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Willie Botha

Technical Director

International Auditing and Assurance Standards Board

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, NY 10017

KICPA's Comments on IAASB's Exposure Draft for Quality Management at the Firm and Engagement Level, including Engagement Quality Reviews

Dear Willie Botha,

KICPA is pleased to have an opportunity to comment on the Exposure Draft (ED) issued by the International Auditing and Assurance Standards Board for Accountants (IAASB), regarding Quality Management at the Firm and Engagement Level, including Engagement Quality Reviews. KICPA is a strong advocate of IAASB for your relentless efforts to serve the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.

<General Comment>

We agree with that ISQMs describe accounting firms' responsibilities to design and operate their QMS based on the risk-based approach to enable them to achieve quality objectives, which will contribute to improvements in quality management at the firm level. Given that the major requirements of ED-ISQMs are based on extant ISQC 1, there are two opinions as follow: the adoption of proposed ED-ISQMs; and reflection of new ISQMs via materials within the context of extant ISQC 1. This means that there are mixed views about (1) the adoption of proposed ED-ISQMs and (2) maintenance of extant ISQC by supplementing materials.

Please see the below for our responses to the specific questions.

<Overall Questions>

- 1) *Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board? If not, what is an appropriate implementation period?*

We believe it takes more than 36 months at least to implement a new QMS. In order to implement three standards of ISQM 1, ISQM 2, and ISA 220, the new QMS should be designed and implemented during which process engagements within firms need to be adjusted and additional resources also to be acquired and developed.

In determining the implementation period, the period applied to listed companies in the past when adopting the COSO Framework could be taken into consideration. In addition, taking into account that accounting firms have different levels of influence on the public interest, according to their respective size, the implementation could be gradually phased in to firms.

2) *In order to support implementation of the standards in accordance with the IAASB's proposed effective date, what implementation materials would be most helpful, in particular for SMPs?*

If a QMS varies depending on firms' respective complexity and type, draft examples and draft FAQs would be most useful. Illustrative examples dealing with small firms need to be further developed in case of draft examples, while what SMPs need to consider on an individual component basis or related illustrative examples should be supplemented for draft FAQs. In addition, the provision of template on how to design the QMS for SMPs would be more useful.