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International Ethics Standards Board for
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Our ref SRA/288

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Dear Mr Siong

Exposure Draft: Proposed Quality Management-related Conforming Amendments to the Code

We appreciate the opportunity to comment on the above Exposure Draft issued by the International Ethics Standards Board for Accountants (IESBA or the Board). We have consulted with, and this letter represents the views of, the KPMG global organization.

We are supportive of the Board's coordination efforts with the International Auditing and Assurance Standards Board (IAASB) to align terminology and reflect revisions to certain concepts and principles in ISQM 1 and ISQM 2. The appendix to this letter provides our responses to the specific questions posed in the Exposure Draft and our suggested revisions to the wording of certain paragraphs for your consideration.

Please contact Karen Bjune at kbjune@kpmg.com if you wish to discuss any of the issues raised in this letter.

Yours sincerely

Edward G. Cannizzaro
Global Head of Quality,
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Appendix A: Responses to Specific Questions

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

We are supportive of the proposed revisions to align terminology and reflect revisions to certain concepts and principles in ISQM 1 and ISQM 2, with the following suggestions on specific paragraphs:

320.3 A4 - Consideration should be given to the effectiveness of the implemented policies and procedures that respond to the quality risks. We suggest adding “and the effectiveness of such policies and procedures” to the end of the last bullet, so that the revised sentence reads:

Whether the firm has implemented policies or procedures, 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, and the effectiveness of such policies and procedures.

320.3 A4 and **330.4 A2** – Given ISQM 1’s applicability to audits or reviews of financial statements, or other assurance or related services engagements, the factors in these sections that were edited to incorporate ISQM 1 would not be applicable to non-assurance engagements provided to an entity that is not an audit or assurance client of the firm. The Board should consider whether the applicability of these factors should be clarified.

400.4 and **900.3** – We agree the concept of reasonable assurance should no longer be referenced against each particular policy or procedure. However, in referring to the overall system of quality management at the beginning of these two paragraphs, we suggest adding to the end of the first sentence, the following from ISQM 1.14:

“that provides the firm with reasonable assurance that the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements...”

Otherwise, without such language, the linkage to the overall system providing reasonable assurance is broken.

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]*

on page 9]. Do you agree with the IESBA's view on this matter? If not, please explain why.

We agree with IESBA's view on this matter and believe it is reasonable to retain the extant wording to recognize the engagement partner's critical involvement in this process and the fact that they do have authority/responsibility in determining that the firm's policies and procedures for the acceptance and continuance of client relationships and audit engagements have been followed. The ISA 220 application material at A50-51 also makes it clear that the engagement partner determines whether the firm's conclusions are appropriate.

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

We agree with the proposed effective date to achieve alignment with the effective dates of ISQM 1 and ISQM 2.