



1 July 2019

Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board  
545 Fifth Avenue  
New York  
10017 USA

Dear Arnold

**Comments in response to the Explanatory Memorandum for the Quality Management Exposure Drafts**

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

We appreciate this opportunity to comment on the Explanatory Memorandum for the Quality Management Exposure Drafts, developed by the International Auditing and Assurance Standards Board (IAASB).


Our response has been prepared by the Audit Research and Development Business Unit of the Auditor General of South Africa's office.

Our comments are presented under the following sections:

1. General comments; and
2. Request for specific comments and responses.

If further clarity is required on any of our comments, kindly e-mail us at [ardsupport@agsa.co.za](mailto:ardsupport@agsa.co.za). Alternatively, phone us directly on +27 12 422 9819.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Alice Muller', written in a cursive style.

Alice Muller (CA) SA

**Acting National Leader: Audit**

## **General Comments**

1. The Auditor General South Africa (AGSA) welcomes and supports the IAASB's proposed new approach to quality management at the firm and engagement levels.
2. We agree with the IAASB's view that the three standards should, individually and collectively, improve the quality of engagements through addressing key public interest issues related to the management of quality at a firm and engagement level and the performance of engagement quality reviews.
3. We also agree that the implementation date of all the quality management standards should be the same due to the linkages in the standards.

## **Request for specific comments and responses**

### ***Overall questions***

#### ***Question 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?

4. The new quality management approach in ED-ISMQ1 is a substantial revision to the ISQC1 and there are new requirements across the three standards that enhance the robustness of quality management at firm and engagement levels. Therefore, there will be a need for substantial effort by firms on implementing the new standards. In considering the scrutiny the profession is currently under, due to what could be poor quality management at the firm and engagement levels, the implementation date of 18 months may be reasonable, and the delay of the implementation date may not be in the public interest.

#### ***Question 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?

5. Practical examples or scenarios of how the quality management system of a firm, including the identified quality objectives, identified risks and responses to these might look could be made available as separate implementation material to assist in the transition from quality control to quality management.