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Mr T Seidenstein
Chairman
International Auditing and Assurance Standards Board
545 Fifth Avenue
New York, NY 10017, USA

Submitted electronically to tomseidenstein@iaasb.org

Dear Mr Seidenstein

Comments on the Proposed Amendments to the IAASB's International Standards – Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic.

We appreciate this opportunity to comment on the Proposed Amendments to the IAASB's International Standards – *Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards*.

Our response has been prepared by a Committee for Auditing Standards' Task Group, which comprised technical staff representatives from auditing firms, a consulting firm and the South African Institute of Chartered Accountants.

Our comments are presented under the following sections:

- A. General Comments;
- B. Request for Specific Comments; and
- C. Editorial Comments.

If further clarity is required on any of our comments, kindly e-mail us at kmatambo@irba.co.za.

Yours faithfully,

Signed electronically

Imran Vanker
Director: Standards

Kumukakwashe Matambo
Professional Manager: Standards

A. GENERAL COMMENTS

1. The IRBA welcomes and supports the proposed amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards (QM Standards), which are aimed at avoiding inconsistencies between the extant IAASB's Other Standards and the QM standards, and to ensure that the IAASB's Other Standards and Framework can continue to be applied together with the QM standards.
2. We support the view that it would be ineffective to wait until these standards are revised at some point in the future because the affected standards would not be updated on a timely basis. This is in line with the IRBA's approach to align IRBA pronouncements, issued by our Committee for Auditing Standards, with the QM Standards. The CFAS approved the *Proposed Conforming and Consequential Amendments to CFAS Pronouncements as a result of the IAASB's Quality Management Standards* at its meeting on 18 May 2021 for issue on public exposure.
3. We urge the IAASB to ensure that the finalised conforming and consequential amendments are clear, with regard to the effective date, on aspects that require the design, implementation and operation of systems of quality management as required by ISQM 1. Paragraph 12 of the Exposure Draft proposes that the effective date of the conforming and consequential amendments be the same as those in ISQM 2 for the IAASB's review, other assurance and related services standards. We have noted that the proposed amendments also have aspects that require the design, implementation and operation of systems of quality management as required by ISQM 1. ISQM 1 has a different effective date compared to ISQM 2.

B. REQUEST FOR SPECIFIC COMMENTS

Question 1

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

4. The proposed conforming and consequential amendments are reasonable and will be able to resolve actual or perceived inconsistencies between the IAASB's Other Standards and Framework and the changes made by the IAASB in developing and approving the new and revised QM Standards. However, our recommendations in this section and section C should be considered and addressed to ensure that the proposed conforming and consequential amendments are sufficient.
5. ISQM 1 applies to all firms performing audits or reviews of financial statements, or other assurance or related services engagements. However, ISQM 1 does not refer to a "*firm of professional accountants*". We have noted that an appropriate amendment has been proposed to paragraph 4 of ISRE 2400 (Revised) (Revised) in the Exposure Draft, but the same amendment has not been carried through to paragraph A60 of ISAE 3000 (Revised), paragraph 3 of ISRS 4400 (Revised) and paragraph 4 of ISRS 4410 (Revised). Therefore, we recommend that these paragraphs be updated by the deletion of the phrase "*of professional accountants*", as illustrated below. This will ensure consistency of these standards with the requirements of ISQM 1. Our recommendations are in dark red in the table below.

Reference	IAASB Proposed Change	Our Proposed Changes
ISAE 3000 (Revised), paragraph A60	<p>...</p> <ul style="list-style-type: none"> • A system of quality management Quality control policies and procedures implemented across the firm. ISQGM 1 applies to all firms of professional accountants in respect of assurance and related services engagements. <p>...</p>	<p>...</p> <ul style="list-style-type: none"> • A system of quality management Quality control policies and procedures implemented across the firm. ISQGM 1 applies to all firms of professional accountants in respect of assurance and related services engagements. <p>...</p>
ISRS 4400 (Revised), paragraph 3	<p>Systems of qQuality controlmanagement systems, and policies and/or procedures are the responsibility of the firm. ISQGM 1 applies to firms of professional accountants in respect of a firm's agreed-upon procedures engagements.^{1A}</p>	<p>Systems of qQuality controlmanagement systems, and policies and/or procedures are the responsibility of the firm. ISQGM 1 applies to firms of professional accountants in respect of a firm's agreed-upon</p>

Reference	IAASB Proposed Change	Our Proposed Changes
	The provisions of this ISRS regarding quality control <u>management</u> at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQGM 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)	procedures engagements. ^{1A} The provisions of this ISRS regarding quality control <u>management</u> at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQGM 1 or requirements that are at least as demanding. (Ref: Para. A3-A8)
ISRS 4410 (Revised), paragraph 4	Systems of q Quality control <u>management systems</u> , and policies and or procedures are the responsibility of the firm. ISQGM 1 applies to firms of professional accountants in respect of a firm’s compilation engagements. ² The provisions of this ISRS regarding quality control <u>management</u> at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQGM 1 or requirements that are at least as demanding. (Ref: Para. A6–A11)	Systems of q Quality control <u>management systems</u> , and policies and or procedures are the responsibility of the firm. ISQGM 1 applies to firms of professional accountants —in respect of a firm’s compilation engagements. ² The provisions of this ISRS regarding quality control <u>management</u> at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQGM 1 or requirements that are at least as demanding. (Ref: Para. A6-A11)

6. We have noted that some of the proposed amendments remove the use of the term “quality control” and replaces it with “policies or procedures” only, without referring to the system of quality management. This removes the context of quality management; therefore, to achieve consistency, these changes should include “quality management”. We recommend the following changes (in dark red):

Reference	IAASB Proposed Change	Our proposed changes
ISRE 2400 (Revised), paragraph 25	(d) The engagement being performed in accordance with the firm’s quality control policies or procedures, including the following :	(d) The engagement being performed in accordance with the firm’s <u>system of quality management,</u> quality control policies or procedures, including the following :
ISRS 4400 (Revised), paragraph 19	... (b) The engagement being performed in accordance with the firm’s quality control	... (b) The engagement being performed in accordance with the firm’s <u>system of quality management,</u> quality control policies

Reference	IAASB Proposed Change	Our proposed changes
	policies and/or procedures by: ...	and/or procedures by: ...
ISRS 4410 (Revised), paragraph 23	... (b) The engagement being performed in accordance with the firm's quality control policies and/or procedures by: (Ref: Para. A30) (b) The engagement being performed in accordance with the firm's <u>system of quality management</u> , quality control policies and/or procedures by: (Ref: Para. A30) ...

7. For the new requirements introduced in paragraphs 92A of ISRE 2400 (Revised), paragraph 69 of ISAE 3000 (Revised), paragraph 76 of ISAE 3410, paragraph 53 of ISAE 3402 and paragraph A58A of ISRS 4400 (Revised), we recommend that they also make reference to the firm's policies or procedures as follows:

Reference	IAASB Proposed Change	Our proposed changes
ISRE 2400 (Revised), paragraph 92A	... <u>When an engagement quality review is required in accordance with ISQM 1, the practitioner shall not date the report until the completion of the engagement quality review.</u> ^{5A} <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the practitioner shall not date the report until the completion of the engagement quality review.</u> ^{5A} ...
ISAE 3000 (Revised), paragraph 69	... (ii) <u>When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> (Ref: Para. A184A–A185A) (ii) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u> (Ref: Para. A184A–A185A)

Reference	IAASB Proposed Change	Our proposed changes
		...
ISAE 3410, paragraph 76	... (ii) <u>When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> (ii) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u> ...
ISRS 4400 (Revised), proposed new paragraph A58A	<u>A58A. When an engagement quality review is required in accordance with ISQM 1, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete.</u>	<u>A58A. When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete.</u>
ISAE 3402, paragraph 53	... (ii) <u>When an engagement quality review is required in accordance with ISQM 1, the engagement quality review is complete.</u> (ii) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u> ...

8. Paragraph 19 of ISQM 1 states that: *“The firm shall design, implement and operate a system of quality management. In doing so, the firm shall exercise professional judgment, taking into account the nature and circumstances of the firm and its engagements. The governance and leadership component of the system of quality management establishes the environment that supports the design, implementation and operation of the system of quality management”.*

We have noted that the proposed change to ISRE 2400 (Revised), paragraph A3, correctly captures paragraph 19 of ISQM 1, and therefore changes the wording from the firm's responsibilities to *“establish and maintaining its system of quality control”* to *“design, implement and operate a system of quality control”*.

However, this proposed change has not been carried through to the illustrative reports in the standards. We, therefore, propose the following changes (our proposed changes are in dark red):

Reference	IAASB Proposed Change	Our proposed changes
ISAE 3402, Appendix 2, Illustrations 1 and 2	<p>...</p> <p><i>Our Independence and Quality Management Control</i></p>	<p>...</p> <p><i>Our Independence and Quality Management Control</i></p>
ISAE 3410, Appendix 2 Illustrations 1 and 2	<p>We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p>	<p>We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p>
ISAE 3420, Appendix illustration	<p>The firm applies International Standard on Quality Control Management 1 and accordingly maintains a comprehensive system of quality control management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>...</p>	<p>The firm applies International Standard on Quality Control Management 1 and accordingly maintains designs, implements and operates a comprehensive system of quality control management, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>...</p>

9. We propose the following changes which have not been identified in the Proposed Amendments to the IAASB’s International Standards – *Conforming and Consequential Amendments to the IAASB’s Other Standards as a Result of the New and Revised Quality Management Standards* (Our proposed additions are underlined, and our proposed deletions are a ~~striketrough~~ of text):

Reference	Extant Wording	Our Proposed Changes	Comments
ISRE 2400 (Revised)	<i>Engagements to Review Historical Financial Statements</i>		
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Table of contents	Engagement Level Quality Control	Engagement Level Quality <u>Management</u>	To align the wording to ISQM 1.
ISAE 3000	<i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>		
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Table of contents	Quality Control	Quality Control <u>Management</u>	To align with ISQM 1, which makes reference to “quality management”.
Heading to paragraph 31	Quality Control	Quality Control <u>Management</u>	To align with ISQM 1, which makes reference to “quality management”.
Paragraph 55(c)	... Whether the internal audit function applies a systematic and disciplined approach, including quality control; and	... Whether the internal audit function applies a systematic and disciplined approach, including quality control <u>management</u> ; and	To align with ISQM 1, which makes reference to “quality management”.
Paragraph A75 heading	<i>Engagement Quality Control Review</i>	<i>Engagement Quality Control Review</i>	To align with the terminology used in ISQM 1.

Reference	Extant Wording	Our Proposed Changes	Comments
ISAE 3410	<i>Assurance Engagements on Greenhouse Gas Statements</i>		
Table of contents	Engagement Quality Control Reviewer	Engagement Quality Control-Reviewer	To align with ISQM 1, which makes reference to “quality management”.
Paragraph 67	Quality Control	Quality Control- <u>Management</u>	To align with ISQM 1, which makes reference to “quality management”.
ISAE 4400 (Revised)	<i>Agreed-Upon Procedures Engagements</i>		
Table of contents	Engagement Level Quality Control	Engagement Level Quality Control - <u>Quality Management</u>	To align the wording to ISQM 1.
ISRS 4410	<i>Compilation Engagements</i>		
Table of contents	Engagement Level Quality Control	Engagement Level Quality Control - <u>Quality Management</u>	To align the wording to ISQM 1.
Table of contents	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.
Paragraph 21	Ethical Requirements	<u>Relevant</u> Ethical Requirements	To align with ISQM 1, which makes reference to “relevant ethical requirements”.

Question 2

Do respondents support the proposed effective date?

10. No, based on our reading of the proposal, the proposed effective date has been aligned to the effective date of ISQM 2. Unless this is an incorrect reading, which can be clarified, it is our view that many of the proposed changes relate to designing, implementing and operating a system of quality management. This is dealt with in ISQM 1, and the effective date should therefore take the effective date of ISQM 1 into account, i.e. systems of quality management are required to be designed and implemented by 15 December 2022.
11. We propose that the effective date of the conforming and consequential amendments to the Other IAASB Standards be as follows:
 - For conforming and consequential amendments relating to the design and implementation of systems of quality management, effective from 15 December 2022;
 - For audit and reviews of financial statements, for periods beginning on or after 15 December 2022; and
 - For other assurance and related services engagements beginning on or after 15 December 2022.

C. EDITORIAL COMMENTS

12. The editorial changes recommended below are denoted as **strikethrough** for words that should be deleted and **underlined** for words that should be inserted.

Reference	Proposed IAASB Change	Proposed Editorial	Comment
ISAE 3000 (Revised), paragraph A126	... The firm's quality control <u>management</u> policies and procedures (see also paragraphs A124–A125).	... The firm's quality control <u>management</u> policies and/or procedures (see also paragraphs A124-A125).	To align with the wording used in ISQM 1 and the other changes in the proposed conforming and consequential amendments.
ISAE 3400, boxed text following TOC	International Standard on Assurance Engagements (ISAE) 3000, <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements</i> , should be read in conjunction with the <i>Preface to the International Quality Control<u>Management</u>, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> .	International Standard on Assurance Engagements (ISAE) 3000 3400 , <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Statements</i> <u><i>The Examination of Prospective Financial Information</i></u> , should be read in conjunction with the <i>Preface to the International Quality Control<u>Management</u>, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> .	The proposed change in the Exposure Draft makes reference to the incorrect standard name and number.
