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You're listening to the In-Brief podcast.

In this episode, Allison King, Principal with the Auditing and Assurance Standards Board will provide a plain and simple overview of the key highlights of the IAASB's Exposure Draft on Quality Management issued in January 2019.

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On February 8, 2019, the International Auditing and Assurance Standards Board, the IAASB, officially issued an Exposure Draft on quality management at the firm and engagement level. In the next few minutes, we will cover the key highlights of the Exposure Draft and important dates to keep in mind.

The Exposure Draft, issued as four separate documents, includes:

1. a significantly revised firm standard – now referred to as the International Standard on Quality Management;
2. a new standard dealing with engagement quality reviews;
3. a revised International Standard on Auditing dealing with quality management for audits of financial statements; and
4. an overall explanatory memorandum that sets out significant issues common to all three Exposure Drafts and discusses the proposed effective date and implementation period.

The IAASB introduced a new approach to achieving quality at the firm level, called “**quality management**,” driving the change to the name of the standards. This approach is risk-based and focuses on proactively identifying and responding to risks to quality. The standard sets out quality objectives and includes some required responses to risks, but not all. Firms will need to determine what additional responses are necessary to address those risks. This approach allows firms to tailor their systems of quality management to reflect the nature and circumstances of the firm and the engagements it performs. As a result, the standards can be scaled to firms of different sizes.

This is a significant change from the existing standard, which sets out policies and procedures that all firms are required to establish, regardless of the firm's size and engagements it performs.

As work on the project began, the IAASB noted that the requirements and application material addressing engagement quality reviews was more specific than other aspects of the firm level quality management standard, which were more principles-based. The IAASB therefore concluded a separate standard would be appropriate for engagement quality reviews.

The engagement level standard has been revised to make the engagement partner's responsibilities for leadership and project management more explicit, including assessing the competence of the engagement team. Requirements were also modernized to recognize that engagement teams may be organized in a variety of ways, such as being located across different geographic regions. Revisions also highlight the growing role of technology in the financial statement audit.

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The IAASB is planning a webinar to explain its proposals in more detail. When we have more information on this, we will post a link to our www.frascanada.ca/en/csqc/projects/quality-management project page.

If you wish to provide input to the IAASB on any proposals, you can submit your response letter through the IAASB website. The comment deadline is July 1, 2019.

The Canadian Auditing and Assurance Standards Board approved its exposure draft on quality management in January 2019 and expects it to be issued early April 2019. The Canadian exposure draft will have a comment deadline of June 7, 2019.

Stay tuned for podcast #2 to learn about how the new risk-based approach will benefit you.

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Hosted by: Allison King, Principal, Quality Management project