

## Haysmacintyre LLP response to IAASB's Exposure Draft, International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

1. Does ED-ISQM1 substantively enhance firms' management of audit quality? In particular:
  - a. Do you support the new quality management approach? If not, what specific attributes do you not support and why?
  - b. In your view, will the proposals generate benefits for audit quality as intended, including supporting the appropriate exercise of professional scepticism at the engagement level? If not, what further actions should the IAASB take to improve the standard?
  - c. Are the requirements and application material of proposed ED-ISQM1 scalable such that they can be applied by firms of varying size, complexity and circumstances? If not, what further actions should the IAASB take to improve scalability?

Response: Yes, the proposals in ED-ISQM1 should substantively enhance the management of audit quality.

- a. Yes, the adoption of a risk-based and more forward-looking quality management approach is a positive step.
- b. Yes, the emphasis on professional scepticism throughout the ED should promote better and clearer exercise of professional scepticism at the engagement level.
- c. They appear to be appropriately scalable for a firm of our size and complexity.

2. Are there any aspects of the standard that may create challenges for implementation?

Response: The establishment of quality objectives, risk assessment and design of responses to those risks will be time consuming and may require considerable resource. As such, a substantial implementation period following publication of the new standard would be necessary to enable us to be fully compliant by the effective date.

3. Is the application material in ED-ISQM1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional material would be helpful or where the application material could be reduced?

Response: The application material is helpful and there are no obvious omissions or scope to reduce the material.

4. Do you support the eight components and the structure of ISQM1?

Response: yes

5. Do you support the objective of the standard? Do you agree with how the standard explains the firm's role relating to the public interest and is it clear how achieving the objective of the standard relates to the firm's public interest role?

Response: yes

6. Do you believe that application of a risk management process will drive firms to establish appropriate quality objectives, quality risks and responses? In particular:
  - a. Do you agree that the firm's risk management process should be applied to the other components of the system of quality management?
  - b. Do you support the approach for establishing quality objectives?
  - c. Do you support the approach for the identification and assessment of quality risks?
  - d. Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks?

Responses: yes to all above questions.

7. Do the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership?

Response: yes

8. With regard to ethical requirements:
  - a. Should ED-ISQM1 assign responsibility for relevant ethical matters to an individual in the firm? If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual?

Responses:

- a. It would make sense for both of these responsibilities to sit with the firm's Ethics Partner.
- b. No response to question 8(b) as Haysmacintyre LLP is not part of a network

9. Has ED-ISQM1 been appropriately modernised to address the use of technology by firms in the system of quality management?

Response: ED-ISQM1 appears to address the use of technology adequately and appropriately. The overarching requirements for firms to exercise judgment and adopt a risk-based approach to achieving the objectives of the proposed standard implicitly include the appropriate use of technology.

10. Do the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with the firm's stakeholders?

Response: Yes.

11. Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of such engagements?

Response: The requirements relating to the scope of engagements that should be subject to an engagement quality review appear appropriate. Specific guidance, whether in the application material or issued separately, or examples of "entities that the firm determines are of significant public interest" but which are not otherwise defined as "Public Interest Entities" would be helpful to ensure consistency of classification of audited entities – for

example, assessing when a high profile charity may be “of significant public interest” in the sense meant by ED-ISQM1. The reference to “certain not-for-profit organizations” in A102 implies this but it’s vague and may not result in proper identification of such engagements.

12. In your view, will the proposals for monitoring and remediation improve the robustness of firms’ monitoring and remediation? In particular:
- a. Will the proposals improve firms’ monitoring of the system of quality management overall and promote more proactive and effective monitoring activities?
  - b. Do you agree with the IAASB’s conclusion to retain the requirement for the inspection of completed engagements for each engagement partner on a cyclical basis, with enhancements to improve the flexibility of the requirement and the focus on other types of reviews?
  - c. Is the framework for evaluating findings and identification of deficiencies clear and do you support the definition of deficiencies?
  - d. Do you agree with the new requirement for firms to investigate the root cause of deficiencies?
    - i. Is the nature, timing and extent of RCA sufficiently flexible?
    - ii. Is the manner in which ED-ISQM1 addresses positive findings, including RCA on positive findings, appropriate?
  - e. Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility for the system of quality management to evaluate at least annually whether the objectives have been achieved?

Responses: Yes. The emphasis on linking engagement quality to reward/progression will have a positive impact.

- a. Yes
- b. Yes. Indeed, we have already adopted a more focused inspection regime within the existing ISQC1 framework alongside additional engagement performance reviews.
- c. Yes
- d. Yes
  - i. Yes
  - ii. Yes. Recognising the potential for positive findings may assist in quality reviews being more balanced and enhancing engagement with the process by members of engagement teams
- e. None other than the challenges already noted above relating to the implementation of the new framework proposed by ED-ISQM1

13. Do you support the proposals concerning networks?

No response – Haysmacintyre LLP is not part of a network.

14. Do you support the proposals concerning service providers?

Response: yes.

15. Jurisdictional question – no response.