



САМОРЕГУЛИРУЕМАЯ ОРГАНИЗАЦИЯ АУДИТОРОВ  
АССОЦИАЦИЯ «СОДРУЖЕСТВО»

член Международной Федерации Бухгалтеров (IFAC)  
(ОГРН 1097799010870, ИНН 7729440813, КПП 772901001)



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119192, г. Москва, Мичуринский проспект, дом 21, корпус 4.  
т: +7 (495) 734-22-22, ф: +7 (495) 734-04-22,  
[www.auditor-sro.org](http://www.auditor-sro.org), [info@auditor-sro.org](mailto:info@auditor-sro.org)

June 28, 2019

International Federation of Accountants  
International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6<sup>th</sup>Floor,  
New York, 10017 USA

Ladies and gentlemen,

In pursuance with your kind invitation to comment of the exposure draft of ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (ED-ISQM 1) I would like to present certain specific comments on the questions included in your Explanatory Memorandum.

**Question 1**

Does ED-ISQM 1 substantively enhance firms' management of engagement quality, and at the same time improve the scalability of the standard? In particular:

(a) Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?

**Comments**

Yes

(c) Are the requirements and application material of proposed ED-ISQM 1 scalable such that they can be applied by firms of varying size, complexity and circumstances? If not, what further actions should the IAASB take to improve the scalability of the standard?

**Comments**

Yes, but further actions are called for. For example, requirements of some para. should be shortened or excluded, for example para. 26-30 etc. The requirements of these section should be formulated appropriately to make it clear that the firm should take into account the nature of the engagements performed, its clients and design and implement appropriate system of quality management.

**Question 3**

Is the application material in ED-ISQM 1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional examples or explanations would be helpful or where the application material could be reduced?

**Comments**

Yes, but not only application material should be reduced but the text of the entire standard includes redundant statements, for example para.9-16, 20, 21 etc.

**Question 4**

Do you support the eight components and the structure of ED-ISQM 1?

**Comments**

Yes, as a whole

### **Question 5**

Do you support the objective of the standard, which includes the objective of the system of quality management? Furthermore, do you agree with how the standard explains the firm's role relating to the public interest and is it clear how achieving the objective of the standard relates to the firm's public interest role?

#### **Comments**

Yes

### **Question 6**

Do you believe that application of a risk assessment process will drive firms to establish appropriate quality objectives, quality risks and responses, such that the objective of the standard is achieved? In particular:

(b) Do you support the approach for establishing quality objectives?

#### **Comments**

Yes

ii. Is it clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances?

#### **Comments**

Yes

(c) Do you support the process for the identification and assessment of quality risks?

#### **Comments**

Yes

(d) Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks? In particular: i. Do you believe that this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks? ii. Is it clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard?

#### **Comments**

Yes, however we recognize that it could increase volume of WP.

**i. Yes**

**ii. Not clear on this**

### **Question 10**

Do the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with the firm's stakeholders? In particular, will the proposals encourage firms to communicate, via a transparency report or otherwise, when it is appropriate to do so?

#### **Comments**

Only if law or regulation of the country require

### **Question 11**

Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of engagements to be subject to an engagement quality review?

#### **Comments**

Yes

### **Question 12**

In your view, will the proposals for monitoring and remediation improve the robustness of firms' monitoring and remediation? In particular:

(b) Do you agree with the IAASB's conclusion to retain the requirement for the inspection of completed engagements for each engagement partner on a cyclical basis, with enhancements to improve the flexibility of the requirement and the focus on other types of reviews?

**Comments**

Requirement for the inspection of completed engagements for each engagement partner on a cyclical basis may be overwhelming in small practices with one-three partners.

(c) Is the framework for evaluating findings and identifying deficiencies clear and do you support the definition of deficiencies?

**Comments**

We don't support the definition of deficiencies, as we believe it needs further clarification.

(e) Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate at least annually whether the system of quality management provides reasonable assurance that the objectives of the system have been achieved?

**Comments**

We believe that for SMPs it may be challenging as there may be no such an individual.

**Question 13**

Do you support the proposals addressing networks? Will the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services?

**Comments**

Yes

**Question 14**

Do you support the proposals addressing service providers?

**Comments**

Yes

**Question 15**

With respect to national standard setters and regulators, will the change in title to "ISQM" create significant difficulties in adopting the standard at a jurisdictional level?

**Comments**

No

As a whole the proposed new approach may be supported but the text consist excessive statements and requirements and should be shortened. The project overstates the role of internal control system in providing quality especially in SMPs and stimulates "paper work". Definition of "Deficiency" in the firm's system of quality management requires further edits (para. 19a). The text includes requirements that are not concrete (para.23, 51 etc.) and "quality objectives" that are not really objectives because of excessive disaggregation and should be refined.

Hope the comments above will be instrumental for improving the ISQM 1.

Best regards,

Olga Nosova,  
General Director of  
Self-regulatory organization of auditors Association "Sodruzhestvo",  
Russia, Moscow  
Tel: +7 (495) 734-14-40,  
[www.auditor-sro.org](http://www.auditor-sro.org)