

International Auditing and Assurance Standards Board

Information Gathering Survey – Quality Control

February 2015

The purpose of this survey is to inform the scoping of the proposed IAASB project on the topic of quality control.

Background:

- ISQC 1¹ and ISA 220² serve a fundamental role in underpinning audit quality and users' confidence in an audit and in financial reporting.
- As part of outreach in respect of quality control, certain issues were identified including:
 - Concern about the application of ISQC 1 to smaller entities and policies and procedures specific to assurance engagements related to smaller entities.
 - Concern about the proportionate application of ISA 220 in the audit of smaller entities.
 - Inconsistencies in the performance of the monitoring process required by ISQC 1, in particular, the extent that the firm's quality control systems are considered, in addition to engagement file reviews.
 - The need for firms to evaluate the effect of deficiencies identified as part of internal and external inspections including appropriate remedial actions to the firm's systems of quality control in addition to the effect on the audit and the audit opinion.
- As the IAASB commences information-gathering activities on its new initiatives on quality control, consideration will need to be given as to whether standard-setting is needed to address these issues. This questionnaire is intended to help inform the IAASB about current practice, and issues encountered by firms in maintaining quality control systems in compliance with ISQC 1.

Understanding the potentially confidential and sensitive nature of some of the information being requested, it is only IAASB Staff that will have access to the responses. IAASB members will only see the collated, unattributed responses as IAASB meeting agenda material which will form part of the public record, like all IAASB agenda materials.

¹ International Standard on Audit Quality (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*.

² ISA 220, *Quality Control for an Audit of Financial Statements*

In initiating this survey, the IAASB is seeking to understand the issues encountered in the application of ISQC 1 in firms of all sizes. Respondents are encouraged to provide as much information or explanations as possible rather than just 'checking the box' in the attached questionnaire. Please use as much space as needed in the questionnaire to describe your activities and related policies and procedures or provide a supplementary memorandum.

Name of Firm:	
Size of Firm: Sole practitioner 2-5 Partners and Staff 6-10 Partners and Staff 11-20 Partners and Staff 21+ Partners and Staff	
Name of person responding:	
Contact E-mail:	
Contact Tel Number:	

A. Questions

1. Implementation of ISQC 1		
(a)	Has your firm adopted ISQC 1 or a quality control standard that is based on ISQC 1?	Yes / No
(b)	If yes, are there any policies or procedures that you considered necessary to include in your system of quality control, outside of those required by ISQC 1?	Yes / No
(c)	If yes, please summarize these supplemental policies and procedures.	
(d)	Are there any policies and procedures required by ISQC 1 that you did not implement?	Yes / No
(e)	If yes, please summarize those policies and procedures not implemented.	
2. Application and Scalability		
(a)	Do you perform a combination of audit engagements, reviews of historical financial information, or other assurance or related services engagements?	Yes / No
(b)	If yes, are these quality control policies and procedures all still based on ISQC 1?	Yes / No
(c)	If no, what other models are used to develop your quality control policies and procedures?	
(d)	Do you have different quality control policies and procedures for the different parts of your practice?	Yes / No
(e)	Please describe the criteria used or risks considered when deciding to establish different policies and procedures for distinctive parts of the practice.	
(f)	Please indicate, as applicable, parts of the practice where the policies may significantly differ and provide an overview of these differences by the following categories.	
Leadership		

Ethical Requirements	
Acceptance and Continuance	
Human Resources	
Engagement Performance	
Monitoring	
(f)	Are you aware of application tools or guidance made available by National Standard Setters, other professional bodies or other sources to assist with the application of ISQC 1 for small- and medium-sized entities?
	Yes / No
(g)	Do you use, or have you ever used, these materials? If so please indicate what aspects of the tools or guidance you find the most helpful and the source of the materials.
(h)	Please describe the specific areas of ISQC 1 that you found difficult to implement, and continue to find difficult to apply either in the system of quality control or the application of the related policies and procedures in engagements and why? Please be as specific as possible; the use of paragraph references or the specific requirement will greatly assist our research.
Please provide responses in respect of audits of financial statements as follows.	
Leadership	
Ethical Requirements	
Acceptance and Continuance	
Human Resources	
Engagement Performance	
Monitoring	
Please provide responses in respect of reviews of historical financial information, or other assurance or related services engagements as follows.	
Leadership	

Ethical Requirements		
Acceptance and Continuance		
Human Resources		
Engagement Performance		
Monitoring		
(i)	Do you think that enough guidance has already been issued on the application of ISQC 1 in small- and medium-sized practices (i.e., its proportionate application), for example, guidance issued by IAASB, IFAC SMP Committee, National Standard Setters or other professional bodies?	Yes / No
(j)	If not, please describe the areas where additional guidance or interpretations would be useful.	
(k)	Do you use external resources for designing and implementing the quality control system, monitoring the quality control system or fulfilling engagement requirements, for example engagement quality control review?	Yes / No
(l)	If yes, please provide details of the areas where you use external resources.	
(m)	How could ISQC 1 be modified to be “more scalable” to your practice needs?	
3. Engagement Quality Control Review		
(a)	Do you perform engagements that require the appointment of an engagement quality control reviewer, either by law and regulation or by internal firm policy, including audits of financial statements, reviews of historical financial information, or other assurance or related services engagements?	Yes / No
(b)	<p>If yes, please describe the following:</p> <ul style="list-style-type: none"> The type of engagement(s) (e.g., audit of financial statements of listed companies; audit of financial statements of other public interest entities (for example, public sector entities); the audit of financial statements of private companies; review of historical 	

	<p>information; compliance engagements; agreed-upon-procedure engagement or related services engagement);</p> <ul style="list-style-type: none"> • The issues or difficulties encountered in the application of the requirements pertaining to engagement quality control reviews; • Any requirements or guidance that you believe to be unclear in ISQC 1 or ISA 220. 	
(c)	<p>Do you perform any other types of quality control reviews at the engagement level, e.g. financial statement reviews, report reviews, or pre-issuance reviews?</p>	Yes / No
(d)	<p>If yes please describe the types of reviews performed.</p>	
(e)	<p>In your own words, please describe in a few words what you think the responsibilities of the engagement quality control reviewer ought to be.</p>	
(f)	<p>In your own words, please describe how you believe these responsibilities of the engagement quality control reviewer contrast to those of the engagement partner.</p>	
4. Remediation		
(a)	<p>Have you developed guidance in your system of quality control to implement the requirements in ISQC 1 around evaluating, communicating and remedying identified deficiencies in the policies and procedures related to quality control?</p>	Yes / No
(b)	<p>If yes, please provide a broad overview of the guidance implemented.</p>	

B. Other Information

(a)	Please describe any other areas of ISQC 1 or ISA 220 that you believe to be unclear.
(b)	If you could change a few things about ISQC 1 or ISA 220, please describe what they would be.
(c)	Please provide any other information you believe is relevant to the IAASB relating to the implementation of ISQC 1 or ISA 220.

Responses to the survey are requested by no later than March 27, 2015, to Sara Ashton, saraashton@iaasb.org.

For additional questions, please contact:

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