

The timetable for implementation of these standard should take into account that as we start to come out of the Global pandemic caused by Covid-19 many firms are still catching up on audit work that has been delayed and there are audit issues relating to the pandemic, not least going concern and impairments, that firms are having to spend additional time and resource on. Furthermore, the UK is going through a period of far reaching audit reform which could have significant consequences on the way that we perform audits in this country and any requirements introduced by the new quality management standards will have to be reconsidered in the light of the audit reform recommendations.

As noted above, even without the additional burdens of Covid-19 and audit reform, we believe that the implementation of these standards by 15 December 2022 will be a challenge to all firms, and in particular smaller firms, and, in the light of the current demands on UK auditors, we recommend that the FRC gives UK firm's more time to fully implement these new standards.

We note that the FRC states that early adoption is strongly encouraged and encourages firms to communicate the stages of implementation of their quality management system in their Transparency Reports. In the light of what is going on in the UK at the moment, if the FRC is going to require a 15 December 2022 implementation date, we do not believe that the FRC should be strongly encouraging early adoption of the full set of standards as this will put too much pressure on firms to accelerate the implementation process and should consider whether, if consistency with the IAASB is important to the FRC, whether certain elements of the new standards could be prioritised ahead of others.

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.

YES

We agree with the proposal that auditors 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. In our view, although there are potential benefits of identifying, evaluating and responding to positive outcomes and opportunities the new standards are challenging enough without mandating this additional burden.

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.

NO

We do not believe that ISQM2 should apply to or be enhanced through further requirements and/or application material for non-assurance engagements.

In addition to firm's performing audits the proposed ISQM1 applies to firms performing reviews of financial statements, or other assurance or related services engagements and if this question was intended to refer to these "non-audit" assurance engagements we do not believe that any further enhancements to ISQM2 are needed. We would recommend that if any further guidance is needed it should be added to the FRC's standards that deal with these non-audit assurance engagements for example for reporting accountants acting in connection with an investment circular further guidance could be added to the FRC's Standards for Investment Reporting.

If you have any questions about this response or would like any further clarification, please contact me by telephone on [REDACTED] or by email.

Yours sincerely

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