

**PIOB Monitoring of Comment Letters submitted by MG/IFIAR/CEAOB Members
to the IAASB ED ISQM1 (published in February 2019)**

As of May 2020

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
Basel Committee on Banking Supervision (BCBS)				
1	BCBS	MG Member	Enforcement	We encourage the IAASB to ensure that the risk-based approach to quality management can be subject to effective oversight by audit regulators and that enforcement action can be taken if appropriate. For example, the level of assurance for the QMS appears to be left to the judgment of the audit firm.
2	BCBS	MG Member	Requirements for Networks	Network firms should be expected to uniformly apply the requirements set forth in the auditing and ethical standards across the network and network systems and processes should ensure that this is the case.
3	BCBS	MG Member	Requirements for Networks	Quality management systems and processes established at network level should be within the scope of audit inspections to ensure that there is accountability for them. The IAASB should give further consideration as to whether requirements can be realistically be imposed (and inspected) at the network level and whether the firms in the same network, using the same brand, could be made collectively responsible for network requirements, services and resources.
4	BCBS	MG Member	Guidance for Component Auditors and Responsibility of Group Auditor	Further guidance on the application of the requirements to component auditors would be welcome. The group auditor should be responsible for quality management of the entire group audit, including any relevant component auditors. There is a risk that the group auditor does not consider himself responsible regarding the quality management of the component auditors.
5	BCBS	MG Member	Impact of Culture	Audit firms are often "multidisciplinary firms". It would be relevant to consider how the culture in relation to audit services might be impacted by the culture of the firm as a whole, and how that might be addressed. There is no guidance for these circumstances.
6	BCBS	MG Member	Acceptable level of risk	The ED could be strengthened by clarifying that the acceptable low level of risk (of a QMS) should be determined by the audit firm having regard to the public interest and the interests of the various stakeholders in the firm, particularly audit, securities and financial services regulators.

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International Association of Insurance Supervisors (IAIS)				
7	IAIS	MG Member	Networks and Enforcement	It is important that quality management systems and processes at network level are within scope of audit inspections. The IAASB should give further consideration to whether requirements can be enforced against networks of audit firms. If this is not possible, the IAASB should consider whether weaknesses in the systems and processes of the audit firm network can give rise to enforcement action against audit firms collectively that are part of that network.
8	IAIS	MG Member	Interaction between Group Auditor and Component Auditors	There is currently no explicit text which sets out the interaction of the group and component auditor in relation to quality management. As a result, it may be unclear how quality management arrangements should operate where component auditors are used. The IAASB should consider providing some additional clarity in this area.
9	IAIS	MG Member	Reasonable assurance / Acceptable level of risk	The ED refers to reasonable assurance being obtained when the firm's system of quality management reduces risk to an acceptably low level. The current text would seem to leave it to the audit firm to determine an acceptable level of risk. It should be clarified that this level of risk should be determined in the public interest. This assessment should also have regard to the various stakeholders of the firm – in particular audit, securities and financial services regulators.
International Organization of Securities Commissions (IOSCO)				
10	IOSCO	MG Member	Prominence of Public Interest in the standard	The IAASB should consider whether the public interest should be more prominent in the standard and whether references to the PIOB Public Interest Framework or IFAC Policy Position 5 are appropriate to better understand which public interest considerations are addressed and how they are taken into account.
11	IOSCO	MG Member	Objective and Enforceability	Objective of the standard is to design, implement and operate a system of quality management. Distinct criteria are needed to assess a firm's responsiveness to the objectives of the standard (as well as compliance with the requirements). This could include the definition of minimum thresholds (for PIEs as well as smaller entities) to serve as benchmarks for distinguishing when requirements are complied with or breached. Certain examples, currently listed in the application material, should be relocated to the requirements to introduce enforceable criteria obliging the personnel in charge with corresponding responsibilities. Other requirements may include duties such as documentation or transparency disclosure which could enhance enforceability.
12	IOSCO	MG Member	Documentation needs to be strengthened	Requirements for documentation need to be strengthened as to require policies and procedures to be in written format. Any policies stated in oral communications or implied through actions and decisions dilute potential enforceability. It would be relevant to add requirements for documentation of assessment of the exercise of professional skepticism.



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13	IOSCO	MG Member	Focus on enhancement of audit quality objectives rather than compliance	The EDs focus on compliance requirements. Instead, focus should rest on setting minimum thresholds for quality objectives to align achievable objectives of firms' engagement partners, engagement quality reviewers or key audit partners charged with responsibilities with the intended overall quality objectives included in the framework.
14	IOSCO	MG Member	Scalability	It should be clearly stated that the scalable approach cannot be applied to audit and other assurance services for PIEs, including listed companies. While the complexity and formality of firms' systems will vary, any risk based approach in the design, implementation and operation of the system of quality management must entail key concepts such as ethics, public interest considerations or the application of professional skepticism.
15	IOSCO	MG Member	Continuous improvement	ISQM 1 should encourage firms to have a learning culture by sharing findings by EQRs and applying root cause analysis.
16	IOSCO	MG Member	Governance extended to all parties involved	The firm's commitment to quality through governance and leadership should not only be limited to the expected behavior of personnel within the firm but should be extended to all parties involved in the audit (such as external servicers, etc.).
International Forum of Independent Audit Regulators (IFIAR)				
17	IFIAR	MG Member	Importance of Professional Skepticism needs to be reflected in the standard	Professional skepticism is a key attribute for high quality audits. The lack of PS continues to be a driver for inspection findings. The standards need to reflect the importance of PS, which should be highlighted in the leadership and governance section of the standard.
18	IFIAR	MG Member	Application Material	The EDs include a substantially increased volume of application material and there is discussion of producing additional guidance. We encourage the IAASB to critically review the application material and any additional guidance and consider whether the relevant requirements could rather be improved or clarified in the first instance.
19	IFIAR	MG Member	Overarching - Preventative measures to be emphasized	The ED puts more emphasis on leadership and governance and introduces a new risk-based approach for managing quality; however it should go further in requiring firms to be proactive. We recommend greater emphasis on preventative required responses that enable the firm to identify and resolve audit quality issues in a timely manner through early identification, escalation and intervention, i.e. before risks materialize.



Public Interest Oversight Board

#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
20	IFIAR	MG Member	Overarching	Complex practices (and networks) may need to do significantly more than the minimum requirements set out in the ED to meet the objective. The ED does not provide sufficiently clear direction on identifying and responding to risk that relate to the quality objective.
21	IFIAR	MG Member	Focus on public interest	We strongly support references in the ED to the auditor's responsibility to act in the public interest. However, we continue to believe that the objective of ISQM 1 should refer to the public interest recognizing the firm should act in a manner consistent with its responsibility to the public interest, including considering the needs of investors and other users.
22	IFIAR	MG Member	Governance and Leadership	We suggest that an objective be developed in relation to the oversight by the firm's leadership of matters arising from other elements of the standard, in particular the communication and monitoring and remediation elements.
23	IFIAR	MG Member	Findings from regulators	There should be an explicit requirement for firms to take findings from regulators into account as part of their risk assessment process, in particular as part of their identification of quality risks.
24	IFIAR	MG Member	Emphasis on Resources, Technology and Audit Delivery Models	We support further increasing the emphasis in the standard on the aspect of quality control relating to firm resources. Other matters include considering risks that technology might introduce, setting clear expectations for how tools are to be used and the related responsibilities of engagement partners in this regard, and having proper processes and controls to manage use of technology and to upskill auditors on technology. There should also be more focus on evolving use of audit delivery models, in particular delivery centres. We suggest explicit requirements to address how delivery centres are managed by the firm and the responsibilities of engagement partners and teams when using work performed by delivery centres.
25	IFIAR	MG Member	Definition of deficiency	The definition of deficiency may be over-engineered and unnecessarily complex. We recommend simplifying it and addressing the criteria for root cause analysis separately.
26	IFIAR	MG Member	Networks and shared services	The proposed requirements related to network resources or services fall short of addressing the determination of the appropriateness for using network resources or services at the local firm. Further, it is unclear why requirements for the use of service providers are more robust than those relating to network resources and services.

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Committee of European Auditing Oversight Bodies (CEAOB)				
27	CEAOB	Others	Scalability	We recognize and support the approach taken in respect of scalability and adaptability for varying practices depending on their particular circumstances. The standards should elaborate more clearly on how this relates to the need to achieve the quality objectives and the requirements on the risk approach. Recommended clarification both on when the requirements may be not relevant to a firm and on what they may entail in terms of additional procedures for large and more complex firms. Suggestion to include scalability provisions in the requirement section of standard so as to better explain how the quality objectives, scalability and the risk approach are to be applied in practice and how factors such as size, complexity, structure, legal form and client base will impact a firm's quality management system.
28	CEAOB	Others	Clarify relationship between 3 QM standards	We encourage the Board to elaborate more specifically on how the relationships between the three standards should operate in practice. The explanatory memorandum addresses this relationship but we urge the Board to clarify in the standard how the relationship between the firm's overall responsibility for quality and the engagement partner's responsibility for quality at the engagement level should be understood and applied in practice.
29	CEAOB	Others	Continuous improvement	Quality is an ongoing objective which should be actively managed by a firm while also focusing on continuous improvement of its quality management system. Whilst the QMS appear to embrace that notion, most of the requirements appear to focus on compliance with the standards. We recommend an increased focus on QM, including the balance between preventive measures and enforcement activities (monitoring, remediation and follow-up, including sanctioning where needed).
30	CEAOB	Others	Implementation period	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. The CEOB would encourage firms and networks to early adopt improvements where possible.
31	CEAOB	Others	Ambitions and intent of the standard	The introductory paragraphs to ISQM 1 provide more insight and perspective on the ambitions and intent of the new standard than the actual content of ISQM 1. The requirements and application material should be amended to fully reflect the ambitions and intentions of the new standard (e.g. the public interest is mentioned in the explanatory memorandum as one of the key points, but the public interest perspective does not appear to be reflected in the objective, and not sufficiently in the standard; the explanation of the risk assessment process provided in paragraph 10 should be moved to the requirements section).



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32	CEAOB	Others	Application Material	A significant volume of detail is provided in the application material. Given that the requirements by themselves should provide clear direction for auditors, we suggest that the IAASB should carefully review whether some of the application material is of such importance to enable the understanding of the requirements that the content could provide additional clarity in the requirements section.
33	CEAOB	Others	Learning and improvements	While the proposals include many provisions regarding monitoring, the element of learning and improvements can be further elaborated upon. The ability to learn from mistakes and errors is an essential element of quality management.
34	CEAOB	Others	Further Transparency required	There would be merit in a firm's management confirming that their firm's quality management system has resulted in appropriately high quality (a "quality control" statement). We strongly support requiring further transparency on quality efforts and outcomes. We therefore suggest including a requirement that firms are to be transparent on their efforts to improve quality and the resulting outcomes, and that they issue a "quality Control" statement, unless that would not be appropriate in their jurisdiction.
35	CEAOB	Others	Objective and Reasonable Assurance	With respect to the objective, we question the statement that the QMS should provide "reasonable assurance" to the firm that it 1) fulfills its responsibilities in accordance with the standards, 2) conducts engagements in accordance with the standards, and 3) reports are appropriate. Stakeholders and the public interest would be better served with a more direct and stronger objective.
36	CEAOB	Others	Compliance driven requirements	Requirements in the ED are mostly compliance driven. Whilst all legal and regulatory requirements must be met, quality and public interest perspectives may well require further work to be done and additional transparency to be given in an engagement report, for instance via the inclusion of additional details in the auditor's report. We therefore suggest that the standards include a step-back requirement before issuing reports to specifically consider quality and the public interest perspective and determine whether there is a need to perform additional procedures or a need for additional transparency.
37	CEAOB	Others	Clarification on Non-relevance of requirements	The language on non-relevance of requirements (paragraph 21) should be expanded to clarify to what extent it could occur. The current language in the application material does not provide guidance on alternative ways for small firms to meet the quality objectives. Also, it should be stated that firms may need to refuse to accept certain engagements if they cannot meet public interest expectations regarding quality management. We suggest also clarifying that the documentation should include an explanation of why requirements are not relevant under paragraph 21, unless that is self-evident.

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38	CEAOB	Others	Culture	In terms of the risk assessments that firms are expected to perform, it is important that firms are required to also consider risks arising from their own culture, their governance, including the network structure where relevant, and their business objectives. Clarify and include language, as necessary, in paragraph 27. Culture plays a crucial role in underpinning professional skepticism and therefore it is important to emphasize the importance of culture in the firms' quality management system.
39	CEAOB	Others	Monitoring and remediation	Requirements regarding monitoring and remediation should strike a better balance between remediation of negative quality occurrences and learning from positive quality occurrences. Also, the standard should be clearer on who is responsible for action to identify root causes and respond to deficiencies as well as for oversight thereof.
40	CEAOB	Others	Provisions on Networks should be expanded	Given their increasing significance, provisions concerning networks should be further expanded. We recommend requiring that audit firms take a proactive role with regard to their network and that, where possible, they are involved in target and objective setting by the network, and that they ensure that policies and procedures developed by the network are only implemented at firm level where they contribute to the firm's responsibility and objectives for quality.
41	CEAOB	Others	Documentation	We recommend requiring that firms document how resources provided by the network support their quality objectives and are compliant with local laws and standards.
Canadian Public Accountability Board (CPAB)				
42	CPAB	IFIAR Member	Revise approach to scalability	The most relevant factor to consider in assessing the need for a quality management system is the nature of the engagements that a firm performs, and not the firm's size, nature or circumstances. The exposure draft provides significant latitude to firms to opt out of the requirements due to their nature and circumstances (para 5), which we believe dilutes the proposed standards. We would strongly encourage the IAASB to reconsider its approach in this area.
43	CPAB	IFIAR Member	Strengthen Proactive Leadership	More can be done to fully realize the objective to strengthen proactive firm leadership. The required responses that are identified in the exposure draft for the components of the system of quality management are not proactive. Suggested adopting a more proactive approach to achieving quality results in the design and implementation of responses to quality risks, with greater emphasis on preventative measures.
44	CPAB	IFIAR Member	Practical implementation	The lack of specificity [of the ED in a few key terms] makes it harder to practically implement and test the system of quality management (QM) for operating effectiveness. We explore below more clearly defined expectations for design, implementation and operation would substantially improve on the practical applicability of the standard - see details below.

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45	CPAB	IFIAR Member	Practical implementation - quality objectives	- Quality objectives - Recommend to revise ED to set out clear guidance on how these objectives should be defined and encourage the use of the concepts from COSO.
46	CPAB	IFIAR Member	Practical implementation - Risks identification	- Risk identification and assessment - the ED defines a “reasonably possible” threshold whereby risks must be “more than remote” to be identified. Since risks with a remote likelihood need not be considered, remote risks that could have a significant impact on the business may be excluded from analysis. Recommend to reconsider and broaden the threshold. Also go further in identifying the need to identify and assess risks due to changes in a firm’s internal and external environment and its own business model, and in clarifying that the process for identifying and analyzing risks must be dynamic and iterative.
47	CPAB	IFIAR Member	Practical implementation - Responses	- Responses to quality risks - responses identified are at a high level, and not conducive to testing for operating effectiveness. Recommend to include critical concepts in COSO's definition of internal control.
48	CPAB	IFIAR Member	Practical implementation - Deficiencies	- Deficiencies - recommend simplifying the definition for deficiency and addressing the criteria for root cause analysis separately.
49	CPAB	IFIAR Member	Further guidance	Further enhance the ED identifying the potential for conflict within the firm structure and including further guidance to foster skepticism and an appropriately independent mindset at different levels and locations - See below for details
50	CPAB	IFIAR Member	Further guidance - potential for conflict	- Conflicting roles - Supervision vs. monitoring activities are not explicitly distinguished in the ED. Leadership, at various levels, are likely to have dual and potentially conflicting roles for both supervisory review and dealing with system deficiencies due to unanticipated risks and conditions. IAASB could do more to distinguish between these two roles in describing how accountability for supervisory and monitoring responses should be assigned.
51	CPAB	IFIAR Member	Further guidance - Networks	- Clarifying accountabilities - Networks and service providers. Requirements to understand and assess the network’s services (58, A197-198) are approached differently to those of external services providers, and we are unclear why this is the case when the nature of both are the same.

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UK Financial Reporting Council (UK FRC)				
52	UK FRC	IFIAR Member	Implementation strategy	We note that 18 months is a very long period for implementation. Recommend that early adoption of the revised standard is specifically encouraged in the final standards. Also encourages the IAASB to develop implementation guidance and support materials as soon as possible.
53	UK FRC	IFIAR Member	Reconsider length of standard	We strongly support the introduction of the quality management approach (QMA). However, we have some overarching concerns in relation to the length of the standard and encourage the IAASB to relocate the material that supports implementation, to guidance that exists outside the standard ('external guidance').
54	UK FRC	IFIAR Member	Revise objective to include PI	There is no reference to public interest in the objective, nor the consistent performance of quality engagements. We therefore question why this, and the firm's role to serve the public interest, is not addressed explicitly in the objective. We strongly advise the IAASB to consider a revision to the objective so it is clear that an outcome, in designing, implementing and operating the [system of quality management] SOQM, is the consistent performance of quality engagements that serve the public interest.
55	UK FRC	IFIAR Member	Revise terminology "controls" vs "responses"	We support the process for the identification and assessment of risk and an approach that requires the firm to design and implement policies and procedures in response to assessed quality risks. We acknowledge that the IAASB used the term 'responses' instead of 'controls' because it emphasises the importance of responding to the quality risks, however we believe that this term adds unnecessary complexity. Particularly as it is now inconsistent with ED ISA 315 which uses 'controls'. We strongly advise the IAASB to use the term 'controls'.
56	UK FRC	IFIAR Member	Strong support for firm governance and leadership requirements	We strongly support the revisions to the standard in respect of firm governance and the responsibilities of firm leadership, in particular: introduction of the quality objective that addresses the firm's role in serving the public interest; that the individuals assigned ultimate responsibility and accountability for the firm's system of quality management, should have an understanding of the ISQM; quality objectives are universally applicable to firms of all sizes.

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57	UK FRC	IFIAR Member	Broader approach needed to ethical requirements	We would support the view of IESBA that ISQM1 should more broadly capture responsibility for relevant ethical requirements. We do not believe the standard appropriately emphasises that the firm may have responsibilities in respect of independence, in respect of other firms or persons that are external to the firm's network. The principal approach should be to recognise that, in certain circumstances, other firms that are external to the network performing procedures on an engagement are required to meet the same ethical requirements, including independence, as the firm and its personnel.
58	UK FRC	IFIAR Member	Support technology concepts	We strongly support the introduction of the new technology related concepts, along with the enhanced requirements and much of the application material.
59	UK FRC	IFIAR Member	Agree with requirements for communication with external parties	We support the requirements for communication with external parties. We note investors are calling for increased transparency about audit quality. Such transparency is achieved in part through enhanced auditor reporting, but can be achieved as appropriate through, for example, enhanced communications with audit committees, and further enhancements to the auditor's report or transparency reports or through other means. In this respect, we believe the principle based requirements in the standard, together with the application material, should encourage firms to exchange insightful information about the firm's system of quality management with the firm's stakeholders.
60	UK FRC	IFIAR Member	Agree with scope of EQRs	We agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review, including those that the firm determines are of significant public interest.
61	UK FRC	IFIAR Member	Supports monitoring and remediation requirements	We support the proposals for monitoring and remediation and believe they have the potential to improve the robustness of firms' monitoring and remediation process.
62	UK FRC	IFIAR Member	Strengthen requirements addressing networks	We strongly support the IAASB proposals addressing networks in response to the issues that have been raised in relation to undue reliance by firms and engagement teams on the network's system of quality control. However, do not agree that the requirement in the standard is sufficient to meet the IAASB's objective set out above as it does not explicitly require the firm to determine whether network requirements or network services (NRSs) are appropriate for use. We strongly encourage the IAASB to amend paragraphs 59 (and 68(a)) to explicitly recognise the firm's responsibility to determine not only how NRSs need to be used and what more needs to be done, but also whether NRSs are appropriate for use.

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Irish Auditing and Accounting Supervisory Authority (IAASA)				
63	IAASA	IFIAR & CEAOB Member	Support scalability approach with some clarifications	We recognize and support the approach taken in respect of scalability and adaptability for varying practices depending on their particular circumstances. The standards should elaborate more clearly on how this relates to the need to achieve the quality objectives and the requirements on the risk approach. Recommended clarification both on when the requirements may be not relevant to a firm and on what they may entail in terms of additional procedures for large and more complex firms. Suggestion to include scalability provisions in the requirement section of standard so as to better explain how the quality objectives, scalability and the risk approach are to be applied in practice and how factors such as size, complexity, structure, legal form and client base will impact a firm's quality management system.
64	IAASA	IFIAR & CEAOB Member	Clarify relationship between 3 QM standards	We encourage the Board to elaborate more specifically on how the relationships between the three standards should operate in practice. The explanatory memorandum addresses this relationship but we urge the Board to clarify in the standard how the relationship between the firm's overall responsibility for quality and the engagement partner's responsibility for quality at the engagement level should be understood and applied in practice.
65	IAASA	IFIAR & CEAOB Member	Continuous improvement	Quality is an ongoing objective which should be actively managed by a firm while also focusing on continuous improvement of its quality management system. Whilst the QMS appear to embrace that notion, most of the requirements appear to focus on compliance with the standards. We recommend an increased focus on QM, including the balance between preventive measures and enforcement activities (monitoring, remediation and follow-up, including sanctioning where needed).
66	IAASA	IFIAR & CEAOB Member	Agree with implementation strategy	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. We would encourage firms and networks to early adopt improvements where possible.

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67	IAASA	IFIAR & CEAOB Member	Revise objective to include PI	The introductory paragraphs to ISQM 1 provide more insight and perspective on the ambitions and intent of the new standard than the actual content of ISQM 1. The requirements and application material should be amended to fully reflect the ambitions and intentions of the new standard (e.g. the public interest is mentioned in the explanatory memorandum as one of the key points, but the public interest perspective does not appear to be reflected in the objective, and not sufficiently in the standard; the explanation of the risk assessment process provided in paragraph 10 should be moved to the requirements section).
68	IAASA	IFIAR & CEAOB Member	Review volume and importance of Application material	A significant volume of detail is provided in the application material. Given that the requirements by themselves should provide clear direction for auditors, we suggest that the IAASB should carefully review whether some of the application material is of such importance to enable the understanding of the requirements that the content could provide additional clarity in the requirements section.
69	IAASA	IFIAR & CEAOB Member	Learning and improvements	While the proposals include many provisions regarding monitoring, the element of learning and improvements can be further elaborated upon. The ability to learn from mistakes and errors is an essential element of quality management.
70	IAASA	IFIAR & CEAOB Member	Strengthen Transparency requirements	There would be merit in a firm's management confirming that their firm's quality management system has resulted in appropriately high quality (a "quality control" statement). We strongly support requiring further transparency on quality efforts and outcomes. We therefore suggest including a requirement that firms are to be transparent on their efforts to improve quality and the resulting outcomes, and that they issue a "quality Control" statement, unless that would not be appropriate in their jurisdiction.
71	IAASA	IFIAR & CEAOB Member	Clarification of non-relevance requirements	The language on non-relevance of requirements (paragraph 21) should be expanded to clarify to what extent it could occur. The current language in the application material does not provide guidance on alternative ways for small firms to meet the quality objectives. Also, it should be stated that firms may need to refuse to accept certain engagements if they cannot meet public interest expectations regarding quality management. We suggest also clarifying that the documentation should include an explanation of why requirements are not relevant under paragraph 21, unless that is self-evident.



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72	IAASA	IFIAR & CEAOB Member	Expand culture and behaviour requirements	In terms of the risk assessments that firms are expected to perform, it is important that firms are required to also consider risks arising from their own culture, their governance, including the network structure where relevant, and their business objectives. Clarify and include language, as necessary, in paragraph 27. Culture plays a crucial role in underpinning professional skepticism and therefore it is important to emphasize the importance of culture in the firms' quality management system.
73	IAASA	IFIAR & CEAOB Member	Clarifying monitoring and remediation requirements	Requirements regarding monitoring and remediation should strike a better balance between remediation of negative quality occurrences and learning from positive quality occurrences. Also, the standard should be clearer on who is responsible for action to identify root causes and respond to deficiencies as well as for oversight thereof.
74	IAASA	IFIAR & CEAOB Member	Expand requirements related to networks	Given their increasing significance, provisions concerning networks should be further expanded. We recommend requiring that audit firms take a proactive role with regard to their network and that, where possible, they are involved in target and objective setting by the network, and that they ensure that policies and procedures developed by the network are only implemented at firm level where they contribute to the firm's responsibility and objectives for quality.
75	IAASA	IFIAR & CEAOB Member	Documentation	We recommend requiring that firms document how resources provided by the network support their quality objectives and are compliant with local laws and standards.
Independent Regulatory Board for Auditors of South Africa (IRBA)				
76	IRBA	IFIAR Member	More emphasis on PS	We suggest that the IAASB includes more emphasis on professional skepticism (PS) in ISQM 1. The lack of evidenced PS is a recurring finding in our inspections. We urge the IAASB to emphasise PS in all the individual component requirements, but at a minimum in the governance and leadership component, the acceptance and continuance of client relationships and specific engagements component, and the relevant ethical requirements component.
77	IRBA	IFIAR Member	Clarify scalability for SMPs	It is not clear how ED-ISQM 1 could be scalable for SMPs, and how SMPs could still evidence their compliance with it, for example, the extent of documentation requirements, or when SMP is part of a large network.
78	IRBA	IFIAR Member	Revise length and simplify language	The length of the application material has been raised as a concern. Is this an indication that the requirements should be clarified? Short examples could be in the application material, whereas long examples could be included in FAQs. The explanatory memorandum was useful and, in some places, easier to understand than parts of ED-ISQM 1 due to the use of simple language. We urge the IAASB to consider when repetition can be avoided.



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79	IRBA	IFIAR Member	Clarification of documentation requirements	Documentation requirements should not be onerous and prescriptive (i.e. tick box approach). ISQM1 provides overarching principles for documentation, however they are described at a very high level, and this has already created uncertainty. Documentation should provide sufficient and appropriate evidence. Documentation requirements should be established at a level that will ensure that the logic applied, the line of thinking and the reasons for conclusions on any decisions in terms of this standard have been recorded. Suggest a cross-reference to ISA 230. Requirements on how to document PJ are not clear. Could include documentation of the basis of decisions, the logic applied, lines of thought, reasons, factors considered, etc. Also, requirement to document reasons for concluding that certain requirements do not need to be complied with.
80	IRBA	IFIAR Member	Strengthen requirements for client acceptance and continuance	ISQM 1 does not set out which individual/s within the firm should be responsible for carrying out the client acceptance and continuance assessment. In our experience, it is usually the audit engagement partner. Guidance in this regard could be provided, or further precautions could be included in ISQM 1 to address the risk (and threats) that engagement partners do not include all the adverse information in the client acceptance or continuance assessment.
81	IRBA	IFIAR Member	Strengthen requirements for client acceptance and continuance	We recommend that a requirement (similar to extant paragraph 26 of ISQC 1), in the form of a response to quality risks, that firms should terminate client relationships if there are indications or evidence that the client lacks integrity be included.
82	IRBA	IFIAR Member	Strengthen requirements for client acceptance and continuance	We recommend that when new negative reports regarding serious matters are published in the media, the client's most recent acceptance/continuance assessment by the engagement partner should be triggered. Also, the acceptance/continuance assessment should be revised if there are indicators that the acceptance/continuance decision may have either been incorrect or information is now available that would lead to a change in the decision.
83	IRBA	IFIAR Member	Revise objective to include PI	Recommended that references to "objectives" in different contexts be consolidated into one objective, which should feature early in the standard and that it also refers to the public interest. The firm should demonstrate that it has acted in the public interest, considering the needs of stakeholders.
84	IRBA	IFIAR Member	Clarification of the risk assessment process	Recommend that the process to establish quality objectives be clarified. This could possibly include a decision-making framework, or "factors to consider", on how to establish additional quality objectives.

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85	IRBA	IFIAR Member	Clarification of the risk assessment process	ISQM 1 is silent as to when and how often firms need to modify quality objectives, quality risks or responses. Recommended at least twice annually.
86	IRBA	IFIAR Member	Clarification of the risk assessment process	Identification of risks at the appropriate level of detail - Recommended additional or more granular quality objectives be set by firms, guidelines developed, emphasise process must be dynamic and demonstrate continuous improvement.
87	IRBA	IFIAR Member	Strengthen technology references	Quality risks related to technological resources pose a high risk to the system of quality management. ISQM 1 contains generic wording regarding technological resources and does not state that the pace of change in technology contributes to quality risks. We urge the IAASB to address this.
88	IRBA	IFIAR Member	Include mandatory Transparency reports	We urge the IAASB to take a decisive step forward and include the preparation and communication of transparency reports specifically as a requirement for certain firms, particularly those with clients that are entities that the firm determines are of significant public interest. It is in firms' best interests and in the public interest for firms to be transparent. We suggest that the requirement includes a minimum description of what should be included in transparency reports in respect of quality systems and management, such as reporting on the application and implementation of and compliance with ISQM 1 and that jurisdictional requirements also be referenced.
89	IRBA	IFIAR Member	Revise framework for evaluating findings and identifying deficiencies	Do not fully support the framework for evaluating findings and identifying deficiencies, and we do not support the definition of deficiencies: - The difference between findings and deficiencies is not clear. Also, it is not clear why only some findings are then determined to be deficiencies and, further, which findings are determined to be deficiencies. The diagrams of the explanatory memorandum would be very helpful to gain an understanding. - The definition of deficiency has three parts to it that are separated by "or". This implies that the "level" of the deficiency, or the "seriousness" of the deficiency, is the same/equal for all three parts of the definition.

**PIOB Monitoring of Comment Letters submitted by MG/IFIAR/CEAOB Members
to the IAASB ED ISQM2 (published in February 2019)**

As of May 2020

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
Basel Committee on Banking Supervision (BCBS)				
1	BCBS	MG Member	Scope of EQRs	The IAASB has strengthened requirements for audit firms to consider which entities should be subject to EQRs. However, EQRs should be mandatory for audits of internationally active banks. In addition, application guidance should be strengthened by requiring consideration of economic importance, complexity and activity in relation to whether other banks should be subject to EQRs.
2	BCBS	MG Member	Objectivity of EQR	The Engagement Quality Reviewer cannot previously have been the audit engagement partner. However, there is no explicit prohibition where the reviewer served in some other capacity on the engagement team and objectivity could be threatened as well.
3	BCBS	MG Member	Judgments	The EQ reviewers should be assessing all judgments that, in their views, are significant, not only those judgements that have been determined significant by the audit team.
4	BCBS	MG Member	Communication with TCWG	The results of EQRs should be communicated to TCWG at the audited entity.
International Association of Insurance Supervisors (IAIS)				
5	IAIS	MG Member	Scope of EQRs	Engagement Quality Reviews are not mandated for specific firms (including insurance firms). Rather, it is for the audit firm to determine the public interest firms that are within scope of the review. There would be a clear public interest for audit firms to carry out engagement quality reviews on insurers – particularly where these have significant scale. We would encourage the IAASB to make this clear in the standard.
6	IAIS	MG Member	Objectivity of EQR	The ED is clear that an engagement quality reviewer must not have been the audit’s engagement partner. However, it does not currently rule out the possibility that they had some other senior role on the audit team or as part of the engagement review. The IAASB should consider tightening these criteria in order to provide a more complete and consistent set of limitations and help to avoid perceptions of conflicts of interest.

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
International Organization of Securities Commissions (IOSCO)				
7	IOSCO	MG Member	Prominence of Public Interest	The IAASB should consider whether the public interest should be more prominent in the standard and whether references to the PIOB Public Interest Framework or IFAC Policy Position 5 are appropriate to better understand which public interest considerations are addressed and how they are taken into account.
8	IOSCO	MG Member	Auditor independence should be enhanced	Auditor independence for Engagement Quality Reviewers should be enhanced through: strong wording to avoid potential conflict of interest with respect to appointment and eligibility criteria of the EQR; references to the Ethics Code; cooling-off period for individuals who served as engagement partners, especially in cases of listed entities.
9	IOSCO	MG Member	Focus on enhancement of audit quality objectives rather than compliance	The EDs focus on compliance requirements. Instead, focus should rest on setting minimum thresholds for quality objectives to align achievable objectives of firms' engagement partners, engagement quality reviewers or key audit partners charged with responsibilities with the intended overall quality objectives included in the framework.
10	IOSCO	MG Member	Relationship of the three standard	The objective of ISQM 2 does not explain how the overall objective (contained in ISQM 1) is to be achieved. A clear differentiation and an explanation of their interrelationship could add value.
11	IOSCO	MG Member	Prominence of ethical requirements	Ethical requirements need to be more prominently reflected in ISQM 2. Paragraph 14 of the application material could be transformed into a principle-based requirement. EQRs should be required to take responsibility for adverse findings from internal or external quality reviews.
International Forum of Independent Audit Regulators (IFIAR)				
12	IFIAR	MG Member	Importance of Professional Skepticism	Professional skepticism is a key attribute for high quality audits. The lack of PS continues to be a driver for inspection findings. The standards need to reflect the importance of PS. Clear reference should be made to professional skepticism in relation to Engagement Quality Reviewers for engagements for which PS is required (including audits), both in the assessment of whether the engagement team applied appropriate PS and the application of PS to the evaluation of significant judgements by the EQR.
13	IFIAR	MG Member	Application Material	The EDs include a substantially increased volume of application material and there is discussion of producing additional guidance. We encourage the IAASB to critically review the application material and any additional guidance and consider whether the relevant requirements could rather be improved or clarified in the first instance.

#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
14	IFIAR	MG Member	Objectivity and cooling-off period	While the application material relating to objectivity refers to a minimum cooling off period of 2 years or more if local regulations are more stringent, the ED would be enhanced if the requirements set this out as a criteria for EQ reviewers of listed and/or public interest entities.
15	IFIAR	MG Member	Individuals assisting the EQR	There should be clarity over what work and how much work could be assigned to individuals assisting the EQ reviewer.
16	IFIAR	MG Member	Judgments	The ED requires EQRs to identify and select areas of significant judgment for their review. Application material is largely limited to referring to ISA 220, setting out possible criteria for other matters for an audit partner to consider. An effective and consistent EQ review will require a framework to ensure appropriate areas of the audit are reviewed. The ED also does not address whether significant components in a group audit context should be subject to the scope of the EQ review.
17	IFIAR	MG Member	Documentation	The documentation requirements in the ED are limited in nature. They may result in a tick box/checklist approach to documentation. They need to include the EQ reviewer's commentary on: assessment of the significant judgments reviewed; and how the EQ reviewer was able to conclude on significant judgements following the review of selected working papers.
Committee of European Auditing Oversight Bodies (CEAOB)				
18	CEAOB	Others	Clarify relationship between 3 QM standards	There is a clear interrelationship between the three standards. Currently paragraphs 4 of ISQM 2 and 2 of ISA 220 repeat the firm's quality objective from ISQM 1, and we recommend providing more direction on how that firm's objective impacts on the application of ISQM2 and ISA 220 respectively.
19	CEAOB	Others	Implementation period	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. The CEOB would encourage firms and networks to early adopt improvements where possible.
20	CEAOB	Others	Objective	Paragraph 10 states: "The objective of the firm is to perform an engagement quality review for the engagement". This requires expansion to focus on the outcome of the engagement quality review, i.e. that is an objective evaluation of the significant judgements made and conclusions reached by the engagement team to provide the firm with assurance that the engagement report is appropriate in the circumstances.



#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
21	CEAOB	Others	Eligibility criteria of EQR need to be strengthened	The eligibility criteria for the engagement quality reviewer should be strengthened to provide that an individual who has been an engagement partner on an engagement where significant deficiencies were identified shall not be eligible to be appointed as an engagement quality reviewer given that he/she shall not be regarded as having the required competency to perform an EQR.
22	CEAOB	Others	Coordination with IESBA	We recommend that the IAASB liaises with the IESBA to consider whether the current ethical requirements include sufficiently robust requirements for the reviewer and the assistants to the reviewer, including independence and cooling-off requirements.
23	CEAOB	Others	Scope of EQR's work and documentation	ISQM 2 does not provide sufficient requirements and related application material on the work efforts required for an Engagement Quality Review. The standard needs to be clearer on what an EQR should encompass and the level of detail required to document that work.
24	CEAOB	Others	Clarification of EQR requirements	We also suggest clarifying the engagement quality reviewer's responsibility for the review of the report to those charged with governance and the work of experts. Recommend making it clear in the standard that the EQR needs to be performed in compliance with all relevant aspects of laws and regulation.
25	CEAOB	Others	Documentation	We recommend that the documentation requirement be made clearer. It is essential that the documentation not only shows that an EQR was done, but also what was done, the follow-up that was required and how that follow-up was performed, how the EQR was performed, etc.
26	CEAOB	Others	Clarification on Non-relevance of requirements	The language on non-relevance of requirements (paragraph 13) should be expanded to clarify to what extent it could occur.
Canadian Public Accountability Board (CPAB)				
27	CPAB	IFIAR Member	Further guidance - EQR	Independent engagement quality reviews [EQR] - The definition of an engagement quality reviewer does not provide insight into the factors affecting the objectivity of the reviewer (including seniority and authority relative to the engagement partner, and their independence from the sales and service process). Firms that are responsible for larger, more complex audit engagements and public interest entities should be required to have independent engagement quality reviews.

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
UK Financial Reporting Council (UK FRC)				
28	UK FRC	IFIAR Member	Implementation strategy	We note that 18 months is a very long period for implementation. Recommend that early adoption of the revised standard is specifically encouraged in the final standards. Also encourages the IAASB to develop implementation guidance and support materials as soon as possible.
29	UK FRC	IFIAR Member	Revise objective	The objective of ISQM2 should be framed as an objective of the firm. We do not agree that the objective in ISQM2 is sufficiently outcome based and strongly suggest the IAASB reconsider the objective of the standard and focus on an objective that is outcome based.
30	UK FRC	IFIAR Member	Supportive of cooling-off period of EQR in coordination with IESBA	A "cooling-off" period is critical to audit quality in safeguarding objectivity and is therefore in the public interest. The period of cooling-off might be best determined by IESBA and encourage the IAASB and IESBA to collaborate on the matter in finalising the standard.
31	UK FRC	IFIAR Member	Address exercise of PS by EQ Reviewer	We believe that ISQM2 should also address the exercise of professional skepticism by the EQ reviewer. In addition, the EQ reviewer should document the rationale for the EQ conclusion required. This is not emphasised in the requirements or the application material.
32	UK FRC	IFIAR Member	Enhance documentation requirements	An important attribute of documentation is the professional judgment exercised by the EQ reviewer in evaluating the work of the engagement team and forming the EQ reviewer's conclusions. This is not emphasised in the requirements or the application material. In particular, the EQ reviewer should document the rationale for the EQ conclusion.
Irish Auditing and Accounting Supervisory Authority (IAASA)				
33	IAASA	IFIAR & CEAOB Member	Clarify relationship between 3 QM standards	There is a clear interrelationship between the three standards. Currently paragraphs 4 of ISQM 2 and 2 of ISA 220 repeat the firm's quality objective from ISQM 1, and we recommend providing more direction on how that firm's objective impacts on the application of ISQM2 and ISA 220 respectively.
34	IAASA	IFIAR & CEAOB Member	Agree with implementation strategy	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. We would encourage firms and networks to early adopt improvements where possible.



#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
35	IAASA	IFIAR & CEAOB Member	Revise objective	Paragraph 10 states: "The objective of the firm is to perform an engagement quality review for the engagement". This requires expansion to focus on the outcome of the engagement quality review, i.e. that is an objective evaluation of the significant judgements made and conclusions reached by the engagement team to provide the firm with assurance that the engagement report is appropriate in the circumstances.
36	IAASA	IFIAR & CEAOB Member	Strengthen eligibility requirements	The eligibility criteria for the engagement quality reviewer should be strengthened to provide that an individual who has been an engagement partner on an engagement where significant deficiencies were identified shall not be eligible to be appointed as an engagement quality reviewer given that he/she shall not be regarded as having the required competency to perform an EQR.
37	IAASA	IFIAR & CEAOB Member	Coordination with IESBA	We recommend that the IAASB liaises with the IESBA to consider whether the current ethical requirements include sufficiently robust requirements for the reviewer and the assistants to the reviewer, including independence and cooling-off requirements.
38	IAASA	IFIAR & CEAOB Member	Clarification of EQR requirements	ISQM 2 does not provide sufficient requirements and related application material on the work efforts required for an Engagement Quality Review. The standard needs to be clearer on what an EQR should encompass and the level of detail required to document that work.
39	IAASA	IFIAR & CEAOB Member	Clarification of EQR requirements	We also suggest clarifying the engagement quality reviewer's responsibility for the review of the report to those charged with governance and the work of experts. Recommend making it clear in the standard that the EQR needs to be performed in compliance with all relevant aspects of laws and regulation.
40	IAASA	IFIAR & CEAOB Member	Clarification of documentation	We recommend that the documentation requirement be made clearer. It is essential that the documentation not only shows that an EQR was done, but also what was done, the follow-up that was required and how that follow-up was performed, how the EQR was performed, etc.
41	IAASA	IFIAR & CEAOB Member	Non-relevance of requirements	The language on non-relevance of requirements (paragraph 13) should be expanded to clarify to what extent it could occur.

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
Independent Regulatory Board for Auditors of South Africa (IRBA)				
42	IRBA	IFIAR Member	Strengthen EQ Reviewer requirements	<p>IRBA suggested several improvements to EQ Reviewers requirements:</p> <ul style="list-style-type: none"> - We support the requirements for eligibility to be appointed as an EQ reviewer, however, based on inspection findings, often EQ reviewers are not sufficiently objective. For high-risk PIEs, may be necessary to take further steps to ensure EQ Reviewer is objective, which could include engaging an eligible EQ reviewer from outside the firm. - ISQM2 states that authority may be diminished when the EQ reviewer has a reporting line to the engagement partner. In our view such reporting lines <u>will</u> diminish authority. We therefore recommend that such conditions be set out as threats that should be avoided. - A further factor could be included to address circumstances that could arise during an engagement that result in the EQ reviewer no longer being objective.
43	IRBA	IFIAR Member	Cooling-off requirements	Requirements related to cooling-off should preferably be addressed in the IESBA Code. In the absence of such a requirement in the IESBA Code, it is necessary that it be addressed in ISQM 2.
44	IRBA	IFIAR Member	Exercise of PJ	We encourage the IAASB to add a requirement that the EQ reviewer demonstrate his/her professional skepticism by documenting his/her considerations where he/she has applied professional skepticism.
45	IRBA	IFIAR Member	Additional clarity on documentation	<p>Additional clarity to be added to documentation requirements:</p> <ul style="list-style-type: none"> - how evaluation of engagement's team significant judgements would be evidenced, - scope of the EQR and assertions reviewed, - discussions between EQ reviewer and engagement team/partner, - findings resolved by way of discussion and conclusion.

**PIOB Monitoring of Comment Letters submitted by MG/IFIAR/CEAOB Members
to the IAASB ED ISA 220 (published in February 2019)**

As of May 2020

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
Basel Committee on Banking Supervision (BCBS)				
1	BCBS	MG Member	Clarification on Audit Delivery Models needed	Concerns have been expressed about quality controls in relation to ADMs, in particular about how an engagement partner addresses requirements for retaining responsibility for the direction, supervision, performance and review of the works performed by ADMs. The approach of the ED is to define ADMs as a part of the engagement team (par. 10 (d)). More clarification is needed, in particular the need for policies and procedures to safeguard against the inappropriate use of ADMs. More transparency about the use of ADMs is recommended.
2	BCBS	MG Member	Professional Skepticism should be strengthened	Application material on Professional Skepticism could be strengthened by adding examples on budget constraints (which may discourage the use of sufficiently experienced or technically qualified resources) and familiarity/trust biases (which can arise in relation to the staff and processes at the audited entity or prior year audit papers and procedures).
International Organization of Securities Commissions (IOSCO)				
3	IOSCO	MG Member	Prominence of Public Interest	The IAASB should consider whether the public interest should be more prominent in the standard and whether references to the PIOB Public Interest Framework or IFAC Policy Position 5 are appropriate to better understand which public interest considerations are addressed and how they are taken into account.
4	IOSCO	MG Member	Focus on enhancement of audit quality objectives rather than compliance	The EDs focus on compliance requirements. Instead, focus should rest on setting minimum thresholds for quality objectives to align achievable objectives of firms' engagement partners, engagement quality reviewers or key audit partners charged with responsibilities with the intended overall quality objectives included in the framework.
5	IOSCO	MG Member	Relationship of the three standard	ISA 220 only repeats ISQM 1 objective, instead of explaining their relationship. A clear differentiation and an explanation of their interrelationship could add value.
6	IOSCO	MG Member	Application of professional skepticism	More prominence should be given to the application of professional skepticism. It should appear not only in the introduction but also in the standard. Currently, any mentioning reads "... should apply <i>professional judgement</i> and, where applicable to the engagement, <i>professional skepticism</i> ".

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
7	IOSCO	MG Member	Continuous improvement	ISA 220 should encourage firms to have a learning culture by sharing findings by EQRs and applying root cause analysis.
8	IOSCO	MG Member	Governance	The overall responsibility for managing and achieving quality lies with the engagement partner. Therefore paragraph 37 (b) depicts a pivotal role in the functioning of any quality management concept.
International Forum of Independent Audit Regulators (IFIAR)				
9	IFIAR	MG Member	Importance of Professional Skepticism	Professional skepticism is a key attribute for high quality audits. The lack of PS continues to be a driver for inspection findings. The standards need to reflect the importance of PS, which should be highlighted in the engagement performance section of the standard.
10	IFIAR	MG Member	Application Material	The EDs include a substantially increased volume of application material and there is discussion of producing additional guidance. We encourage the IAASB to critically review the application material and any additional guidance and consider whether the relevant requirements could rather be improved or clarified in the first instance.
11	IFIAR	MG Member	Stand back requirement	While we support the stand back requirement, it raises a question as to why an explicit step for engagement partners to plan/set out their planned level of direction, supervision and review at the onset of the audit has not been included. This would aid engagement partners in assessing their subsequent involvement during the audit.
12	IFIAR	MG Member	Assignment of procedures	Further clarity is required over what procedures the engagement partner cannot assign to others. In particular, these changes need to ensure that certain poor practices identified from inspections at firms (for example, in the audit of letterbox companies) are clearly not permissible.
13	IFIAR	MG Member	Threats to quality	While the Introduction section refers to impediments to professional skepticism and resource constraints, there is scope for the leadership section to include a requirement to consider and assess threats to quality and address them. Threats to audit quality should also include: commercial pressures, both externally and from within the firm; and difficult and/or challenging audit clients.
14	IFIAR	MG Member	Networks and audit delivery models	There is no reference to audit delivery models and the use of network and firm policies and procedures in the requirements. The IAASB should seek to introduce relevant material to bridge the gap between firmwide level considerations and those applicable to the engagement level. The firm should also consider whether quality considerations are sufficient when the engagement team uses the work of an auditor's expert.

#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
Committee of European Auditing Oversight Bodies (CEAOB)				
15	CEAOB	Others	Clarify relationship between 3 QM standards	There is a clear interrelationship between the three standards. Currently paragraphs 4 of ISQM 2 and 2 of ISA 220 repeat the firm's quality objective from ISQM 1, and we recommend providing more direction on how that firm's objective impacts on the application of ISQM2 and ISA 220 respectively.
16	CEAOB	Others	Implementation period	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. The CEOB would encourage firms and networks to early adopt improvements where possible.
17	CEAOB	Others	Objective to be revised	We urge the IAASB to carefully review and revise the objective, as the ...objective to manage quality to achieve quality... appears circular. Also, we are concerned with the lack of clarity regarding reasonable assurance at engagement level and that the stakeholder/public interest perspective has not been adequately reflected. Given that this standard is aimed at the engagement level, it can be made more specific by stating that the objective is to ensure that the audit is of high quality, performed in the public interest and meets all legal and regulatory requirements.
18	CEAOB	Others	Use of work of others	The auditor may need to use work of other auditors/teams (either within the firm, within the network or outside of the network), service providers and/or experts, some of whom are part of the engagement team whilst others are not. It is important that the standard clarifies the auditor's responsibility for ensuring the quality of the work that these other parties perform.
19	CEAOB	Others	Leadership requirements	We recommend expanding the leadership requirements at engagement level to also encompass behavioural aspects, such as 'practice what you preach' and 'lead by example'.
20	CEAOB	Others	Responsibility of EQR for ethical matters	The responsibility of the engagement partner for ethical matters is too limited (e.g. have an "understanding" of the ethical requirements and "determine" that the team members have been "made aware" of relevant requirements). We urge the Board to strengthen the language to better express the responsibilities of and expected actions by the engagement partner.

#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
21	CEAOB	Others	Ethical requirements in group audits	The subject of ethical requirements in group audits merits specific attention and detail, given the difficulty thereof and the fact that independence requirements in particular often give rise to issues in group audits. The IAASB should consider where best to address this particular topic, for instance in the requirement or application material of this standard or in ISA 600 on group audits.
22	CEAOB	Others	Role of Engagement Partner and Professional Skepticism	We recommend including a requirement for a more active role by the engagement partner when dealing with monitoring and remediation. It currently appears that the auditor can await the outcome of the firm's monitoring and remediation activities instead of taking proactive responsibility for quality. We recommend to clarify that the engagement partner should also apply professional judgement and professional skepticism in this area.
Canadian Public Accountability Board (CPAB)				
23	CPAB	IFIAR Member	N/A	N/A - Refer to overall comments under ISQM1
UK Financial Reporting Council (UK FRC)				
24	UK FRC	IFIAR Member	Overall support of the standard	<p>UK FRC shows overall support to the requirements of ISA 220:</p> <ul style="list-style-type: none"> - Strong support for the enhanced requirements and application material in respect of the engagement partner's overall responsibility for managing and achieving quality on the audit engagement, and the engagement partner's sufficient and appropriate involvement throughout the audit. - Agreement that that ED-220 has the appropriate linkage to the ISQMs and support introductory material in paragraph 2 to 4 that explains the relationship between ISQM1 and ISA 220. - We strongly support the clarification of the definition of engagement team, which is also consistent with the proposals in PCAOB Release No. 2016-0022. - We also support the reference to ISA 500 Audit Evidence and encourage the IAASB to maintain this reference, and not try to be too precise about different scenarios, particularly when technology is used.
25	UK FRC	IFIAR Member	Implementation strategy	We note that 18 months is a very long period for implementation. Recommend that early adoption of the revised standard is specifically encouraged in the final standards. Also encourages the IAASB to develop implementation guidance and support materials as soon as possible.
26	UK FRC	IFIAR Member	Support scalability approach	Agree with the approach of the IAASB in respect of scalability. ED-220 is adaptable to audits of different sizes and complexity, and also appropriately takes into account different structures of engagement resources or audit delivery models.

#	Respondent	Group	Issue	MAIN Issues/Recommendations Description
Irish Auditing and Accounting Supervisory Authority (IAASA)				
27	IAASA	IFIAR & CEAOB Member	Clarify relationship between 3 QM standards	There is a clear interrelationship between the three standards. Currently paragraphs 4 of ISQM 2 and 2 of ISA 220 repeat the firm's quality objective from ISQM 1, and we recommend providing more direction on how that firm's objective impacts on the application of ISQM2 and ISA 220 respectively.
28	IAASA	IFIAR & CEAOB Member	Agree with implementation strategy	We concur with the proposal for an 18 month implementation period after final approval of the QMS. This strikes a reasonable balance between the public interest in making improvements to QM and the time necessary for firms and networks to adjust their systems and processes. We would encourage firms and networks to early adopt improvements where possible.
29	IAASA	IFIAR & CEAOB Member	Revise objective to include PI	We urge the IAASB to carefully review and revise the objective, as the ...objective to manage quality to achieve quality... appears circular. Also, we are concerned with the lack of clarity regarding reasonable assurance at engagement level and that the stakeholder/public interest perspective has not been adequately reflected. Given that this standard is aimed at the engagement level, it can be made more specific by stating that the objective is to ensure that the audit is of high quality, performed in the public interest and meets all legal and regulatory requirements.
30	IAASA	IFIAR & CEAOB Member	Clarify requirements related to other auditors/parties	The auditor may need to use work of other auditors/teams (either within the firm, within the network or outside of the network), service providers and/or experts, some of whom are part of the engagement team whilst others are not. It is important that the standard clarifies the auditor's responsibility for ensuring the quality of the work that these other parties perform.
31	IAASA	IFIAR & CEAOB Member	Expand culture and behaviour requirements	We recommend expanding the leadership requirements at engagement level to also encompass behavioural aspects, such as 'practice what you preach' and 'lead by example'.
32	IAASA	IFIAR & CEAOB Member	Strengthen responsibility requirements	The responsibility of the engagement partner for ethical matters is too limited (e.g. have an "understanding" of the ethical requirements and "determine" that the team members have been "made aware" of relevant requirements). We urge the Board to strengthen the language to better express the responsibilities of and expected actions by the engagement partner.

#	Respondent	Group	Issue	MAIN Issues/Recommendations
				Description
33	IAASA	IFIAR & CEAOB Member	Group audits overlap	The subject of ethical requirements in group audits merits specific attention and detail, given the difficulty thereof and the fact that independence requirements in particular often give rise to issues in group audits. The IAASB should consider where best to address this particular topic, for instance in the requirement or application material of this standard or in ISA 600 on group audits.
34	IAASA	IFIAR & CEAOB Member	Clarification of requirements	We recommend including a requirement for a more active role by the engagement partner when dealing with monitoring and remediation. It currently appears that the auditor can await the outcome of the firm's monitoring and remediation activities instead of taking proactive responsibility for quality. We recommend to clarify that the engagement partner should also apply professional judgement and professional skepticism in this area.
Independent Regulatory Board for Auditors of South Africa (IRBA)				
35	IRBA	IFIAR Member	Strengthen PS requirements	Recommend that the importance of professional skepticism also be highlighted in the acceptance and continuance and the engagement performance sections of ISA 220.
36	IRBA	IFIAR Member	Strengthen requirements for client acceptance and continuance	While firms may perform procedures to assess whether a client should be accepted, the procedures to assess continuance of client relationships are not sufficiently robust. Application material could be provided, in circumstances where the engagement partner might be less objective in his/her assessment, for example, in order to safeguard fee income. Also recommended that a requirement that engagement partners with their firms terminate client relationships if there is sufficient evidence that the client lacks integrity be considered.
37	IRBA	IFIAR Member	Strengthen technology requirements	Insufficient emphasis is placed on evolving and disruptive technologies, and the resultant changes in audit delivery models, systems and technological resources. We urge the IAASB to further highlight this risk. In doing so, the IAASB may be mindful of not referring to specific types of technologies or terminologies. Also, clarify extent of responsibility of engagement partner to satisfy himself as to the appropriateness of technological resource approved by the firm.
38	IRBA	IFIAR Member	Strengthen documentation requirements	There is a need to document why a matter is not a significant matter or a significant judgment, as it provides evidence that the issue was not accidentally omitted but was given professional consideration. Also, suggests documentation requirements include a record of the engagement partner's determination that the engagement partner has complied with the stand-back provision and how the engagement partner has applied PS.