

May 21, 2021

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
585 Fifth Avenue – 14th Floor
New York, NY 10017
U.S.A.

Dear Mr. Botha,

Re: IAASB Exposure Draft of Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the IAASB's Exposure Draft of Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards.

We support the overall approach taken by the IAASB in developing the ED.

However, we have some concerns regarding the proposed wording of illustrative reports in the appendices in ISAE 3402, ISAE 3410, ISAE 3420 and ISRS 4400. These illustrative reports include a statement that "the firm applies ISQM 1, and accordingly, maintains a comprehensive system of quality management including policies or procedures ...". We recognize that this wording is consistent with the extant standards. However, we are concerned that the statement "maintains a comprehensive system" implies that the system of quality management under ISQM 1 is effective, when it might not be. Implying that the system of quality management is effective when it is not would likely be misleading to stakeholders.

We further note that paragraph 34(e) of ISQM 1 requires the firm to establish policies or procedures that address when it is appropriate to communicate with external parties about the firm's system of quality management. This requirement is not in ISQC 1. When the system of quality management does not provide the firm with reasonable assurance that the objectives of the system of quality management are being achieved, paragraph 55(a)(ii) requires the firm to communicate to external parties in accordance with the firm's policies or procedures. Such communication may be inconsistent with the firm's reports under ISAE 3402, ISAE 3410, ISAE

3420 and ISRS 4400. We believe that this would be confusing to external parties and may be misleading.

Accordingly, we believe that the IAASB should develop alternate wording for the above noted reports. We suggest the following example alternate wording: “the firm applies ISQM 1, which requires the firm to design, implement and operate a system of quality management, including policies or procedures ...”.

We believe such wording is not potentially misleading and also would not conflict with other communications the firm might make to external parties under paragraph 34(e) of ISQM 1.

Editorial comments on proposed ISQM 1 have been provided directly to the IAASB staff.

We hope that these comments will be useful to the IAASB in determining the appropriate next steps relating to this key project. If you have any questions or require additional information, please contact me at kcharbonneau@asbcanada.ca or Jacqui Kuypers at jkuypers@asbcanada.ca.

Yours very truly,



Ken Charbonneau, FCPA, FCA, ICD.D
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members
Julie Corden, CPA, CA, IAASB Member
Eric Turner, FCPA, FCA, IAASB Member