



**INTERNATIONAL AUDITING AND
ASSURANCE STANDARDS BOARD (IAASB)
EXPLANATORY MEMORANDUM**

**EXPOSURE DRAFTS FOR QUALITY
MANAGEMENT AT THE FIRM AND
ENGAGEMENT LEVEL, INCLUDING
ENGAGEMENT QUALITY REVIEWS**

RESPONSE FROM ICAS TO THE IAASB

1 JULY 2019

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Background

ICAS is a professional body for more than 22,000 world class businessmen and women who work in the UK and in more than 100 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Almost two thirds of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have around 3,000 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854.

Key comments

ICAS welcomes the opportunity to respond to the International Auditing and Assurance Standards Board's (IAASB) Explanatory Memorandum on the IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews.

We have concerns around the proposed implementation period, particularly for smaller firms, who may not have the time and resources available to respond to the new requirements within the proposed timescale. Therefore, we would propose that a longer implementation period should be considered.

We would also welcome the issue of specific implementation guidance to support the scalable application of ISQM 1 and ISA 220 to coincide with the issue of those revised standards. This could include a list of frequently asked questions. Further supplementary guidance on the use of different audit delivery models would also be helpful.

Our responses to the overall and specific questions are included below.

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?

Response 1

We are concerned about the proposed implementation period, particularly for smaller firms, as they may not have the time and resources available to respond to the new requirements within the proposed timescale. Furthermore, many of these firms will place some reliance on the software providers producing the tools and resources they will need. Therefore, it is essential to factor in the time necessary for such software to become available when determining an appropriate implementation period.

As a result, we believe that key to the successful implementation and application of the revised standards by smaller firms will be significant early dialogue and discussion with various parties, including standard setters, regulators, professional bodies, and the firms involved. The objective of such discussions would be to ensure that each party understands what is required of them under

the proposals. This dialogue should also include some of the software companies who will be developing the necessary tools and resources that will most likely form a key part of the firm's quality management systems.

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?

Response 2

The most helpful implementation materials, in particular for SMPs, would be the following:

- The issue of specific implementation guidance to support the scalable application of ISQM 1 to coincide with the issue of that standard. This could include a list of frequently asked questions.
- Further supplementary guidance on the use of different audit delivery models as part of ISA 220 (Revised).
- Supporting materials to show how certain aspects of proposed ISA 220 (Revised) and ISQM can be applied together in a scalable manner by smaller firms.

General Questions

In addition, the IAASB is also seeking comments on the general matters set out below for all three EDs:

- (a) Developing Nations: Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposals, in particular, on any foreseeable difficulties in applying it in a developing nation environment.
- (b) Public Sector: The IAASB welcomes input from public sector auditors on how the proposed standards affect engagements in the public sector, particularly regarding whether there are potential concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.
- (c) Translations: Recognizing that many respondents may intend to translate the final ISQMs and ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed standards.

Response to general questions

We have no further comments in relation to any of the above.