

Chartered Accountants Ireland or CCAB-I material

Technical Alerts

TA 05/2022 - Transition issues arising from the implementation of the Quality Management Standards 2022

December 2022

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1. Background

In December 2022 the new international standards on quality management (QM) come into effect:

- International Standard on Quality Management 1 (ISQM 1),

- International Standard on Quality Management 2 (ISQM 2),
- International Standard on Auditing 220 (revised) (ISA 220 (revised)).

2.Guidance on the new QM standards

Members are directed to Technical Alert 03/2022 Guidance on the new Quality Management Standards (TA 03/2022) which was issued in May 2022 and can be accessed on the Institute's technical hub¹. In addition the quality management webpages provide links to the standards and to further guidance.².

These standards are effective for periods beginning on or after 15 December 2022 and effective for other assurance and related services engagements beginning on or after 15 December 2022 as outlined in TA 03/2022.

3.Transition issues in relation to assurance engagements.

This Technical Alert outlines the transition from to ISQM 1 in relation to assurance engagements and which standard to refer to in an assurance report prepared under international standard.

The International Standard On Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information (**ISAE (revised) 3000**), was published in January 2022 and is effective for assurance engagement beginning on or after 15 December 2022.

In January 2022, the International Auditing and Assurance Standards Board (IAASB) published conforming and consequential amendments to ISAE 3000 (Revised) and other ISAE and ISRS standards to align with the new quality management standards (ISQM 1 and 2). *These changes are effective for assurance engagements beginning on or after 15 December 2022.*

One of the amendments is to the statement required in the assurance report on the application of ISQC 1. So, for assurance engagements beginning on or after 15 December 2022, the assurance report needs to include a statement that the firm of which the practitioner is a member applies ISQM 1 (or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQM 1).

For assurance engagements covering a reporting period beginning on or after 15 December 2022 –an assurance conclusion covering “the year ending 31 December 2023”, ISQM 1 will be referred to.

For assurance engagements covering a reporting period beginning before 15 December 2022, ISQC 1 would still be referred to.

A concern arises where the practitioner is giving an assurance conclusion and begins the engagement planning before 15 December 2022 but completes it and prepares the report after this date. Should the practitioner refer to ISQC 1 or ISQM 1?

In such cases, Chartered Accountants Ireland considers that it would be helpful to determine when the practitioner has substantively started the work as a basis for determining which standard to refer to in the assurance report. A reasonable interpretation of ‘substantively started’, the Institute believes, would be when the engagement planning procedures are performed (as opposed to the issuance of the engagement letter, which may occur potentially much earlier).

If the work on the engagement to give an assurance conclusion effective at 31 December 2022 has been substantively started before 15 December 2022, then it is likely that the assurance report would refer to ISQC 1. If the work has not been substantively started before 15 December 2022, then the report would likely refer to ISQM 1.

Similar considerations would apply in the performance of an Agreed Upon Procedures – ISRS 4400 (Revised) – engagement.

These conforming and consequential amendments do not impact the ISQM 1 requirement on firms to have designed and implemented a system of quality management by 15 December 2022.

[1 Chartered Accountants Ireland, Institute Technical Content](#)

[2 https://www.charteredaccountants.ie/knowledge-centre/technical-hub/audit-and-assurance/auditing-standards/quality-management](https://www.charteredaccountants.ie/knowledge-centre/technical-hub/audit-and-assurance/auditing-standards/quality-management)