

Meeting: IESBA Meeting
Meeting Location: New York
Meeting Date: March 16-18, 2020

Agenda Item 7

IAASB-IESBA Coordination

Objectives

1. To receive an update on recent coordination activities with the International Auditing and Assurance Standards Board (IAASB) on its ISQM 1¹ and ISQM 2² projects; and
 - (a) In relation to proposed ISQM 1, consider specific proposals of the IAASB's ISQM 1 Task Force regarding the definition of Relevant Ethical Requirements and associated text; and
 - (b) In relation to proposed ISQM 2, consider specific proposals of the IAASB's ISQM 1 and ISQM 2 Task Forces regarding:
 - The scope of engagements subject to an engagement quality (EQ) review; and
 - The proposed requirements and application material in relation to EQ reviewer objectivity.

IESBA Coordination Representatives

2. IESBA representatives involved in the coordination activities with the IAASB on the ISQM 1 and ISQM 2 projects are as follows:

ISQM 1

- Liesbet Haustermans, Chair, IESBA Member and IESBA Liaison to IAASB
- Andrew Pinkney, IESBA Technical Advisor
- Jens Poll, IESBA Member

ISQM 2

- Sylvie Soulier, former IESBA Member and Chair of EQ Reviewer Objectivity project
- Mike Ashley, IESBA Member
- Denise Canavan, IESBA Technical Advisor

¹ Proposed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² Proposed ISQM 2, *Engagement Quality Reviews*

Background

3. Following the end of the public comment period on the Exposure Drafts (EDs) of the proposed ISQM 1 and ISQM 2, the IAASB considered revisions to the ED texts of proposed ISQM 1 and ISQM 2 at its December 2019 meeting. Approval of these proposed standards is targeted for the IAASB meeting in June 2020.

Activities since December 2019 IESBA Meeting

4. Since the December 2019 IESBA meeting, representatives of the IAASB and IESBA held joint teleconferences in January and February 2020 to discuss coordination matters on the proposed ISQM 1 and ISQM 2.

Format of the Session

5. At the March 2020 meeting, Ms. Haustermans will outline the significant matters that were raised with the IAASB representatives on the proposed ISQM 1. Ms. Soulier will outline significant matters in relation to ISQM 2. In support of this presentation, the following agenda material is provided.

Proposed ISQM 1

6. **Agenda Item 7-A** is an extract of the issues paper prepared by the ISQM 1 Task Force for the IAASB meeting in March 2020. The extract presents, in relation to matters of relevance to the Code, the IAASB Task Force's analysis of the ED responses and its proposed responses. **Agenda Item 7-B** is an extract of the ISQM 1 Task Force's proposed text relating to the definition of relevant ethical requirements and associated text.
7. During the session, Ms. Haustermans will brief the Board on the initial feedback the IESBA representatives provided to the ISQM 1 Task Force.

Matters for Consideration

1. Taking into account the IAASB Task Force's discussion of the relevant issues in **Agenda Item 7-A**, IESBA members are asked for:
 - (a) Any comments on, or reactions to, the matters raised in the presentation; and
 - (b) Any comments on the extract of the text of proposed ISQM 1 pertaining to matters of relevance to the Code as set out in **Agenda Item 7-B**.

Proposed ISQM 2

8. **Agenda Item 7-C** contains relevant extracts of the issues papers prepared by the ISQM 1 and ISQM 2 Task Forces for the IAASB meeting in March 2020. The extracts present the proposals regarding the scope of engagements subject to an EQ review and the requirements and application material relating to EQ reviewer objectivity. **Agenda Item 7-D** is an extract of the ISQM 1 and ISQM 2 Task Forces' proposed texts relating to these matters.
9. During the session, Ms. Soulier will brief the Board on the initial feedback IESBA representatives provided to the ISQM 2 Task Force.

Matters for Consideration

2. Taking into account the IAASB Task Forces' discussion of the relevant issues in **Agenda Item 7-C**, IESBA members are asked for:
 - (a) Any comments on, or reactions to, the matters raised in the presentation; and
 - (b) Any comments on the extract of the text of proposed ISQM 1 and ISQM 2 pertaining to matters of relevance to the Code as set out in **Agenda Item 7-D**.

Material Presented

- Agenda Item 7-A Extract of March 2020 IAASB Agenda Material Pertaining to ISQM 1
- Agenda Item 7-B IAASB Agenda Item 4-B RER Paragraphs (Track Changes)
- Agenda Item 7-C Extract of March 2020 IAASB Agenda Material Pertaining to ISQM 2
- Agenda Item 7-D IAASB Agenda Item 5-D Proposed ISQM 2 (Marked from December 2019)

Material for Reference Only

[Proposed ISQM 1 \(Revised\) \(Clean\) \(Full Text for March 2020 IAASB Meeting\)](#)

[Proposed ISQM 2 \(Clean\) \(Full Text for March 2020 IAASB Meeting\)](#)