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Professor Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York NY 10017
United States of America

1 July 2019

Dear Professor Schilder,

IAASB Proposed International Standards on Quality Management (ED- ISQM1 and ED-ISQM 2) and ED-ISA 220 Quality Management for an Audit of Financial Statements ('ED- ISA 220')

RSM International Limited, a worldwide network of independent audit, tax and consulting firms, appreciates the opportunity to comment on the IAASB's Proposed Standards on Quality Management.

We welcome the proposals in ED-ISQM1, ED-ISQM 2 and ED-ISA 220 and believe they provide the basis to achieve a step change in audit quality. We see this combined suite of standards as essential for continued improvement in audit quality. We have a number of comments on the Exposure Drafts and our responses to the specific questions posed in the Explanatory Memorandum are attached.

Due to the comprehensive nature of the changes, significant practical implementation guidance and training will be required. Assistance with implementation through a comprehensive example or guidance will be particularly critical for smaller firms and will assist in setting a framework for regulators when they inspect firms for compliance.

We would be pleased to discuss our views further with you or your staff. If you have any questions regarding our comments, please contact Steve Whitcher (steve.whitcher@rsm.global) or me at (marion.hannon@rsm.global).

Yours sincerely,

Marion Hannon
Global Leader, Quality & Risk

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Response Template: Quality Management Covering Explanatory Memorandum

Overall Questions

- 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:

Implementation requires firms to:

- evaluate the new rules and implement changes to systems and controls
- improve system documentation
- monitor and evaluate the operating effectiveness of the system of quality management

An 18-month implementation period will be very challenging particularly if the monitoring and evaluation of the operating effectiveness of the system of quality management is intended to be included in the implementation period. However, we also recognize that a step change in improvement in audit quality is required and appropriate. Any delay to implementation of these three standards could be perceived as reluctance to embrace the changes necessary. As such we support implementation within 18 months after approval of the three standards and request that the IAASB clarify that monitoring and evaluation is an ongoing and iterative process.

For smaller firms to fully implement the standards within the 18-month timeframe it is critical that a comprehensive documentation example is published at the same time. Without this, it will be very challenging for many firms and they may struggle to comply with the many complex requirements they contain.

- 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:

SMPs will need significantly more practical guidance and examples than currently included in ED ISQM 1. Such guidance will need to be issued at the same time, or very shortly after, the final standards are published.

This will also assist regulators by illustrating how the principles-based standards may be implemented by firms of various sizes and complexities.

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.**

Response: We have no comments to add in this respect.

- (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.

Response: We have no comments to add in this respect.

- (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: We have no comments to add in this respect.

