

**Private and Confidential**

Kate Dalby  
Project Director  
Financial Reporting Council  
E-mail: [AAT@frc.org.uk](mailto:AAT@frc.org.uk)

17 March 2021

Dear Kate

**Quality Management Standards Consultation**

BDO LLP is fully supportive of the new Quality Management Standards as issued by the IAASB and welcomes this opportunity to provide input to the UK adoption of these standards.

*Q1. 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.*

*Q2. 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.*

We are in agreement that these standards should be adopted & that the proposed UK Supplementary material is appropriate.

*Q3. 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.*

We are supportive of the implementation date as currently drafted however while we note early adoption is strongly encouraged there is a considerable amount of work to be performed and for many firms this will not be achievable in advance of the implementation date. As firms work through the ISQM1 implementation there will be a gradual move towards compliance with full compliance reached by the implementation date. In addition for the purposes of network resources and service organisations it will be important that the UK implementation date is aligned with the International implementation date under the IAASB's standards.

*Q4. 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.*

We agree with the approach as currently drafted. Identification of positive outcomes is much more difficult to measure and the current approach permits the identification of such positive outcomes and opportunities without making it a requirement.

*Q5. 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 ISQM2 could be enhanced through further requirements and/or application material for non-assurance*

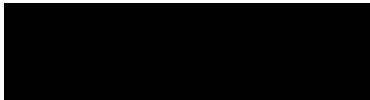
*engagements. If so, please give your detailed reasons and explain how ISQM (UK) 2 could be enhanced, in the context of a non-assurance engagement.*

We do not believe ISQM2 should be enhanced through requirements or application material for non-assurance engagements. The purpose of an engagement quality review is to provide “an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon ...”. An assurance engagement requires the engagement partner to express an opinion and, in doing so, means that judgements need to be made in arriving at an opinion. The nature of a non-assurance engagement is such that the output from such engagements is more factual in nature and should not require significant judgements to be made in providing a reporting output, other than in determining whether a matter arising from the performance of the work should be reported or not. Existing required firm policies for consultation on contentious matters should be sufficient to deal with those limited circumstances where significant judgement is required in the performance of non-assurance engagements.

Other points to note:

In Paragraph 16p of ISQM1 there is a reference to ISQC1. We presume this should be updated to ISQM1.

Yours sincerely



Iain Lawson  
Partner  
Head of Quality and Risk Management

For and on behalf of BDO LLP