

**Basis for Conclusions**  
**Prepared by the Staff of the IAASB**  
January 2022

*IAASB's International Standards*

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**Conforming and Consequential  
Amendments to the IAASB's Other  
Standards as a Result of the New  
and Revised Quality Management  
Standards**

**IAASB**

**International Auditing  
and Assurance  
Standards Board**

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The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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# BASIS FOR CONCLUSIONS: CONFORMING AND CONSEQUENTIAL AMENDMENTS TO THE IAASB'S OTHER STANDARDS<sup>1</sup> AS A RESULT OF THE NEW AND REVISED QUALITY MANAGEMENT STANDARDS<sup>2</sup>

The Staff of the International Auditing and Assurance Standards Board (IAASB) has prepared this Basis for Conclusions. It relates to, but does not form part of, the conforming and consequential amendments to the IAASB's Other Standards as a result of the new and revised quality management standards.

The conforming and consequential amendments to the IAASB's Other Standards received 16 affirmative votes from the 17 IAASB members present.<sup>3</sup>

## Introduction

### *Background*

1. At the IAASB's [September 2020 IAASB meeting](#), the Board approved the new and revised quality management standards and issued these standards after due process approval by the Public Interest Oversight Board (PIOB) on [December 17<sup>th</sup>, 2020](#). As a result, the IAASB needed to consider conforming and consequential amendments to the IAASB's Other Standards and the International Framework for Assurance Engagements where they make reference to the extant quality control standards. The IAASB's Other Standards refer to the International Standard on Quality Control (ISQC) 1<sup>4</sup> in various ways ranging from simple references to the title of the standard, cross references to material within ISQC 1, and alignment of terminology.
2. The project commenced in September 2020 when the IAASB was presented with a plan for updating the IAASB's Other Standards for the changes in the new and revised quality management standards. In November 2020, the IAASB approved a project proposal with the following objectives:
  - (a) Identify any actual or perceived inconsistencies between the IAASB's Other Standards and the ISQMs; and
  - (b) Develop conforming and consequential amendments to the IAASB's Other Standards to address such inconsistencies to the extent considered appropriate to ensure that the IAASB's Other Standards and the ISQMs will be able to operate in conjunction with each other without conflict.
3. At its [January 26<sup>th</sup>, 2021 meeting](#), the IAASB approved, for public exposure, the proposed conforming and consequential amendments to the IAASB's Other Standards as a result of the new and revised

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<sup>1</sup> The IAASB's Other Standards comprise the International Standards on Review Engagements (ISREs), the International Standards on Assurance Engagements (ISAEs), and the International Standards on Related Services (ISRSs).

<sup>2</sup> International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements; ISQM 2, Engagement Quality Reviews; and International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements. Collectively referred to as the new and revised QM standards.

<sup>3</sup> The full record of the voting on the Conforming and Consequential Amendments as a result of the new and revised quality management standards is available at <https://www.iaasb.org/meetings/> under the October 19–20, 2021 Board meeting.

<sup>4</sup> International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

quality management standards. The Exposure Draft<sup>5</sup> was published on February 22<sup>nd</sup>, 2021, for comment by May 24<sup>th</sup>, 2021. The IAASB received comment letters from 20 respondents, including regulators and audit oversight authorities (2), national auditing standard setters (NSS) (6), accounting and assurance firms (6), member bodies and other professional organizations (4) and public sector organizations (2).

### *Public Interest Issues*

4. The IAASB believes that it is in the public interest that its Other Standards and the International Framework for Assurance Engagements were amended to reflect the new quality management approach that has been adopted in the quality management standards. It is also in the public interest that the Other Standards and the ISQMs be able to operate in concert and without confusion due to the importance of firm-level quality management to the consistent performance of quality engagements.

### **Conforming Amendments**

5. The ED included those conforming and consequential amendments limited to, for example, updating titles of standards, updating references to the QM standards, and aligning terminology. The amendments also included limited changes to align concepts, specifically the conceptual changes in ISQM 1 to deal with resources more broadly. The conforming and consequential amendments did not address other potential amendments to the IAASB's Other Standards that may have been considered in a project to improve those standards.

### *Summary of Comments Received on Exposure and IAASB Decisions*

7. In general, respondents agreed that the proposed limited amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB's Other Standards and the new and revised quality management standards. The IAASB agreed to make changes in response to comments that were:
  - (a) Editorial comments;
  - (b) Improvements to the alignment with the terminology and references used by the new and revised quality management standards; or
  - (c) Improvements to the consistency throughout the proposed conforming and consequential amendments being proposed in the ED.
8. The IAASB did not make changes in response to suggestions that were outside the scope of the project. These included suggestions for alternative wording, pre-existing differences between the IAASB's Other Standards and the extant quality control standards; and matters related to IAASB standards not included in this project.
9. The IAASB acknowledged comments from respondents and a member about potential issues with the application of the definition of engagement team to ISAE 3000 (Revised)<sup>6</sup> in circumstances where other practitioners assure information from supply chains from outside a corporate group.

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<sup>5</sup> [Exposure Draft, Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards](#)

<sup>6</sup> ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Nevertheless, the IAASB decided to remain consistent with the definition of an engagement team in ISQM 1, but noted that the issue requires further reflection in due course.

## **Effective Date**

### *Background*

10. The Explanatory Memorandum to the Exposure Draft asked respondents whether the effective date of the conforming and consequential amendments should be the same as those in ISQM 2 for the IAASB's review, other assurance and related services standards.

### *Summary of Comments Received on Exposure*

11. Overall, respondents expressed agreement with the proposed effective date of the conforming and consequential amendments. The respondents who did not agree focused on the burden of the number of changes in the standards and the differing effective date for ISQM 1.

### *IAASB Decision*

12. The IAASB noted the broad support for the planned effective date and agreed that the proposed conforming and consequential amendments would be effective for:
  - (a) Reviews of financial statements for periods beginning on or after December 15, 2022; and
  - (b) Other assurance and related services engagements beginning on or after December 15, 2022.
13. The IAASB notes that it is important for users of the IAASB's Other Standards to be mindful of the fact that references to ISQM 1 are predicated on the fact that the system of quality management in compliance with this ISQM, is required to be designed and implemented by December 15<sup>th</sup>, 2022. The effective date of the conforming and consequential amendments does not amend or override the effective date of ISQM 1.

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