

**ENHANCING AUDIT QUALITY IN THE PUBLIC INTEREST: A FOCUS ON
PROFESSIONAL SKEPTICISM, QUALITY CONTROL AND GROUP AUDITS
TEMPLATE FOR RESPONSES**

The following template is intended to facilitate responses to the IAASB’s Invitation to Comment (ITC), *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*. The questions set out below are replicated from the questions in the ITC on pages 87–95. Question numbers are coded to the consultation topics as follows:

- **G = General Question**
- **PS = Professional Skepticism**
- **QC = Quality Control**
- **GA = Group Audits**

RESPONDENT’S INFORMATION

Name: <i>(Please also fill in name in header for ease of reference)</i>	RSM International Limited
Description of the capacity in which you are responding (e.g., IFAC member body, audit oversight body, firm, SMP, individual, etc.)	Network of Independent Accounting and Consulting Firms
Name of contact person at organization (if applicable):	Mark Pullen
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GENERAL QUESTIONS

G1. Table 1 describes what we believe are the most relevant public interest issues that should be addressed in the context of our projects on professional skepticism, quality control, and group audits. In that context:

- (a) Are these public interest issues relevant to our work on these topics?
- (b) Are there other public interest issues relevant to these topics? If so, please describe them and how, in your view, they relate to the specific issues identified.
- (c) Are there actions you think others need to take, in addition to those by the IAASB, to address the public interest issues identified in your previous answers? If so, what are they and please identify who you think should act.

G1(a)	Yes, they are all relevant to the work on the above topics. It would be helpful to restate and focus on the overall purpose of a financial audit to provide a basis for the areas listed as related to professional skepticism, quality control and group audits.
G1(b)	None.
G1(c)	As identified in the Framework many bodies including IESBA from the perspective of independence and the IASB with respect to issuing accounting standards that require less management estimation.

G2. To assist with the development of future work plans, are there other actions (not specific to the topics of professional skepticism, quality control, and group audits) that you believe should be taken into account? If yes, what are they and how should they be prioritized?

G2	We broadly support the prioritization of these areas in the IAASB work plan.
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G3. Are you aware of any published, planned or ongoing academic research studies that may be relevant to the three topics discussed in this consultation? If so, please provide us with relevant details.

G3	We are aware that professors at Brigham Young University in the USA have published certain research and documents with regard to professional skepticism.
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PROFESSIONAL SKEPTICISM

PS1. Is your interpretation of the concept of professional skepticism consistent with how it is defined and referred to in the ISAs? If not, how could the concept be better described?

PS1	<p>The term Professional Skepticism focuses too strongly on an internal attitude of mind that does not adequately express the need for action. We consider that there should be more focus on behavioral aspects of this process applying the following broad definitions to assess the claims, opinions or beliefs made by management or evident in the financial reporting process, as follows:</p> <ol style="list-style-type: none"> 1) Professional Skepticism (Attitudes) – A questioning attitude to a claim, opinions or beliefs reported by management during the audit 2) Professional Enquiry (Behaviors) – An ability to enquire for confirming or disconfirming evidence relating to those claims, opinions or beliefs 3) Professional Judgment (Judgments) – An ability to make considered decisions or to come to sensible conclusions by a process of assessing the claims, opinions or beliefs in the light of the evidence obtained <p>An attitude of Professional Skepticism is an internal way of thinking or feeling that is acquired slowly and progressively, and is more difficult for individuals to modify. Focus should therefore be placed on this aspect in recruitment, examinations and candidate assessment.</p> <p>The concept of “Professional Enquiry” should be considered more prominently in this consultation process in the context of both Professional Skepticism and Professional Judgment. Such a behavior is an external way of behaving that is possibly more easily modified than an attitude. A person with a skeptical attitude can be given the tools, resources and motivation to act in the public interest as expected of them. The techniques used to obtain and assess inconsistencies with evidence are described most prominently in ISA 500 Audit Evidence and ISA 580 Written Representations, but neither of these ISAs adequately deal with the behavioral aspects that are partially described in the ITC. Adding prominence to the behavioral aspects of enquiry will enhance the demonstration of the application of Professional Skepticism in the audit process because the auditor will be encouraged to document the results of their enquiries.</p>
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PS2. What do you believe are the drivers for, and impediments to, the appropriate application of professional skepticism? What role should we take to enhance those drivers and address those impediments? How should we prioritize the areas discussed in paragraph 37?

PS2	<p>In practice there are many factors that drive Professional Skepticism as described in paragraph 37. Creating a clearer understanding of what is meant by Professional Skepticism, including the behavioral aspects described above, is an essential foundation of this work. Of critical importance is the role of senior professionals involved in the audit process including “... engagement partners, EQC reviewers, audit committees, audit oversight bodies and others ...” for it is they who, amongst other things, recruit and promote personnel, review and inspect engagement files, devise action plans to address deficiencies, design methodologies and training, and appoint firms of auditors who demonstrate a commitment to quality in the conduct of their audits. Enhancing senior professional’s ability to understand and apply Professional Skepticism is a priority.</p>
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PS3. Is the listing of areas being explored in paragraph 38–40 complete? If not, what other areas should

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we or the Joint Working Group consider and why? What do you think are the most important area to be considered?

PS3	Subject to our comments in PS 1 we believe the lists in 38 to 40 are complete.
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PS4. Do you believe the possible actions we might take in the context of our current projects relating to quality control and group audits will be effective in promoting improved application of professional skepticism? If not, why?

PS4	Subject to our comments in PS 1 we believe the possible actions to be complete.
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PS5. What actions should others take to address the factors that inhibit the application of professional skepticism and the actions needed to mitigate them (e.g., the IAESB, the IESBA, other international standards setters or NSS, those charged with governance (including audit committee members), firms, or professional accountancy organizations)? Are there activities already completed or underway of which we and the Joint Working Group should be aware?

PS5	We believe that all bodies, international and national, involved in the financial reporting process ought to consider how they could enhance the understanding and application of Professional Skepticism in the context of their work. The application of Professional Skepticism is critical to the entire financial reporting process.
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QUALITY CONTROL (INCLUDING QUESTIONS EXPLORING CROSSOVER ISSUES/ISSUES RELEVANT TO MORE THAN ONE PROJECT)

The following questions relate to quality control matters set out in paragraphs 45–190. If you believe actions relating to quality control beyond those discussed in these paragraphs should be prioritized, please describe such actions and your supporting rationale as to why they require priority attention.

QC1. We support a broader revision of ISQC 1 to include the use of a QMA as described in paragraphs 45–67.

- (a) Would use of a QMA help to improve audit quality? If not, why not? What challenges might there be in restructuring ISQC 1 to facilitate this approach?
- (b) If ISQC 1 is restructured to require the firm’s use of a QMA, in light of the objective of a QMA and the possible elements described in paragraphs 64 and Table 3, are there other elements that should be included? If so, what are they?
- (c) In your view, how might a change to restructure ISQC 1 impact the ISAs, including those addressing quality control at the engagement level?
- (d) If ISQC 1 is not restructured to require the firm’s use of a QMA, do you believe that we should otherwise address the matters described in paragraph 59 and table 2, and if so, how?

QC1(a)	<p>We support use of a QMA to improve audit quality with the following concerns:</p> <ul style="list-style-type: none"> • This is an area where we believe a great level of detail is required to improve our understanding of how QMA could be operationalized in the context of financial audit. • It may be necessary to substantially rewrite ISQC1 in order to fully implement a QMA approach. If this is the case the benefits of such as approach need to be clearly articulated, in particular to smaller firms.
QC1(b)	None.
QC1(c)	ISA 220 Quality Control for an Audit of Financial Statements will need to be updated and the other ISAs will need to be reviewed for conforming changes or for new processes introduced by the QMA.
QC1(d)	If ISQC 1 is not restructured, we support the more limited application of the principles of a QMA approach in an update to ISQC 1. However, if this approach is taken more complex areas need to be explained clearly and, importantly consideration should be given to the applicability of ISQC 1 to other non-audit engagements and potentially the need to develop a standard to address non-audit engagements.

QC2. *Engagement Partner Roles and Responsibilities*

- (a) Paragraphs 69–86 set out matters relating to the roles and responsibilities of the engagement partner.
 - (i) Which of the actions outlined in paragraphs 85–86 would be most meaningful to address issues related to engagement partner responsibilities?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more

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effective than those described? If you would not support a particular action, please explain why.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

(b) Do you think it is necessary for the ISAs to include requirements or otherwise address the circumstances described in paragraph 79 in which an individual other than the engagement partner is required to or otherwise customarily sign(s) the auditor's report or is named therein? If yes, please explain why, and provide your views about how this could be done (including describing the work effort you believe would be necessary for such an individual).

QC2(a)(i)	Clear and concise guidance for engagement partners is necessary whether or not a QMA approach is adopted. If a QMA approach is adopted, consideration should be given to avoiding unnecessary duplication across the AQ Framework, ISCQ 1 and individual ISAs.
QC2(a)(ii)	The actions listed mostly propose incremental improvements to matters already addressed in ISQC 1 and the ISAs based on consultations and feedback from the profession.
QC2(a)(iii)	None.
QC2(a)(iv)	None.
QC2(b)	We believe that it would be beneficial that if a person other than the engagement partner signs the audit report, that there is clear and concise guidance for the person signing the audit report explaining their responsibilities.

QC3. Others Involved in the Audit

(a) Paragraphs 87–104 set out matters relating to involvement of others in the audit:

(i) Which of the actions outlined in paragraphs 100–104 would be most meaningful to address issues related to others participating in the audit?

(ii) Why do you believe these actions are necessary?

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

(b) Should we develop further requirements or application material for circumstances when other auditors are involved in an audit engagement (i.e., auditors that don't meet the definition of component auditors)?

QC3(a)(i)	We believe that all of the areas listed should be considered in the review of the standards. Many of the issues listed in paragraphs 94 to 99 relate to deficiencies in the performance of existing requirements. The review should focus on the guidance relating to the performance requirements expected of engagement partners and others involved in the audit relating to existing and proposed requirements, so that performance can be applied and monitored more closely by the engagement partner and the compliance functions within firms.
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	Overall, we do not consider that the role of the group engagement partner should be diluted by the review. The question of including the name of other auditors in the Auditors Report is dealt with in our response to the Group Audit section of the ITC.
QC3(a)(ii)	We believe action is necessary because issues and concerns have been raised by stakeholders associated with this process.
QC3(a)(iii)	None.
QC3(a)(iv)	No comments.
QC3(b)	The ITC does not explain what requirements could be included with respect to other auditors not meeting the definition of component auditors. In order to judge whether requirements are needed in this area it would be help to see some examples. However, guidance relating to the identification, responsibilities and particular review responsibilities of the engagement partner could be helpful.

QC4. The Firms' Role in Supporting Quality

(a) Paragraphs 106–123 set out matters relating to networks of firms and use of ADMs.

- (i) Which of the actions outlined in paragraphs 114–116 and 122–123 would be most meaningful to address issues related to firms operating as part of a network of firms and firms' changing business models and structures?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

- (i) What could we do to address the issues identified in the context of networks of firms? For example, should we develop more detailed requirements and application material to address reliance on network-level policies and procedures at a firm or engagement level?
- (ii) Do you think it would be feasible for us to develop requirements and guidance for networks? Please provide a basis for your views.
- (iii) Paragraphs 117–123 set out matters relating to the use of ADMs and related issues.
 - a. How should our standards emphasize the importance of appropriate quality control processes in relation to use of ADMs?
 - b. Are you aware of ADMs that raise issues not discussed in paragraphs? If so, please provide details.

QC4(a)(i)	We agree with the issues and actions listed in paragraphs 106 to 123. In particular, requirements and guidance should be improved to make it clear that network firms should leverage their network's systems of quality control but should not rely solely on those systems because network firms remain independent operating entities for regulatory and
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	legal purposes. In many networks there are larger firms with the skills and resources to develop high quality systems of quality control. Smaller network firms can leverage those resources to effectively implement those systems at their firms.
QC4(a)(ii)	We believe action is necessary because issues and concerns have been raised by stakeholders associated with this process.
QC4(a)(iii)	None.
QC4(a)(iv)	N/A.
QC4(b)(i)	We do not believe it necessary to develop separate requirements or guidance for networks due to the diversity of quality control systems deployed by networks. Rather, for the reasons given in QC4(a)(i) above, we believe it best to develop requirements and guidance at the network firm level that can then be leveraged and deployed throughout a network.
QC4(b)(ii)	No, for the reasons stated above.
QC4(b)(iii)a	We believe that ultimately the engagement partner must be able to demonstrate that they have sufficient knowledge of the operations, performance and quality control and of an ADM in order to place reasonable reliance on the work performed by the ADM. Due to the developing nature of these business models we believe that the IAASB should at this stage develop overarching principles and where currently relevant necessary requirements and guidance.
QC4(b)(iii)b	No.

QC5–QC10 address the more significant issues relating to quality control specific matters

QC5. Governance of the Firm, Including Leadership Responsibilities for Quality

- (a) Paragraphs 125–135 set out matters relating to governance of firms, including leadership responsibilities for quality.
- (i) Which of the possible actions outlined in paragraphs 131–135 would be most meaningful in addressing issues related to firm governance and leadership responsibility for quality?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
- (i) Do you believe it is necessary for us to explore how the governance of a firm could be addressed in ISQC 1?
 - (ii) Should ISQC 1 specifically address accountability of firm leadership, or appropriate personnel within firm leadership, for matters related to quality, including independence- related matters?

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If so, how should this be done, and what direction should ISQC 1 provide to firms in appointing appropriate individuals to assume these responsibilities?

- (iii) Would the use by firms of a QMA provide better support or context for the importance of quality-related responsibilities for firm leadership, and related accountability, and therefore better facilitate the ability of firms to address these matters?

QC5(a)(i)	We agree with the issues and actions listed in paragraphs 131 to 135, in particular the focus on tone at the top.
QC5(a)(ii)	Without full support of the leadership quality control systems will not be as effective as they would be otherwise.
QC5(a)(iii)	In addition to tone at the top, we believe it necessary to stress the importance of quality control throughout the practice, including as it relates to other services that are closely related to the assurance practice.
QC5(a)(iv)	None.
QC5(b)(i)	We believe it necessary to explore governance of a firm.
QC5(b)(ii)	We believe it necessary to address accountability.
QC5(b)(iii)	It is not possible for us to provide meaningful feedback on the application of a QMA approach without examples of how this would be applied in practice.

QC6. Engagement Quality Control Reviews and Engagement Quality Control Reviewers

- (a) Paragraphs 136–146 set out matters relating to engagement quality control reviews and engagement quality control reviewers.

- (i) Which of the possible actions outlined in paragraphs 143–146 would be most meaningful in addressing issues related to EQC reviews and EQC reviewers?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

- (b) Specifically:

- (i) Should ISQC 1 mandate the performance of EQC reviews beyond audits of listed entities? If yes, what other entities should be considered and how could we best define these entities? If no, please explain your reasoning.
- (ii) Do you believe it is necessary for ISQC 1 to require that firms define the minimum period of time between when an individual has been the engagement partner and when that individual would be eligible to serve as the EQC reviewer on the same engagement? If yes, how do you think this should be done and why? If no, please explain why.
- (iii) Would you support the development of a separate EQC review standard? Please explain the reasoning for your response.

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QC6(a)(i)	We agree with the actions listed in paragraphs 143 to 146, in particular proposals to give greater prominence to the EQC reviewer role provided that this does not have an unintended consequence of reducing the role of the engagement partner.
QC6(a)(ii)	We believe action is necessary because issues and concerns have been raised by stakeholders associated with this process.
QC6(a)(iii)	We believe that the proposals should focus more on the importance of early involvement of the EQC reviewer in the audit process, including at the client acceptance/re-evaluation stage because it is often at client acceptance that key decisions are made concerning the engagement that the EQC reviewer should be consulted about.
QC6(a)(iv)	None.
QC6(b)(i)	We do not support the mandating of EQC reviews beyond the audits of listed companies. However, we do agree that EQC review is necessary for entities other than listed companies and believe it would be helpful to include guidance describing the criteria that could be used to assess the need for such reviews.
QC6(b)(ii)	We do not believe it necessary to create a minimum period between serving as an engagement partner and an EQC reviewer in ISQC1 or the ISAs because this matter of auditor objectivity might better be considered as a whole by IESBA where all audit engagement roles are considered.
QC6(b)(iii)	We support the need for a separate standard if the proposals for enhanced prominence of the EQC review role warrant it in terms of complexity or volume. However, at this stage without more information on the proposals it is not possible to assess this fully.

QC7. Monitoring and Remediation

(a) Paragraphs 147–159 set out matters relating to monitoring and remediation.

- (i) Which of the possible actions outlined in paragraphs 156–159 would be most meaningful in addressing issues related to monitoring and remediation?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

- (i) Do you support the incorporation of a new requirement(s) in ISQC 1 for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews? If not, why? Are there any potential consequences or other challenges of taking this action that you believe we need to consider?
- (ii) Do you support the incorporation of a new requirement(s) in ISQC 1 for the results of the firm's monitoring of the effectiveness and appropriateness of the remedial actions to be

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considered in the design and assessment of the effectiveness of the firm's system of quality control? Please provide further detail to explain your response.

QC7(a)(i)	We agree with the actions listed in paragraphs 147 to 159, in particular the addition of the SMP perspective for this area. It is important that the challenges experienced by SMPs with respect to monitoring are acknowledged and fully addressed by the proposals.
QC7(a)(ii)	It is important that practical proposals are developed that are suitable for the particular risks and pressures faced by these firms associated with their size, resources and ownership structures.
QC7(a)(iii)	None.
QC7(a)(iv)	As described above, greater focus on the practical needs of SMPs in this area is needed.
QC7(b)(i)	We agree that there is a need for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews because in order to implement effective remedies it is necessary to understand the root cause of the deficiency.
QC7(b)(ii)	We support the incorporation of a new requirement in ISQC 1 for the results of the firm's monitoring of effectiveness and appropriateness of the remedial actions to be considered in the design and assessment of the effectiveness of the firm's system of quality control. We recommend that the timing of these processes be considered within the guidance to make sure that remediation is timely and is implemented promptly so that repeat findings can be avoided.

QC8. Engagement Partner Performance and Rewards Systems

Paragraphs 160–170 set out matters relating to engagement partner performance and rewards systems.

- (a) Do you believe that establishing a link between compensation and quality in ISQC 1 would enhance audit quality? Why or why not?
- (b) What actions (if any) do you believe we should take in this regard? Are there potential consequences of possible actions that you believe we need to consider?

QC8(a)	We agree that ISQC 1 should not be used as a vehicle to mandate the structure of an engagement partner's remuneration. We believe that application materials should be developed to help firms create remuneration systems that encourage and reward quality. However, it should be acknowledged that it is extremely difficult to link remuneration to quality at SMPs, particularly when those firms are led by equity partners who share profits. As discussed above it is therefore important that SMPs have strong monitoring systems.
QC8(b)	None.

QC9. Human Resources and Engagement Partner Competency

- (a) Paragraphs 171–187 set out matters relating to human resources and engagement partner competency.
 - (i) Which of the possible actions outlined in paragraphs 176–178 and 187 would be most meaningful in addressing issues relating to human resources and engagement partner

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competency?

- (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically, which of the possible actions outlined, or other actions not described, in paragraphs 176–178 and 187 would most positively impact audit quality:
- (i) Arising from issues related to knowledge, skills, competence and availability of a firm's partners and staff?
 - (ii) Related to engagement partner competency?
 - (iii) Why do you believe these actions are necessary? If you would not support a particular action, please explain why, including any potential consequences of those actions that you believe we need to consider.

QC9(a)(i)	We agree with the actions listed in paragraphs 176 to 178. However, we are not convinced that inclusion of IES 8 would be beneficial. Rather we believe that referencing the requirements of IES 8 within ISQC 1 and/or ISA 220 would be preferable.
QC9(a)(ii)	See above.
QC9(a)(iii)	None.
QC9(a)(iv)	N/A.
QC9(b)(i)	We believe that including guidance on Continuity Planning would be of most benefit.
QC9(b)(ii)	None.
QC9(b)(iii)	At present there is limited international consideration or guidance on this area.

QC10. Transparency Reporting

Paragraphs 188–190 set out matters relating to transparency reporting.

- (a) Do you believe we are able to positively contribute to the evolving developments related to transparency reporting? If so, what, in your view, would be the most appropriate action we could take at this time?
- (b) If you would not support us taking actions as described in paragraph 190(b), please explain why, including any potential consequences of those actions that you believe we need to consider.

QC10(a)	We agree with the actions listed in paragraphs 188 to 190, in particular the issuance of such reports by firms involved in the audits of Public Interest Entities.
QC10(b)	N/A.

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The following questions are overall questions relating to quality control:

QC11. Are there any other issues relating to quality control that we have not identified? If yes, please provide details. What actions should we take to address these issues?

QC11	None.
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QC12. Are there any other specific actions that others could take in relation to quality control? If yes, please provide details.

QC12	None.
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QC13. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

QC13	We believe that consideration does need to be given to the needs of SMPs as recognized in the IAASB 2015-16 Work Plan which describes the need for proportionality of ISQC 1. However, such consideration should not create a two tier profession, rather overall we believe the proposals should place greater scrutiny on the audits of Listed Entities only where necessary to address specific risks and to provide more guidance and application materials to enhance audit quality where needed or necessary.
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QC14. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

QC14	None.
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GROUP AUDITS

The following questions relate to group audit matters set out in paragraphs 191–305. If you believe actions relating to group audits beyond those discussed in these paragraphs should be prioritized, please describe such actions and your supporting rationale as to why they require priority attention.

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

- (a) Should we increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements? Will doing so help to achieve the flexibility that is needed to allow for ISA 600 to be more broadly applied and in a wide range of circumstances (see paragraphs 194–198)? If not, please explain why. What else could we do to address the issues set out in this consultation?
- (b) Would the actions we are exploring in relation to ISA 600 improve the quality of group audits? If not, why?
- (c) Should we further explore making reference to another auditor in an auditor’s report? If yes, how does this impact the auditor’s work effort?
- (d) What else could the IAASB do to address the issues highlighted or other issues of which you are aware? Why do these actions need priority attention?

GA1(a)	While we believe it is generally understood that all ISAs are relevant to an audit of group financial statements a greater emphasis on this fact would be beneficial in clarifying this important point for those whom do not believe this to be so.
GA1(b)	We believe that the overall principles within the existing ISA 600 are sound and do not need signification alteration at this stage. However, improvements could be made to the guidance with respect to the identification of a component, addressing matters related to shared service centers, determination of group and component materiality, and situations where group management are not able to exert sufficient control over a component that is consolidated using the equity method.
GA1(c)	The inclusion of reference to another auditor in an audit report should not make any difference to the group auditor’s work effort. For this reason we are neither strongly for nor against the inclusion of a reference to another auditor. However, from the perspective of the public interest we believe the IAASB should consider whether in the case of equity method components where the group auditor will not be granted access to audit evidence, the public interest would be better served by permitting reference to the report of another auditor rather than issuing a modified auditor’s report for a scope restriction or not accepting the engagement at all in the first instance.
GA1(d)	None.

GA2–GA9 address the more significant issues relating to group audits in greater detail.

GA2. *Acceptance and Continuance of the Group Audit Engagement*

- (a) Paragraphs 204–217 set out matters relating to acceptance and continuance of the group audit engagement.

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- (i) Which of the possible actions outlined in paragraphs 215–217 would be most meaningful in addressing issues related to acceptance and continuance procedures?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

- (i) Are access issues as described in paragraph 207(a) still frequently being experienced in practice? If yes, please provide details and, where possible, explain how these are being addressed today.
- (ii) Do you agree that ISA 600 can or should be strengthened in relation to addressing access issues as part of acceptance and continuance?
- (iii) Would expanding the understanding required for acceptance and continuance, as described in paragraph 215 (b), be achievable in the case of a new audit engagement?

GA2(a)(i)	We agree with the actions listed in paragraphs 215 to 217, in particular mentioned above we believe that enhancing the guidance on how to deal with situations where group management do not exert sufficient control over a component that is consolidated using the equity method.
GA2(a)(ii)	At present there is little guidance describing how to deal with situations involving equity method investments, which are not uncommon in practice.
GA2(a)(ii)	None.
GA2(a)(iv)	N/A.
GA2(b)(i)	None.
GA2(b)(ii)	None.
GA2(b)(iii)	N/A.

GA3. Communications between the Group Engagement Team and Component Auditors

- (a) Paragraphs 218–225 set out matters relating to communications between the group engagement team and component auditors.
 - (i) Which of the possible actions outlined in paragraph 224 would be most meaningful in addressing issues relating to communication between the group engagement team and the component auditor?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain

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why?

- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

GA3(a)(i)	We agree with the actions listed in paragraph 224. We do not believe it necessary to create a separate ISA for Component Auditors. However, we would welcome exploring the inclusion of Component Auditors within the scope of the guidance for ISA 600.
GA3(a)(ii)	N/A.
GA3(a)(iii)	None.
GA3(a)(iv)	None.

GA4. Using the Work of the Component Auditors

- (a) Paragraphs 226–242 set out matters relating to using the work of the component auditors.
- (i) Which of the possible actions outlined in paragraph 234 and 242 would be most meaningful in addressing issues related to using the work of the component auditor?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
- (i) Should the nature, timing and extent of involvement of the group engagement team in the work of the component auditor vary depending on the circumstances? If yes, how could changes to the standard best achieve this objective?
 - (ii) Should ISA 600 be strengthened to require the group engagement partner to make an explicit determination about whether the group engagement team can use the work of a potential component auditor?

GA4(a)(i)	We agree with the actions listed in paragraphs 234 and 242, in particular we believe that it is for the group auditor to determine for each component the nature, timing and extent of audit procedures performed by the group engagement team. Therefore we believe the proposals should allow the group auditor the flexibility to make and execute their assessment.
GA4(a)(ii)	The group auditor is best placed to make the assessment and should ultimately be responsible for the consequences if that assessment is not appropriate.
GA4(a)(iii)	None.
GA4(a)(iv)	None.

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GA4(b)(i)	Yes, see above.
GA4(b)(ii)	We do not believe it necessary for the group engagement partner to explicitly determine whether the group engagement team can use the work of a potential component auditor because this measure would be to cherry pick one element of planning as requiring specific group engagement partner intervention over existing supervision and review requirements for the group engagement partner. However, the importance of this matter as one many planning considerations could be made more explicit through enhanced application material.

GA5. Identifying and Assessing the Risks of Material Misstatement in a Group Audit

- (a) Paragraphs 243–253 set out matters relating to identifying and assessing significant risks in a group audit:
- (i) Which of the possible actions outlined in paragraphs 251–253 would be most meaningful to address issues relating to identifying significant risks for the group audit?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

GA5(a)(i)	We agree with the actions listed in paragraphs 243 to 253.
GA5(a)(ii)	All are important matters for consideration.
GA5(a)(iii)	None.
GA5(a)(iv)	None.

GA6. Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits

- (a) Paragraphs 254–261 set out issues relating to applying the concept of materiality in a group audit. Do you agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in a group audit? If not, please indicate which actions are not appropriate and describe why.
- (b) Recognizing that significant changes to ISA 320 will not be contemplated until a review of ISA 320 has been performed in its entirety (potentially as part of a future project to address 9materiality more broadly), please describe any other relevant issues or additional actions that you think may be appropriate relating to component materiality, component performance materiality or the clearly trivial threshold at the component level.

GA6(a)	We agree with the actions listed in paragraphs 254 to 261, in particular more guidance should be provided with regards to the determination of component materiality and to make clear under what circumstances component materiality is to be applied.
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GA6(b)	None.
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GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)

- (a) Paragraphs 262–292 set out matters relating to responding to identified risk of material misstatement in a group audit (including the group engagement team's involvement in the consolidation process).
- (i) Which of the actions outlined in paragraphs 272–273, 279, 288 and 292 would be most meaningful to address issues relating to responding to identified risks of material misstatement in a group audit?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
- (i) What are your views on scoping the audit based on identifying and assessing the risks of material misstatement for the group as a whole, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant? Are there any practical challenges that we need to consider further?
 - (ii) Are there other possible actions related to auditing groups where there are a large number of non-significant components that we should explore? Are there other approaches to auditing such groups that need to be considered? Do the possible actions presented lead to any additional practical challenges?
 - (iii) Should the standard be strengthened for the group engagement team to be more involved at the sub-consolidation level in the appropriate circumstances? Are there further issues or practical challenges that have not been considered?
 - (iv) Should the requirements or application material relating to subsequent event procedures be strengthened or clarified? Are there further issues or practical challenges that have not been considered?

GA7(a)(i)	We agree with the actions listed in paragraphs 272–273, 279, 288 and 292.
GA7(a)(ii)	All are important matters for consideration.
GA7(a)(iii)	None.
GA7(a)(iv)	N/A.
GA7(b)(i)	Enhancing the guidance on the consideration of significant issues within the group would be beneficial and may have the desired effect of making sure that sufficient and appropriate audit evidence is obtained by the group auditor.

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GA7(b)(ii)	None.
GA7(b)(iii)	None.
GA7(b)(iv)	There may be some merit in enhancing the guidance where up-to-date information is difficult to obtain due to group management not having control over group entities.

GA8. Review and Evaluation of the Work of Component Auditors by the Group Engagement Team

- (a) Paragraphs 293–303 set out matters relating to the review and evaluation of the work of component auditors by the group engagement team.
- (i) Which of the actions outlined in paragraphs 299 and 303 would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of those actions that you believe we need to consider further.

GA8(a)(i)	We agree with the actions listed in paragraphs 293 to 303. In particular, enhancing the clarity of guidance with regard to the extent of documentation required.
GA8(a)(ii)	We believe the current guidance does not extend that given in ISA 230 sufficiently to the context of a group.
GA8(a)(iii)	None.
GA8(a)(iv)	None.

GA9. The Impact of New and Revised Auditing Standards

How should the matters set out in paragraphs 304–305 be addressed in our plans to revise ISA 600? Are there any other implications from our new or revised standards that should be considered?

GA9	At this stage we do not believe that there are special considerations for a group engagement.
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The following questions are overall questions relating to group audits:

GA10. Are there any other issues relating to group audits that we have not identified? If yes, please provide details. What actions should we take to address these issues?

GA10	As referenced above, we believe that the increased use of shared service centers by companies should be fully addressed in these proposals, including consideration of how the group auditor obtains sufficient and appropriate audit evidence.
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GA11. Are there any other specific actions that others could take in relation to group audits? If yes, please provide details.

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GA11	None.
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GA12. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

GA12	None, other than those noted above.
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GA13. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

GA13	None.
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