the acceptance and continuance process (International Standard on Auditing (ISA) 220 (revised), paragraph 51).</p> <p>Accordingly, GTIL does not agree with including in the IESBA Code a requirement for the engagement partner to have authority within the firm regarding decisions about accepting or providing services to a client that is not consistent with the ISAs. The application guidance in ISA 220 (revised) as referenced above, states that when the engagement partner is directly involved throughout the firm’s acceptance and continuance process, the engagement partner will be aware of the information obtained or used by the firm. Such direct involvement may also provide a basis for the engagement partner’s determination that the firm’s policies and procedures have been followed and that the conclusions reached are appropriate. ISQM 1 and ISA 220 (revised) both put the onus on the firm to develop the policies and procedures on client acceptance and continuance and holds the firm accountable to make judgments and conclude on the firm’s ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</p> <p>Therefore, we are proposing the Board consider modifying the language in the provision to read as:</p> <p>The engagement partner having authority within the firm for decisions concerning compliance with the fundamental principles, including <b>determining whether the firm’s policies and procedures and decisions about accepting or providing services to a client, have been followed and the conclusions reached are appropriate.</b></p>	
8	RSM	We agree that the IESBA Code should state that Engagement Partner has authority for decisions about accepting or providing services to a	The Task Force is of the view that amending the definition of Engagement Partner goes beyond

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		<p>client but we suggest that the IESBA consider whether the definition of Engagement Partner should be adapted to include specific reference to that authority as this might help avoid confusion. The IESBA code definition is as follows:</p> <p>“Engagement partner:                      The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.”</p>	<p>the scope of the QM-related Conforming Amendments project. Accordingly, the Task Force recommends no action with respect to this suggestion.</p>