



IAASB
New York
USA

Nieuwegein, 26 June 2019

Re : Comments ED's for quality management

Dear Sirs ,

We should be glad to respond to the Request for Comments regarding the ED's for quality management. SRA is an association of some 370 SMP firms, which is based in the Netherlands. Taking into account the nature of our members, we have decided to focus our comments on the issue of scalability, as included in the subject ED's.

Our comments are as follows:

1. ED ISQM1, question 1 (a)

We note, that the ED requirements, in conformity with the present standard, relate to the firm and not to the auditor. In our view it is vital to clearly distinguish in standards the responsibilities of the firm and the auditor. This approach is also followed in present Dutch legislation. In a recent verdict of a Dutch court this approach has also been confirmed. We concur with the approach regarding this issue in the ED, as explained in par 14 of the overall explanatory memorandum.

2. ED ISQM 1, question 1 (c)

The proposed standard is complex and contains a large number of requirements, many of which may not be relevant in any environment, for example in an SMP-environment. In the explanatory memorandum, for example in par 23, it is clearly stated that an approach tailored to the nature and circumstances of the firm and its engagements is sufficient. We definitely concur with this important starting point; we note however that the relevant wording in the standard itself is not adequate.

In this regard we note that articles 7 and 22 do not clearly state that requirements only apply in circumstances where they are relevant. The first sentence of article 22 is even contradictory to this starting point and could be considered inconsistent with the last sentence of this article.

It should be taken into account, that in many jurisdictions, such as The Netherlands, requirements in the standard will likely be incorporated into law and legal regulations and will therefore become legal requirements. It is therefore vital to include a clear exception in the standard to incorporate the scalability issue. We therefore urge to include a general article in the standard, which could read as follows:

“The firm shall comply with a requirement of this ISQM to the extent that such compliance is effective in realizing the objective of this ISQM, taking into account the nature and circumstances of the firm and its engagements.”



Inclusion in the standard of such an article would adequately address our concern regarding scalability.

We also note, that both article 7 through 13 and article 22 have “The Firm’s System of quality management” as their subject. We think that it is to be advised to integrate these articles.

3 Overall question

In the ED’s an implementation period is proposed of 18 months after the approval of the three standards by the PIOB. As discussed above implementation in The Netherlands will likely require incorporation into law and legal regulations. We expect that this process and subsequent implementation in the firms will require more time. We therefore suggest to extend the implementation period to 30 months.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Dinkgreve', with a long horizontal line extending to the right.

Paul Dinkgreve,

Chairman SRA