



Response to the FRC's Consultation Paper

Proposal to Revise the UK's Quality
Management Standards

19 March 2021

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INTRODUCTION

ICAS welcomes the opportunity to comment on the FRC's proposal to Revise the UK's Quality Management Standards.

Our CA qualification is internationally recognised and respected. We are a professional body of over 22,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's and the world's great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Any enquiries should be addressed to James E Barbour, Director, Policy Leadership.

General comments

We are broadly supportive of the approach proposed in the FRC's December 2020 consultation. We do, however, have some concerns as to whether the proposed effective date is achievable for all audit firms given the current environment and the impact of the ongoing Covid-19 pandemic.

Responses to Specific Questions

Question 1

Do you agree that ISQM (UK) 1, ISQM (UK) 2, and the revised ISA (UK) 220 should be adopted in the UK, alongside the related conforming amendments to other ISAs (UK)? If not, please give your reasons.

Response 1

Yes, we agree with the proposed approach.

Question 2

If you agree that the ISQMs (UK) and ISAs (UK) should be revised to adopt the revisions to the underlying international standards, do you agree that the proposed UK supplementary material is appropriate? If not, please give your reasons and explain what further additions or subtractions should be made.

Response 2

We agree that the proposed UK supplementary material is appropriate.

Question 3

Is the proposed effective date, which is consistent with the effective date of the IAASB's revised ISQMs and ISAs, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

Response 3

We have some concerns as to whether the proposed effective date is achievable for all audit firms given the current environment and the impact of the ongoing Covid-19 pandemic. We are aware that some firms are far more advanced in establishing systems of quality management that will satisfy the requirements of the quality management standards than others. Whilst we appreciate that the work effort required will vary from firm to firm, we do believe that further consideration should be given to deferring the proposed effective date by at least six months.

Question 4

ISQM (UK) 1 requires the auditor to establish a monitoring and remediation process that identifies, evaluates and responds to findings that result in one or more deficiencies in the firm's system of quality management. Do you agree with this approach or should the standard include requirements for firms also identify, evaluate and respond to positive outcomes and opportunities? Please give reasons for your response.

Response 4

We agree with the proposed approach in ISQM (UK) 1. We believe that whilst there is merit for firms to seek to identify, evaluate and respond to positive outcomes and opportunities, we are not convinced that this should be a requirement. Of course, encouragement could be given to firms in the application material of the benefits of also identifying, evaluating and responding to positive outcomes and opportunities.

Question 5

The requirements in ISQM (UK) 2 are currently applicable to all engagements for which an engagement quality review is required to be performed. Do you believe that ISQM (UK) 2 could be enhanced through further requirements and/or application material for non-assurance engagements? If so, please give your detailed reasons and explain how ISQM (UK) 2 could be enhanced, in the context of a non-assurance engagement.

Response 5

We are not convinced of the need for further requirements and/or application material in ISQM (UK) 2 in relation to other applicable engagements.



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General comments

We are supportive of the proposed conforming and consequential amendments to other ISAs (UK) arising from revisions to the UK's Quality Management Standards.