



June 7, 2019

International Auditing and Assurance Standards Board
Via webposting: www.iaasb.org

Dear Sir/Madam:

Re: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements – ISQM 1

We support the proposed standards as outlined in the exposure draft Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Attachment

cc: Mr. Eric Turner, CPA, CA, Director, Auditing and Assurance Standards, Auditing and Assurance Standards Board

	Question	Response
	Overall Questions	
1	Does ED-ISQM 1 substantively enhance firms' management of engagement quality, and at the same time improve the scalability of the standard? In particular:	
a	Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?	While we support the new quality management approach, we do not feel that it will result in a significant change in practice within our firm.
b	In your view, will the proposals generate benefits for engagement quality as intended, including supporting the appropriate exercise of professional skepticism at the engagement level? If not, what further actions should the IAASB take to improve the scalability of the standard?	Yes, the proposals should generate benefits but we do not necessarily think that it will result in new significant responses to quality risks.
c	Are the requirements and application material of proposed ED-ISQM 1 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 the scalability of the standard?	Yes, the requirements and application material of proposed ED-ISQM 1 seem scalable.
2	Are there any aspects of the standard that may create challenges for implementation? If so, are there particular enhancements to the standard or support that would assist in addressing these challenges?	We feel that more guidance would be helpful in how to define agencies that may be of significant public interest, as set out in ISQM 1 section 37 (e)(ii). Section A107 provides an example that an engagement quality review may be required for engagements where law or regulations establish additional reporting requirements. <i>The Provincial Auditor Act</i> (Saskatchewan) expects the Provincial Auditor to report to the Legislative Assembly on public agencies' compliance with related legislative authorities. We do not feel that this legislative requirement on its own increases engagement risk to an extent that triggers requiring an engagement quality review. We would consider other factors when determining whether to assign an engagement quality review, like financial magnitude, public sensitivity, and impact.
3	Is the application material in ED-ISQM 1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional examples or explanations would be helpful or where the application material could be reduced?	See our comment for question 2 above.

	Question	Response
	Specific Questions	
4	Do you support the eight components and the structure of ED-ISQM 1?	Yes, we support the eight components and the structure of ED-ISQM 1.
5	Do you support the objective of the standard, which includes the objective of the system of quality management? Furthermore, 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?	Yes, we support the objective of the standard, and agree with how the standard explains the firm's role relating to the public interest. We find it sufficiently clear on how to achieve the objective of the standard relates to the firm's public interest role.
6	Do you believe that application of a risk assessment process will drive firms to establish appropriate quality objectives, quality risks and responses, such that the objective of the standard is achieved: In particular:	
a	Do you agree that the firm's risk assessment process should be applied to the other components of the system of quality management?	Yes, we agree with applying the firm's risk assessment process to the other components of the system of quality management.
b	Do you support the approach for establishing quality objectives? In particular:	
i	Are the required quality objectives appropriate?	Yes, the required quality objectives seem appropriate.
ii	Is it clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances?	Yes, it is clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances.
c	Do you support the process for the identification and assessment of quality risks?	Yes, we support the process for the identification and assessment of quality risks. Though, the Board should consider providing some examples of quality risks for clarification.
d	Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks? In particular:	

	Question	Response
i	Do you believe that this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks?	Yes, this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks.
ii	Is it clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard?	Yes, it is clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard.
7	Do the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership? If not, what further enhancements are needed?	Yes, the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership.
8	With respect to matters regarding relevant ethical requirements:	
a	Should ED-ISQM 1 require firms to assign responsibility for relevant ethical requirements 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?	No, we feel that this responsibility should be part of the scalability decisions and allow flexible structures for firms (e.g., committee vs individual).
b	Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network?	Yes, the standard appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network.
9	Has ED-ISQM 1 been appropriately modernized to address the use of technology by firms in the system of quality management?	Yes, ED-ISQM 1 has been appropriately modernized to address the use of technology by firms in the system of quality management.
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? In particular, will the proposals encourage firms to communicate, via a transparency report or otherwise, when it is appropriate to do so?	Yes, 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. Yes, the proposals encourage firms to communicate, via a transparency report or otherwise, when it is appropriate to do so.
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	Yes, we agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review.

	Question	Response
	identification of engagements to be subject to an engagement quality review?	Yes, the requirements will result in the proper identification of engagements to be subject to an engagement quality review
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 as a whole and promote more proactive and effective monitoring activities, including encouraging the development of innovative monitoring techniques?	Yes, the proposals will improve firms' monitoring of the system of quality management as a whole 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?	Yes, we agree with the IAASB's conclusion.
c	Is the framework for evaluating findings and identifying deficiencies clear and do you support the definition of deficiencies?	Yes, the framework for evaluating findings and identifying deficiencies is clear and we support the definition of deficiencies.
d	Do you agree with the new requirement for the firm to investigate the root cause of deficiencies? In particular:	
i	Is the nature, timing and extent of the procedures to investigate the root cause sufficiently flexible?	Yes, the nature, timing and extent of the procedures to investigate the root cause is sufficiently flexible. Although, we expect to only investigate the root cause of negative findings.
ii	Is the manner in which ED-ISQM 1 addresses positive findings, including addressing the root cause of positive findings, appropriate?	See response to question 12 d) i) above.
e	Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate at least annually whether the system of quality	Yes, we see the requirement to evaluate the system of quality management on an annual basis as a potential challenge. Annual evaluations may be onerous where systems are found to be effective year-after-year (i.e., provides little value). Evaluations performed every 2-3 years may be sufficient for many firms.

	Question	Response
	management provides reasonable assurance that the objectives of the system have been achieved?	
13	Do you support the proposals addressing networks? Will the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services?	Yes, we support the proposals addressing networks and we think the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services.
14	Do you support the proposals addressing service providers?	Yes, we support the proposals addressing service providers.
15	With respect to national standard setters and regulators, will the change in title to “ISQM” create significant difficulties in adopting the standard at a jurisdictional level?	No, we don’t foresee any significant difficulties with the change in title to “ISQM”.