

Wayne Morgan, PhD, CPA CA CISA
Ian Sneddon CPA CA
Office of the Auditor General of Alberta

May 21, 2021

International Auditing and Assurance Standards Board
New York, New York

Dear IAASB,

Our comments on the exposure draft *Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards* are below.

Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual and perceived inconsistencies between the IAASB's Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards?

In our view, the proposals create inconsistencies among the standards and are not sufficient. Engagement-level quality requirements should integrate with ISQM 1 and 2 (hereinafter "ISQM"). This has been done for financial statement audits with ISA 220 (Revised), but the proposals should also achieve this integration for other IAASB standards.

The proposals create actual and perceived inconsistencies between quality for financial statement audits and other engagements. It appears that quality is intended to be "higher" for financial statement audits, even though quality is as important in other engagements, including other reasonable assurance standards such as ISAE 3000.

The proposals risk creating inconsistencies in application of ISQM. In several areas, ISQM elaborates on its requirements by reference to ISA 220 (Revised). However, it is unclear whether it means that practitioners applying other standards (e.g. ISAE 3000) need to comply with ISA 220 (Revised) requirements when applying ISQM, or adapt these requirements, or ignore these requirements. To illustrate, ISQM 1.A50, footnote 10 directs readers to ISA 220 (Revised) paragraph 35, which contains several specific requirements for consultation. The conforming amendments do not add the same requirements for consultation to other standards, so it is unclear whether consultation in other engagements should follow ISA 220.35 (because ISQM 1 refers to ISA 220.) With respect to engagement resources, ISQM 1.A94 and .A96 refer to ISA 220 paragraphs 25 and 26, and these requirements including application guidance in ISA 220.25 and 220.26 make it clear the engagement partner considers human, intellectual and technological resources. However, none of these requirements or guidance are in the proposed conforming amendments for other engagements. So it is unclear whether, and to what extent, the engagement partner has to consider human, intellectual and technological resources on engagements not carried out under the ISAs.

We note there were differences among engagement-level quality control requirements for financial statement audit and other engagements before ISQM, in part due to different histories of these standards. However, with the changes in ISQM, the profession has an opportunity to bring all standards to the same level of quality requirements and reflect best practice, at the engagement level, with respect to quality. Instead, given the same engagement-level quality control requirements are not being added to all

engagement standards, there is a risk of inconsistent application of ISQM and quality control. Firms may interpret the unclear guidance in different ways, leading to inconsistent application of the new quality standards across firms. Within firms, they may need to design different systems of quality management, one for financial statement audits and another one(s) for other engagements. Differential engagement-level quality requirements may lead to differences among users as to what quality they can reasonably expect.

Consistency is important to achieving quality. In this respect, the proposals risk reducing quality. Quality across firms, among different types of engagements, and even with engagements of the same type, may vary as a result of the proposals. These inconsistencies are not in the public interest.

We suggest that the same engagement-level quality control requirements and application guidance that are in ISA 220 (Revised) be added to other IAASB engagement standards. Not all ISA 220 (Revised) requirements are relevant: for example ISA 220 (Revised) references to key audit matters are not relevant to other standards because KAM do not exist in other standards. However, many of the quality control requirements in ISA 220 (Revised) apply to and are necessary for other engagements as well, in particular reasonable assurance engagements.

Specific ISA 220 (Revised) requirements that should be added (along with related application guidance) to other IAASB standards including ISAE 3000 include:

- Quality leadership (ISA 220 Revised paragraphs 13, 14,15)
- Engagement resources (ISA 220 Revised paragraphs 25, 26, 27, 28)
- Consultation (ISA 220 Revised, paragraph 35)
- Engagement quality review (ISA 220 Revised, paragraph 36)
- Differences of opinion (ISA 220 Revised, paragraphs 37 and 38)
- Monitoring and remediation (ISA 220 Revised, paragraph 39)
- Overall responsibility by engagement leader (ISA 220 Revised, paragraphs 33, 34, and 40)

The IAASB may identify additional requirements in ISA 220 (Revised) that should be added to other engagement-level standards to achieve consistent engagement-level quality requirements.

Do respondents support the proposed effective date?

We believe a later effective date (December 15, 2023) is appropriate, given the changes to the standards we suggest above.

Thank you for the opportunity to comment.

Sincerely

Wayne Morgan

Ian Sneddon