

5 October 2021

Mr Ken Siong
IESBA Senior Technical Director
International Ethics Standards Board for Accountants (IESBA)
529 5th Avenue, 6th Floor New York
NY 10017, USA

Submitted electronically to KenSiong@ethicsboard.org

Dear Mr Siong

Comments on the IESBA Exposure Draft, Proposed Quality Management-related Conforming Amendments to the Code

The Independent Regulatory Board for Auditors (IRBA) is the audit regulator and national auditing and ethics standard setter in South Africa. Its statutory Committee for Auditor Ethics is responsible for prescribing standards of professional competence, ethics and conduct for registered auditors (RAs). One of the IRBA's statutory objectives is to protect the public by regulating audits that are performed by RAs, thereby promoting investment and employment in South Africa.

The IRBA adopted Parts 1, 3, 4A and 4B of the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). This was prescribed in November 2018 as the Code of Professional Conduct for Registered Auditors (the IRBA Code) in South Africa, with certain additional national requirements. All subsequent amendments to the IESBA Code have been adopted as well. The IRBA Code, with its Rules Regarding Improper Conduct, provides the basis for disciplinary action against RAs.

We appreciate this opportunity to respond to the Exposure Draft, *Proposed Quality Management-related Conforming Amendments to the Code* (the Exposure Draft).

Our comments are structured in accordance with the request for comments as follows:

- Introduction;
- Part A – Request for Specific Comments; and
- Part B – Request for General Comments.

If further clarity is required on any of our responses, kindly e-mail us at ldupreez@irba.co.za.

Yours faithfully,

Imran Vanker
Director: Standards

Liesel du Preez
Professional Manager: Standards

INTRODUCTION

- (a) We appreciate the importance and timeliness of this project in the context of our adoption and prescription for use of the suite of Quality Management Standards by registered auditors in South Africa in March of this year.
- (b) The foundation of ISQM 1, and a key change from the extant ISQC 1, is that the firm is required to follow a risk-based approach to quality management. To this extent, ISQM 1 prescribes quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.
- (c) In preparing our comments to the Exposure Draft, we reflected on whether these fundamental changes, and the interaction between the IESBA Code and the ISQM 1 requirements, are clearly reflected in the proposed conforming amendments to the IESBA Code.
- (d) Our reflections identified questions such as:
- How do threats to compliance with the fundamental principles, including independence, feed into the establishment of quality objectives and the identification and assessment of quality risks?
 - How do breaches of the IESBA Code translate to findings and/or deficiencies in the system of quality management?
 - How does the specified response requirement (policies and procedures established by the firm) relate to the IESBA Code requirements?
- (e) Although it is not within the scope of this conforming amendments project to address these questions, we highlight the need to have guidance that cross-references the fundamental changes to ISQM 1 and explains how these should be read and applied in accordance with the IESBA Code. We therefore recommend that the IESBA considers, in coordination with the IAASB, the development of non-authoritative guidance to address these issues. This will provide the necessary context for further references to ISQM 1, and the specific concepts introduced by ISQM 1 such as “quality objectives” and “quality risks” throughout the remainder of the IESBA Code. We are of the view that such guidance will enhance the standing of the IESBA Code and address the potential for an inconsistent understanding and application of the IESBA Code in the application of ISQM 1. Our responses throughout this comment letter also refer to further questions where further guidance may be beneficial.

PART A – REQUEST FOR SPECIFIC COMMENTS

1. Do you agree with the proposed conforming amendments in this ED?

We have assessed each amended section separately and will therefore respond to each one individually.

SECTION 120: CONCEPTUAL FRAMEWORK

- (a) We agree that the conforming amendments are aligned with ISQM 1. In addition, we provide supplementary comments in points (b)-(g) below for your consideration.
- (b) We noted that substantive changes were made to Section 120, with the introduction of Role and Mindset amendments. These changes are not reflected in paragraph 120.15 A3 as being introduced with the Fee-related amendments and were also not used as a basis for the conforming amendments Exposure Draft. Our recommendation is to align the Role and Mindset amendments with the Fee-related amendments.
- (c) In addition, we recommend that the following sentence be further conformed to align with ISQM 1: *“In the context of audits, reviews and other assurance engagements, the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASB is an example of such conditions, policies and procedures.”*
- (d) We agree with the current intention of the sentence, which is to make a link to ISQM 1 and explain that in the context of threats to independence, policies and procedures designed under ISQM 1 as part of its SOQM are an example of policies and procedures that may help to identify and evaluate threats to independence. However, our view is that referring to the “existence of a[n] SOQM” as an example of policies and procedures is incorrect as the SOQM itself does not represent a policy or procedure as envisaged in ISQM 1. Policies and procedures exist within the broader SOQM to respond to quality risks. Although all firms will have an SOQM as required by ISQM 1, not all firms will have the same quality risks related to independence; and not all firms will necessarily have policies or procedures that address the specific independence threat identified at the engagement level (because not all engagement level threats will automatically translate to a quality risk at a firm level).
- (e) So, in this context, firms may or may *not* have policies or procedures that address the specific threat. We therefore propose that specific reference be made to the consideration of quality risks and the policies and procedures designed in response to these quality risks, as this approach would directly align with ISQM 1.
- (f) In addition, we propose replacing the reference to *“the quality management standards issued by the IAASB”* simply with ISQM 1. This is for consistency with other references in the IESBA Code, including:
 - Par. 120.14 A1;
 - Proposed amendments to par. 320.3 A4;
 - Proposed amendments to par. 330.4 A2; and
 - Proposed amendments to par. 400.4.

The requirement to “design, implement and operate a system of quality management” does strictly stem from ISQM 1.19. It is therefore accurate.

- (g) On the back of these considerations, we propose that the following adjustments be made:

Considerations for Audits, Reviews, ~~and~~ Other Assurance Engagements and Related Services Engagements [To conform to the Role and Mindset amendments]

120.15 A3	<p><i>Conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 that might assist in identifying and evaluating threats to compliance with the fundamental principles might also be factors relevant to identifying and evaluating threats to independence. In the context of audits, reviews, and other assurance <u>and related services engagements [To conform to the Role and Mindset amendments]</u>, <u>policies and procedures designed and implemented in response to independence quality risks</u> the existence of a quality management system designed, and implemented and operated by a firm in accordance with the quality management standards issued by the IAASBISQM 1 is an example of such conditions, policies and procedures.</i></p>
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SECTION 300: APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

Please refer to the comments in response to Question 2 below.

SECTION 320: PROFESSIONAL APPOINTMENTS

Client and Engagement Acceptance

General

- (a) We do not agree with the proposed conforming amendments to paragraph 320.3 A4 and the rationale provided in the supplementary comment. Our reasons and observations are provided in points (b)-(c) and (e) below.
- (b) The comment that tried to explain how the amendment would be applied practically was confusing. Particularly, we noted the following:
- The proposed amendment itself does not mention the consideration of the “efficiency/deficiency” of policies and procedures. We were unable to make the link/connection between the comment and the proposed amendment.
 - It was deliberated if/how the policies and procedures would impact the level of the threat to professional competence and due care. We concluded that the level of the threat is inherent to the client and engagement circumstances and unrelated to the policies and procedures. However, it made sense that in evaluating threats to professional competence and due care, practitioners would be required to consider any existing firm policies and procedures that provide requirements or guidance over and above what is provided in the IESBA Code, as this may assist them in their evaluation. This is consistent with paragraph 120.8 A2.

- We found the following concluding comment confusing: “So, the threat to assigning individuals lacking the appropriate competence is higher when the policies or procedures designed and implemented by the system of quality management (SOQM) are not effective.” This is because the firm would not design and implement policies and procedures that it does not expect to be effective; and the *timing* of the evaluation of the threat (at client and engagement level) and the *evaluation* of the effectiveness of the system of quality management (including the policies and procedures) (at least annually in accordance with ISQM 1.53) happens at different times.
 - Therefore, when evaluating the threat at the client and engagement acceptance level, the practitioner will always conclude that the policies and procedures are effective. The inverse impact of this was also deliberated on and the question was: What would be the impact on the client and engagement acceptance evaluation if policies and procedures to respond to risks of inappropriate acceptance due to lack of professional competence and due care were concluded to be deficient? We concluded that there should not be an automatic impact. Deficient responses (policies and procedures) to professional competence and due care quality risks indicate a higher risk of inappropriate acceptance at the firm level, but do not necessarily increase the “threat” at the specific client and engagement acceptance level. That depends on the facts and circumstances of the proposed client and engagement and has to be evaluated separately. (It should not be implied that *all* client and engagement acceptances now have an increased threat to the fundamental principle of professional competence and due care.)
- (c) The proposed editorial amendment starts with “*whether the firm has implemented policies and procedures...*”, but ISQM 1.34 *requires* firms to “establish policies and procedures” as a specific response to quality risks (read in conjunction with ISQM 1.26). So, the “whether” applies to “*whether* there are quality risks related to professional competence” when performing the client and engagement acceptance evaluation. If there are quality risks, the policies and procedures are required.
- (d) As a result of these considerations, we propose that the following adjustments be made:

320.3 A4	<p><i>Factors that are relevant in evaluating the level of such a threat include:</i></p> <ul style="list-style-type: none"> • <i>An appropriate understanding of:</i> <ul style="list-style-type: none"> ○ <i>The nature of the client’s business;</i> ○ <i>The complexity of its operations;</i> ○ <i>The requirements of the engagement; and</i> ○ <i>The purpose, nature and scope of the work to be performed.</i> • <i>Knowledge of <u>the</u> relevant industries or subject matter.</i> • <i>Experience with <u>the</u> relevant regulatory or reporting requirements.</i> • <i>The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently.</i> <u><i>Firm level quality risks related to professional competence and due care, and the firm’s has</i></u>
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	<u><i>implemented policies or procedures that were designed and implemented to respond to those quality risks, as part of a system of quality management in accordance with ISQM 1, that respond to quality risks relating to the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.</i></u>
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- (e) We also noted that this is the first reference to “quality risks” in the IESBA Code, and that the definition for “quality risks” has not been included in the Glossary. No context is provided in the IESBA Code before this new ISQM 1 concept is introduced in Section 320 and there is no explanation on how quality risks should be read and applied in accordance with the IESBA Code. This supports our introductory recommendation for the IESBA to consider, in coordination with the IAASB, the development of non-authoritative guidance that explains the interaction between the IESBA Code and the ISQM 1 requirements. Also refer to the *GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS* below.

SECTION 330: FEES AND OTHER TYPES OF REMUNERATION

Contingent Fees

- (a) Given that the rationale for the proposed amendments to Section 330 matches the rationale provided in the supplementary comment to the proposed conforming amendments in Section 320, the same comments apply.
- (b) We therefore do not fully agree with the proposed conforming amendments and suggest that the following adjustments be made:

330.4 A2	<p><i>Factors that are relevant in evaluating the level of such threats include:</i></p> <ul style="list-style-type: none"> • <i>The nature of the engagement.</i> • <i>The range of possible fee amounts.</i> • <i>The basis for determining the fee.</i> • <i>Disclosure to intended users of the work performed by the professional accountant and the basis of remuneration.</i> • <i>Quality control policies and procedures.</i> <u><i>Firm level quality risks related to contingent fees, and the firm's policies or procedures that were designed and implemented to respond to those quality risks, in accordance with ISQM – 1</i></u><i>Whether the firm has implemented policies or procedures, as part of a system of quality management in accordance with ISQM 1, that address threats to compliance with the fundamental principles.</i> • <i>Whether an independent third party is to review the outcome or result of the transaction.</i> • <i>Whether the level of the fee is set by an independent third party such as a regulatory body.</i>
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SECTION 400: APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

- (a) We agree that the conforming amendments are aligned with ISQM 1. In addition, we provide the supplementary comments that follow for your consideration.
- (b) In considering the completeness of the proposed conforming amendments, we deliberated on the *purpose* of the paragraph in trying to understand the rationale for including *some* cross-references to ISQM 1 while excluding *others*. For example, we could draw a direct link between the proposed conforming amendments and paragraphs ISQM 1.19, ISQM 1.29, the definition of “relevant ethical requirements” in ISQM 1.16 and ISQM 1.20(c)(i). However, we were not sure why the paragraph did not also include a reference to the enhanced requirements related to *accountability* of the individual’s designated responsibility in ISQM 1.21 and the specified responses to (inter alia independence-related) quality risks in ISQM 1.34. Our further deliberations are noted in points (c)-(f).
- (c) The placement of this paragraph under Part 4A made sense under ISQC 1 because there was emphasis on the firm’s requirement to establish policies and procedures to provide it with reasonable assurance that the firm, its personnel and others maintain independence where required by relevant ethical requirements (ISQC 1.21). This was amended in ISQM 1, however, to increase the focus on *all* relevant ethical requirements (i.e. not just independence). With this in mind, we challenge whether the retention of this paragraph remains appropriate, or whether it should not be removed to align it with the principal amendments to ISQM 1, so as not to place undue emphasis on the consideration of independence requirements above other ethical requirements. The parts of the paragraph that apply more broadly include, for example, the following:
- *“ISQM 1 requires a firm to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.*
 - *“Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, when applicable, others subject to the independence requirements to which the firm and the firm’s engagements are subject (including the network, network firms, individuals in the network or network firms, or service providers).”*
 - *“ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization.”*
- (d) The part of paragraph 400.4 that we agree to retain is the one that explains how to read Section 400 and starts with: *“Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence....”*. As this will become the focus of the conforming amendments to paragraph 400.4, it is also recommended that this part refers to ISA 220, *The Firm’s System of Quality Management*

and Role of Engagement Teams, where this principle stems from. (We acknowledge paragraph 5 of the ED that explains that ISA 220 conforming amendments will be addressed by the Engagement Team – Group Audits Independence project team. However, we still consider this as a relevant recommendation in the context of the proposed ISQM 1 conforming amendments from a completeness perspective and recommend it for a referral to the Engagement Team – Group Audits Independence project team).

(e) Due to these considerations, we propose that the following adjustments be made:

400.4	<p>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. provide it with reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</p> <p>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, whenre applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers) , maintain independence where required by relevant ethics requirements.</p> <p>ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively.</p> <p>The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference.</p> <p>A <u>Firms</u> assigns <u>operational</u> responsibility for <u>compliance with independence requirements</u> to an individual(s) that has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility; and understands their assigned roles and that they are accountable for fulfilling them in accordance with <u>ISQM ISQC 1</u>. In addition, ISA 220, The Firm's System of Quality Management and Role of Engagement Teams, explains that the engagement team, leadled by the engagement partner (herein referred to as the individuals within the firm), is responsible for complying with the requirements of the ISAs in the context of the firm's system of quality management. Consequently, even though many of the provisions of this Part do not prescribe the specific responsibility of the individuals within the firm related to independence, instead referring to "firm" for ease of reference, the provisions apply equally to the individuals within the firm. an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities,</p>
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~~interests or relationships.~~

Network Firms

- (f) We agree with the conforming amendments made to paragraphs R400.53 and 400.53 A4.

Breach of an Independence Provision for Audit and Review Engagements

When a Firm Identifies a Breach

- (g) We do not agree that the proposed conforming amendment made to paragraph 400.80 A1 meets the intended objective explained in the supplementary comment.
- (h) The comment reads: “As above re use of reasonable assurance in the context of a single matter.” We agree that under ISQM 1, firms no longer conclude on whether single aspects of the system provide reasonable assurance or not, but instead evaluate and conclude on whether the system as a whole provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54]. However, the conforming amendment proposed still implies “assurance on a single matter” (in this case independence) because of how it is drafted.
- (i) In addition to proposing adjustments to address point 1, we note that the word “maintain” originates from extant ISQC 1, so we recommend that this also be changed.
- (j) We propose that the following adjustments be made:

400.80 A1	<p><i>A breach of a provision of this Part might occur despite the firm having a conclusion that the policies and procedures a system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved [From ISQM 1.54], including the quality objectives that address the fulfilment of responsibilities related to independence [From ISQM 1.29]. designed to provide it with reasonable assurance that independence is maintained address and maintain independence. It might be necessary to end the audit engagement because of the breach. [The last sentence becomes irrelevant given the preceding updates, as such we propose that it be deleted.]</i></p>
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- (k) In addition, we question the completeness of the proposed conforming amendments. Our considerations identified the matters listed in points (l)-(m).
- (l) Below is an additional conforming amendment to paragraph R400.80 for it to align to ISQM 1.20(c)(i).

R400.80	<p><i>If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:</i></p> <p>(a) <i>End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;</i></p> <p>(b) <i>Consider whether any legal or regulatory requirements apply to the breach and, if so:</i></p>
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	<p>(i) <i>Comply with those requirements; and</i></p> <p>(ii) <i>Consider reporting the breach to a professional or regulatory body or oversight authority if such reporting is common practice or expected in the relevant jurisdiction;</i></p> <p>(c) <i>Promptly communicate the breach in accordance with its policies and procedures to:</i></p> <p>(i) <i>The engagement partner;</i></p> <p>(ii) <i>These <u>individual(s)</u> with <u>operational</u> responsibility for <u>the policies and procedures relating to compliance with independence requirements [ISQM 1.20]</u>;</i></p> <p>(iii) <i>Other relevant personnel in the firm and, where appropriate, the network; and</i></p> <p>(iv) <i>Those subject to the independence requirements in Part 4A who need to take appropriate action;</i></p> <p>(d) <i>Evaluate the significance of the breach and its impact on the firm’s objectivity and ability to issue an audit report; and</i></p> <p>(e) <i>Depending on the significance of the breach, determine:</i></p> <p>(i) <i>Whether to end the audit engagement; or</i></p> <p>(ii) <i>Whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances.</i></p> <p><i>In making this determination, the firm shall exercise professional judgement and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an audit report.</i></p>
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(m) ISQM 1.34(a)(ii) requires the firm to establish policies and procedures in response to quality risks related to compliance with relevant ethical requirements, including independence. This subsection does not include a reference to the consideration of firm level quality risks related to independence, and the firm’s policies or procedures related to communication, evaluation and reporting of breaches that were designed and implemented to respond to those quality risks, in accordance with ISQM 1. We therefore propose that this be incorporated into paragraphs R400.80 and 400.80 A2-A3. This is consistent with the conforming amendments proposed to paragraphs 320.3 A4 (*Client and Engagement Acceptance*) and 330.4 A2 (*Contingent Fees*), based on the principles in paragraphs 120.6 A1 and 120.8 A2.

(n) The subsection does not address the consideration of whether “breaches” of independence constitute “findings”, as defined in ISQM 1, and could represent deficiencies in the system of quality management in accordance with ISQM 1.40. We then

recommend that this be clarified in the non-authoritative guidance, should the IESBA, in coordination with the IAASB, decide to pursue the development of non-authoritative guidance specific to the application of the IESBA Code in accordance with ISQM 1, as proposed in our introduction to this comment letter. This comment similarly applies to paragraphs R100.4 and 100.4 A1 that address breaches of the IESBA Code in general.

Mergers and Acquisitions

- (o) We agree with the conforming amendments made to paragraphs R400.73 and 400.73 A1.

SECTION 410 (REVISED) FEES

Requirements and Application Material

- (a) Given that the rationale for the proposed amendments to Section 120 matches the rationale explained in the supplementary comment to proposed conforming amendments in Section 410, the same comments apply.
- (b) We therefore agree that the conforming amendments align with ISQM 1, but propose that the following adjustments be made in line with the proposed adjustments recommended under Section 120:

410.4 A4	<i>The conditions, policies and procedures described in paragraph 120.15 A3 (particularly <u>policies and procedures designed and implemented in response to quality risks</u> the existence of a quality management system designed, and implemented and operated by the firm in accordance with the quality management standards issued by the IAASB/ISQM 1) might also impact the evaluation of whether the threats to independence are at an acceptable level.</i>
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SECTION 540 LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION) WITH AN AUDIT CLIENT

Requirements and Application Material

Service in a combination of key audit partner roles

- (a) We agree with the conforming amendments made to paragraphs R540.15 and R540.16.
- (b) Given the nature of the editorial amendments to Section 540, we would like to highlight the additional sections identified where the term “engagement quality control review(er)” needs to be replaced with “engagement quality review”. It is assumed that these amendments are included in the scope of the ISA 220 conforming changes to the IESBA Code, as explained in paragraph 5 of the ED. Regardless, we specify these for completeness, and they include the following:

GLOSSARY	<ul style="list-style-type: none"> • Assurance team • Audit team • Review team
R800.10(b)(ii)	<i>Those who provide quality control for the engagement, including</i>

	<i>those who perform the engagement quality control review; and</i>
R990.7(b)(ii)	<i>Those who provide quality control for the engagement, including those who perform the engagement quality control review; and</i>

SECTION 900 APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

- (a) Given that the rationale for the proposed amendments to Section 400 matches the rationale explained in the supplementary comment to proposed conforming amendments in Section 900, the same comments apply.
- (b) We therefore agree that the conforming amendments are aligned with ISQM 1. However, we propose that the following adjustments be made in line with the proposed adjustments to Section 400:

900.3	<p>ISQC ISQM 1 requires a firm to establish policies and procedures designed to design, implement and operate a system of quality management for audits or reviews of financial statements performed by the firm. provide it with reasonable assurance that As part of this system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfilment of responsibilities in accordance with relevant ethical requirements, including those related to independence.,</p> <p>Under ISQM 1, relevant ethical requirements are those related to the firm, its personnel and, whenre applicable, others subject to the independence requirements to which the firm and the firm's engagements are subject (including the network, network firms, firm personnel individuals in the network or network firms, or service providers), maintain independence where required by relevant ethics requirements.</p> <p>ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively.</p> <p>The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to "firm" for ease of reference.</p> <p>A Firms assigns operational responsibility for compliance with independence requirements to an individual(s) that has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibility; and understands their assigned roles and that they are accountable for fulfilling them in accordance with ISQM ISQC 1. In addition, ISA 220, The Firm's System of Quality Management and Role of Engagement Teams, explains that</p>
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<p><i><u>the engagement team, lead by the engagement partner (herein referred to as the individuals within the firm), is responsible for complying with the requirements of the ISAs in the context of the firm's system of quality management. Consequently, even though many of the provisions of this Part do not prescribe the specific responsibility of the individuals within the firm related to independence, instead referring to "firm" for ease of reference, the provisions apply equally to the individuals within the firm.</u></i><i>an individual professional accountant remains responsible for compliance with any provisions that apply to that accountant's activities, interests or relationships.</i></p>
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GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

(a) We request a consideration to update the Glossary so it includes the following ISQM definitions:

- Quality Risk;
- Quality Objective;
- Findings;
- Deficiency; and
- Relevant Ethical Requirements (also refer to the comments provided under Section 400).

(b) We have no comments to propose in relation to the list of abbreviations and support the conforming amendments proposed by the IESBA.

2. In addition to the proposed conforming amendments, the IESBA also considered the matter raised concerning decisions about accepting or providing services to a client in paragraph 300.7 A5. See explanation in the margin of paragraph 300.7 A5 (page 9). Do you agree with the IESBA's view on this matter? If not, please explain why.

SECTION 300: APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

The Firm and its Operating Environment

(a) We agree with the IESBA conclusion not to make editorial amendments to the specific portion of paragraph 300.7 A5: “....., including decisions about accepting or providing services to a client.” What is described in this portion is consistent with the principles in ISA 220, *The Firm's System of Quality Management and Role of Engagement Teams*, which explains that the engagement team, led by the engagement partner, is responsible for complying with the requirements of the ISAs in the context of the firm's system of quality management.

(b) We provide the following further inputs:

- We connected the reference to the firm's “operating environment” in the context of its impact on the evaluation of threats to the firm's “culture” and the specific

responsibilities of the firm to “demonstrate its commitment to quality through a culture that exists throughout the firm, which recognises and reinforces the importance of professional ethics, values and attitudes”, in accordance with ISQM 1.28. In addition, it was noted that Role and Mindset amendments to Section 120 also incorporate the introduction of the consideration of *Organisation Culture* and *Firm Culture* when applying the conceptual framework. It was then considered appropriate to recommend to the IESBA that this subsection also be updated to refer to “culture”, so as to be consistent with the amendments to Section 120 and the requirements in ISQM 1.28.

- We noted a repeated use of the phrase “*compliance with the fundamental principles*” and propose that in the context of firm culture this be updated to the “*fulfilment of responsibilities in accordance with relevant ethical requirements*” to conform to ISQM 1.

3. Do you agree with the proposed effective date? If not, please explain your reasoning.

We agree with the proposed effective dates.

PART B – REQUEST FOR GENERAL COMMENTS

We had no general comments for consideration, other than what is already addressed elsewhere.