

PROPOSED INTERNATIONAL STANDARD ON QUALITY CONTROL 1
QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF
HISTORICAL FINANCIAL INFORMATION, AND OTHER ASSURANCE
AND RELATED SERVICES ENGAGEMENTS

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This International Standard on Quality Control (ISQC) applies to a firm's system of quality control for audits and reviews of historical financial information, other assurance and related services engagements.

This ISQC contains basic principles and essential procedures (identified in bold lettering) together with related guidance in the form of explanatory and other material. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of the ISQC to understand and apply the basic principles and essential procedures.

The nature of the ISQC requires firms to exercise professional judgment in applying the ISQC. In exceptional circumstances, it may be judged necessary to depart from a basic principle or essential procedure in this ISQC to achieve more effectively the objective of the firm's system of quality control. When such a situation arises, the firm should be prepared to justify the departure.

In circumstances where specific basic principles, essential procedures or guidance contained in the ISQC are not applicable in a public sector environment, or when additional guidance is appropriate in such an environment, the Public Sector Committee of the International Federation of Accountants so states in a Public Sector Perspective (PSP) at the end of the ISQC. When no PSP is added, the ISQC is applicable in all material respects to the public sector.

Introduction

1. The purpose of this International Standard on Quality Control (ISQC) is to establish standards and provide guidance regarding a firm's responsibilities ~~relating to~~ for its system of quality control for audits and reviews of historical financial information, and other assurance and related services engagements. This ISQC is to be read in conjunction with Parts A and B of the IFAC *Code of Ethics for Professional Accountants* (the IFAC Code).
2. Additional standards and guidance on the responsibilities of firm personnel regarding quality control procedures for specific types of engagements are set out in other pronouncements of the International Auditing and Assurance Standards Board (IAASB). ISA 220, "Quality Control for Audits of Historical Financial Information," for example, establishes standards and provides guidance on quality control procedures for audits of historical financial information.
3. **The firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and ~~applicable~~ regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances.**
4. A system of quality control consists of policies designed to achieve the objectives set out in paragraph 3 ~~above~~ and the procedures necessary to implement and monitor compliance with those policies.
5. This ISQC applies to all firms. Individual firms may develop policies and procedures tailored to their particular circumstances. The nature, timing and extent of those policies and procedures will depend on ~~many~~ various factors ~~;~~ including such as the size and operating characteristics of the firm.

Definitions

6. In this ISQC, the following terms have the meanings attributed below:
 - (a) "Engagement partner" – the partner or other person in the firm who ~~has responsibility~~ is responsible for the engagement and its performance, and for issuing the report on the subject matter on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body;
 - (b) "Engagement quality control review" – ~~in connection with an engagement,~~ a process designed to provide an objective evaluation, before the report is issued, of the significant judgments ~~made by~~ the engagement team made and the conclusions they reached in formulating the report;
 - (c) "Engagement quality control reviewer" – a partner, other person in the firm, ~~or~~ suitably qualified external consultant person, or a team made up of such individuals, with who has sufficient and appropriate experience and authority to ~~provide an~~ objectively evaluation, before the report is issued, ~~of~~ the significant judgments ~~made by~~ the engagement team made and the conclusions they reached in formulating the report;

- (d) “Engagement team” — all professionals ~~participating in performing~~ an engagement, including any experts employed or ~~engaged contracted~~ by the firm in connection with that engagement;
- (e) “Firm” – a sole practitioner, partnership, corporation or other ~~legal~~ entity of professional accountants;
- (f) “Inspection” – in relation to completed engagements, ~~those~~ monitoring procedures designed to provide evidence ~~about whether of compliance by~~ engagement teams ~~have complied~~ with the firm’s quality control policies and procedures;
- (g) “Listed entity” – an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body;
- (h) “Monitoring” – a process ~~that comprises~~ ~~ing~~ both an ongoing consideration and evaluation of the firm’s system of quality control, and a periodic inspection of a selection of completed engagements, designed to enable the firm to obtain reasonable assurance that its system of quality control is operating effectively;
- (i) “Network firm” – an entity under common control, ownership or management with the firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being ~~under common control, ownership or management with part of~~ the firm ~~nationally or internationally~~;
- (j) “Partner” – any individual with authority to bind the firm with respect to the performance of a professional services engagement;
- (k) “Personnel” – partners and staff;
- (l) “Professional standards” – IAASB engagement standards, ~~as defined in the IAASB’s “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services,”~~ and relevant ethical requirements, which ordinarily comprise Parts A and B of the IFAC Code of Ethics for Professional Accountants and relevant national ethical requirements;
- ~~(m) “Reasonable assurance” — a high, but not absolute, level of assurance;~~
- ~~(mn)~~ “Staff” – professionals, other than partners, including any experts ~~employed by~~ the firm ~~employs in connection with an engagement~~;
- ~~(no)~~ “Suitably qualified external ~~consultant person~~” – an individual ~~outside the firm with who possesses~~ the capabilities and competence to act as an engagement partner, for example a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, other assurance or related services engagements, or of an organization that provides quality control services.

Elements of a System of Quality Control

7. The firm's system of quality control includes policies and procedures, appropriately documented and communicated, addressing each of the following elements:
 - (a) Leadership responsibilities for quality within the firm.
 - (b) Ethical requirements.
 - (c) Acceptance and continuance of client relationships and specific engagements.
 - (d) Human resources.
 - (e) Engagement performance.
 - (f) Monitoring.

Leadership Responsibilities for Quality within the Firm

8. The firm should establish policies and procedures designed to promote an internal culture ~~that is~~ based on the recognition that quality is essential in performing engagements. Such policies and procedures should require the firm's chief executive officer (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent), to assume ~~have~~ ultimate responsibility for the firm's system of quality control.

9. The firm's leadership and the examples it sets significantly influence the internal culture of the firm ~~is significantly influenced by the firm's leadership and the examples that the leadership sets~~. The promotion of a quality-oriented internal culture depends on clear, consistent and frequent actions and messages from all levels of the firm's management emphasizing the firm's quality control policies and procedures, and the requirement to:

- (a) Perform work that complies with professional standards and applicable regulatory and legal requirements; and
- (b) Issue reports that are appropriate in the circumstances.

Such actions and messages encourage a culture that recognizes and rewards high quality work. They may be communicated by training seminars, meetings, formal or informal dialogue, mission statements, newsletters, or briefing memoranda. They are incorporated in the firm's internal documentation and training materials, and in partner and staff appraisal procedures. ~~They are designed to:~~ such that they will

~~(a) Support and reinforce the firm's view on the importance of quality and how,~~ practically, it is to be achieved, ~~and~~

~~(b) Provide practical suggestions on how to achieve quality.~~

10. Of particular importance is the need for the firm's leadership to recognize that the firm's business strategy is subject to the overriding requirement for the firm to achieve quality in all the engagements that the firm performs. Accordingly:

- (a) The firm's ~~management structure is designed~~ assigns its management responsibilities so that ~~to prevent~~ commercial considerations do not from taking

- ~~precedence~~-override the quality of work performed;
- (b) The firm's policies and procedures addressing performance evaluation, compensation, and promotion (including incentive systems) with regards to its personnel, are designed to demonstrate the firm's overriding commitment to quality; and
- (c) The firm devotes sufficient resources for the development, documentation and support of its quality control policies and procedures.
11. The firm communicates its quality control policies and procedures to all its personnel. Such communication ~~includes a description of~~ describes the quality control policies and procedures and the objectives they are designed to achieve, and includes the message that each individual ~~concerned~~ has a personal responsibility for quality. In addition, the firm recognizes the importance of obtaining feedback on its quality control system from its personnel and encourages them to communicate their views on quality control matters. The firm also establishes and communicates to personnel clearly defined channels for raising concerns in a manner that enables personnel to come forward without fear of reprisals.
12. ~~While-Although~~ compliance with the firm's quality control policies and procedures is expected of all personnel, an appropriate framework for dealing with non-compliance ~~with the firm's quality control policies and procedures~~ includes (a) a process to investigate and confirm alleged non-compliance, (b) a process to consider and take appropriate remedial action, and (c) guidance on how and in what circumstances sanctions will be applied.
13. Any person or persons assigned operational responsibility for the firm's quality control system by ~~If the firm's chief executive officer or managing board of partners assigns operational responsibility for the firm's quality control system to one or more individuals, the person or persons appointed~~ should have sufficient and appropriate experience and ability, and the necessary authority, to assume that ~~operational~~ responsibility.
14. Sufficient and appropriate experience and ability enables the responsible person or persons ~~responsible for the system of quality control~~ to identify and understand quality control issues and to develop appropriate policies and procedures. Necessary authority enables the person or persons to implement those policies and procedures.

Ethical Requirements

15. **The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.**
16. Relevant ethical requirements relating to audits and reviews of historical financial information, and other assurance and related services engagements ordinarily comprise Parts A and B of the IFAC Code together with ~~applicable~~-national

requirements ~~that where these~~ are more restrictive. The IFAC Code establishes the fundamental principles of professional ethics which are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality;
- (e) Professional behavior; and
- (f) Technical standards.

17. ~~The IFAC Code identifies the main categories of threat to the fundamental principles and general and specific safeguards against those threats.~~ Part B of the IFAC Code includes a conceptual approach to independence for assurance engagements that takes into account threats to independence, accepted safeguards and the public interest.
18. The firm's policies and procedures emphasize the fundamental principles, which are reinforced ~~by~~, in particular, by (a) the leadership of the firm, (b) education and training, (c) monitoring and (d) a process for dealing with non-compliance. ~~The significance of i~~Independence for assurance engagements is such so significant that it is addressed separately in paragraphs 19 – 28 below. These paragraphs need to be read in conjunction with the IFAC Code.

Independence

19. The firm should establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including ~~external~~ experts engaged contracted by the firm and network firm personnel), maintain independence ~~in circumstances~~ where required by the IFAC Code and applicable national ethical requirements ~~pronouncements~~. Such policies and procedures should ~~be designed to~~ enable the firm to:
- (a) Communicate its independence requirements to its personnel and, where applicable, others subject to them ~~independence requirements~~; and
 - (b) Identify and evaluate circumstances and relationships that create threats to independence, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying ~~the application of~~ safeguards, or, if considered appropriate, to withdraw from the engagement.
20. Such policies and procedures should ~~include requirements for~~:
- (a) Engagement partners to ~~take responsibility to~~ provide the firm with relevant information about client engagements, including the scope of services ~~provided to that client~~, to enable the firm to evaluate the overall impact, if any, on independence requirements;

- (b) Personnel to promptly notify the firm ~~in a timely manner~~ of circumstances and relationships that create a threat to independence, ~~other than those that are clearly insignificant, where applicable,~~ so that appropriate action can be taken; and
 - (c) The accumulation and communication of relevant information to appropriate personnel ~~so that in order to enable:~~
 - (i) The firm and its personnel ~~to~~ can readily determine whether they satisfy ~~relevant~~ independence requirements;
 - (ii) The firm can ~~to~~ maintain and update its records relating to independence; and
 - (iii) The firm can ~~to~~ take appropriate action regarding identified threats to independence ~~on specific engagements.~~
21. The firm should establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements, and to enable it to take appropriate actions ~~are taken~~ to resolve such situations. The policies and procedures should include requirements for:
- (a) ~~All who are Personnel and, where applicable, others~~ subject to independence requirements, to promptly notify the firm ~~in a timely manner~~ of independence breaches of which they become aware;
 - (b) ~~The firm to~~ Promptly ~~communication by the firm of~~ identified breaches of ~~these firm's~~ policies and procedures to:
 - (i) The ~~relevant~~ engagement partner who, ~~where such breaches relate to engagements for which that engagement partner is responsible and that with the firm, needs to be addressed by the engagement partner in conjunction with the firm the breach;~~ and
 - (ii) Other relevant personnel in the firm ~~and those subject to the independence requirements~~ who need to take appropriate action ~~in conjunction with the firm;~~ and
 - (c) Prompt communication to the firm, if necessary, by the engagement partner and the other individuals referred to in subparagraph (b)(ii) above ~~to the firm regarding of~~ the actions taken to resolve the matter, so that to enable the firm can ~~to~~ determine whether it should take further action.
22. Comprehensive guidance on threats to independence and safeguards, including application to specific situations, is set out in Section 8 of the IFAC Code. ~~The policies and procedures required by paragraphs 19–21 above and addresses the independence requirements of the IFAC Code and applicable national requirements, including~~ the following:
- ~~The identifying~~ identification of threats to the independence of the firm, including, ~~for example,~~ those arising from:

- The provision of services.
 - Business relationships.
 - Financial interests.
 - Family and personal relationships.
- Evaluating the significance of the threats created.
 - Taking a~~Action to be taken if to deal with~~ threats to independence (other than those that are clearly insignificant) or breaches of the policies and procedures are identified.
 - Establishing Potential ~~safeguards necessary to maintain independence (for example, the recording of relevant information about client relationships and engagements that require the firm, its personnel and others subject to independence requirements to be independent, in such a way that it is easily accessible to relevant personnel).~~
 - ~~The identification and fulfillment of requirements for education on independence.~~
23. A firm receiving notice ~~Notification to the firm of a~~ breaches of independence policies and procedures ~~enables promptly~~ communication, where appropriate, of relevant information to engagement partners, ~~and~~ others in the firm and, where applicable, network firms, ~~for who need to take~~ appropriate action. Appropriate action by t~~The firm and the relevant engagement partner are then able to take the necessary actions including~~ applying ication of appropriate safeguards to eliminate the threats to independence or to reduce them to an acceptable level, or withdrawing from the engagement. In addition, the firm provides independence education to personnel who are required to be independent.
24. At least annually, t~~The firm should obtain, at least annually,~~ written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by the IFAC Code and applicable national pronouncements ethical requirements.
25. Confirmation may be in paper or electronic form. By obtaining ~~such~~ confirmation and taking ~~any~~ appropriate action on ~~the resulting~~ information indicating non-compliance, the firm demonstrates the importance that it attaches to independence and makes the issue current for, and visible to, its personnel.
26. The IFAC Code discusses the familiarity threat that may ~~arise from be created by~~ using the same senior personnel on an assurance engagement over a long period of time and the safeguards that might be appropriate to address such a threat. Accordingly, the firm should establish policies and procedures:
- (a) Setting out criteria for determining the need for safeguards to reduce the familiarity threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period of time; and
 - (ab) Requiring the rotation of the engagement partner after a specified period

of time for all audits of financial statements of listed entities, in compliance with the IFAC Code and ~~applicable~~ national ethical requirements ~~pronouncements where these that~~ are more restrictive, ~~and~~

~~(b) Setting out criteria for evaluating the necessity of rotating the engagement partner after a specified period for all other audits and reviews of historical financial information, other assurance and related services engagements, and rotating the engagement partner when these criteria are met.~~

~~27. Using the same engagement partner on an assurance engagement over a prolonged period may create a familiarity threat or otherwise impair the quality of performance of the engagement. The IFAC Code recognizes that the familiarity threat is particularly relevant in the context of financial statement audits of listed entities. Consequently, for such engagements, the IFAC Code requires the rotation of the engagement partner after a pre-defined period, normally no more than seven years, and provides standards and guidance on this matter. National requirements may establish shorter rotation periods.~~

~~28. Using the same engagement partner senior personnel on assurance engagements ~~other than audits of financial statements of listed entities~~ over a prolonged period may ~~also~~ create a familiarity threat or otherwise impair the quality of performance of the engagement. Therefore, the firm establishes criteria for determining the need for safeguards to address this threat. ~~considers whether it is appropriate to rotate the engagement partner for those engagements after a pre-defined period. Criteria that the firm considers when~~ In determining appropriate criteria, the firm considers such matters as (a) which engagements other than audits of financial statements of listed entities are to be subject to consideration of the necessity of engagement partner rotation include the following:~~

~~• The adequacy of other safeguards available to address the familiarity threat to independence.~~

~~• The nature of the engagement, (b) and the extent to which the subject matter information and the report involve the public interest, and (c) the length of service of the senior personnel on the engagement. Examples of safeguards include rotating the senior personnel or requiring an engagement quality control review.~~

~~• Whether there are legal or regulatory requirements for engagement partner rotation.~~

~~28. The IFAC Code recognizes that the familiarity threat is particularly relevant in the context of financial statement audits of listed entities. For these audits, the IFAC Code requires the rotation of the engagement partner after a pre-defined period, normally no more than seven years, and provides related standards and guidance. National requirements may establish shorter rotation periods.~~

Acceptance and Continuance of Client Relationships and Specific Engagements

29. The firm should establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to

provide it with reasonable assurance that it will only undertakes or continues ~~only those~~ relationships and engagements where it:

- (a) Has considered the integrity of the client and ~~has no does not have any~~ information that would lead it to conclude that the client lacks integrity;
- (b) Is competent to perform the engagement and has the capabilities, time and resources to do so; and
- (c) Can comply with ethical requirements.

The firm should apply ~~S~~such policies and procedures ~~should be applied~~ before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Where issues have been identified, and the firm decides to accept or continue the client relationship or a specific engagement, it should document how the issues were resolved, ~~the manner in which the issues have been resolved should be documented~~.

30. With regard to the integrity of a client, matters that the firm considers include, for example:

- The identity and business reputation of the client's principal owners, key management, related parties and those charged with its governance.
- The nature of the client's operations, including its business practices.
- Information concerning the attitude of the client's principal owners, key management and those charged with its governance towards such matters as aggressive interpretation of accounting standards and the internal control environment.
- Whether the client is ~~predominantly aggressively~~ concerned with maintaining the firm's fees as low as possible.
- Indications of an inappropriate limitation in the scope of work.
- The risk that the client might be involved in money laundering or other criminal activities.
- The reasons for the proposed appointment of the firm and non-reappointment of the previous firm.

31. ~~Where appropriate, if~~ Information on such matters may come from ~~be obtained through, for example:~~

- Communications with existing or previous providers of professional accountancy services to the client in accordance with the IFAC Code, and discussions with other third parties.
- Inquiry of other firm personnel or ~~soliciting information from~~ third parties such as bankers, legal counsel and industry peers.
- Background searches of relevant databases.

~~32. The satisfactory completion of acceptance and continuance procedures does not eliminate the need for the firm to maintain appropriate professional skepticism with regard to the client's integrity throughout the firm's relationship with that client.~~

332. ~~In c~~Considering ~~ingation of~~ whether the firm has the capabilities, competence, time and resources to undertake a new engagement from a new or an existing client, the firm includes reviewing the specific requirements of the engagement and existing partner and staff profiles at all relevant levels. Matters ~~that~~ the firm considers include, ~~for example,~~ whether:

- Firm personnel have knowledge of relevant industries or subject matters.
- Firm personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge ~~in an~~ effectively ~~manner~~.
- The firm has sufficient personnel with the necessary capabilities and competence.
- Experts are ~~available, where necessary~~ available, if needed.
- Individuals meeting the criteria and eligibility requirements to perform engagement quality control review are available, where applicable.
- The firm is able to complete the engagement within the reporting deadline.

334. The firm also considers whether accepting an engagement from a new or an existing client may give rise to an actual or perceived conflict of interest with existing clients. Where a potential conflict is identified, the firm considers whether it is appropriate to accept the appointment.

354. ~~The decision~~ Deciding on whether to continue a client relationship includes consideration of significant matters that have arisen during the current or previous engagements, and their implications for ~~the continu~~ ingancee of the relationship. For example, a client may have started to expand its business operations into an area where the firm does not possess the necessary knowledge or expertise.

365. Where the firm ~~has obtained~~ ed information that would have caused it to decline ~~an appointment to an engagement~~ had if that information had been ~~obtained~~ available earlier, policies and procedures on the continuance of the engagement and the client relationship should include consideration of:

- (a) The professional and legal responsibilities ~~that apply~~ ieable ~~to in~~ the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to regulatory authorities; and
- (b) The possibility of withdrawing from the engagement or from both the engagement and the client relationship.

367. Policies and procedures on withdrawal from an engagement or from both the engagement and the client relationship address issues that include the following:

- Discussi~~ngon~~ with the appropriate level of the client's management and those charged with its governance regarding the appropriate action that the firm might take based on the relevant facts and circumstances.
- If the firm determines that it is appropriate to withdraw, discussi~~ngon~~ with the appropriate level of the client's management and those charged with its governance ~~regarding the~~ withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.
- Consider~~ation of~~ing whether there is a professional, regulatory or legal requirement for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal, to regulatory authorities.
- Document~~ation of~~ significant issues, consultations, conclusions and the basis for the conclusions ~~reached~~.

Human Resources

378. The firm should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities, competence, and commitment to ethical principles necessary to perform its engagements in accordance with professional standards and applicable regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances.

389. Such policies and procedures address the following personnel issues:

- ~~Recruitment~~;
- ~~Performance evaluation~~;
- ~~Capabilities~~;
- ~~Competence~~;
- ~~Career development~~;
- ~~Promotion~~;
- ~~Compensation~~; and
- ~~and the~~ The estimation of personnel needs.

~~Addressing these issues enables the firm in order~~ to ascertain the number and characteristics of the individuals required for the firm's engagements. The firm's recruitment processes include procedures ~~to that~~ help the firm select ~~determine whether recruits are~~ individuals of integrity ~~with who have~~ the capacity to develop the capabilities and competence necessary to perform the firm's work.

3940. Capabilities and competence are developed through a variety of methods, ~~that may include~~ the following:

- Professional education.

- Continuing professional development, including training.
- Work experience.
- Coaching by more experienced staff, for example, other members of the engagement team.

401. The continuing competence of the firm's personnel depends to a significant extent on an appropriate level of continuing professional development so that personnel maintain their knowledge and capabilities up to date. ~~Accordingly, the firm therefore~~ emphasizes in its policies and procedures the need for continuing training ~~at for~~ all levels of firm personnel, and provides the necessary training resources and assistance ~~to its personnel~~ to enable ~~them personnel~~ to develop and maintain the required capabilities and competence. Where ~~internal the firm does not have the necessary~~ technical and training resources ~~internally are unavailable to support that objective~~, or ~~for any other reason where it otherwise chooses to do so~~, ~~the firm it~~ may use a suitably qualified external ~~person or group person~~ for that purpose.

412. The firm's performance evaluation, compensation and promotion procedures give due recognition and reward to the development and maintenance of competence and commitment to ethical principles. In particular, the firm Personnel:

- Makes personnel ~~Are made~~ aware of the firm's expectations regarding performance and ethical principles;
- Provides ~~Are provided personnel~~ with evaluation of, and counseling on, performance, progress and career development; and
- Helps personnel Understand that ~~career~~ advancement to positions of greater responsibility depends, among other things, upon performance quality and adherence to ethical principles, and that failure to comply with the firm's policies and procedures may result in disciplinary action.

432. The size and circumstances of the firm will influence the structure of the firm's performance evaluation process ~~varies according to the size and circumstances of the firm~~. Smaller firms, in particular, may employ less formal methods of evaluating the performance of their personnel.

Assignment of Engagement Teams

443. The firm should assign responsibility for each engagement to an engagement partner ~~to each engagement to take responsibility for that engagement on behalf of the firm~~. The firm should establish policies and procedures requiring that:

- The identity and role of the engagement partner are communicated to key members of client management and those ~~responsible~~ charged with for governance;
- The engagement partner has the appropriate capabilities, competence, authority and time to perform the role; and
- The responsibilities of the engagement partner are clearly defined and

communicated to ~~that~~ engagement partner.

~~445.~~ The firm should also assign appropriate staff with the necessary capabilities, ~~and—competence~~ and time to perform engagements in accordance with professional standards and ~~applicable—~~regulatory and legal requirements, and to enable the firm or engagement partners to issue reports that are appropriate in the circumstances.

45. Policies and procedures include systems to track and monitor the workload and availability of firm personnel so as to enable these individuals to have sufficient time to adequately discharge their responsibilities.

46. The firm establishes procedures to assess its staff's capabilities and competence. The capabilities and competence considered when assigning engagement teams include ~~the following~~:

- An understanding and practical experience of engagements of a similar nature and complexity through appropriate training and participation.
- An Understanding of professional standards and ~~applicable—~~regulatory and legal requirements.
- Appropriate technical knowledge, including knowledge of relevant information technology ~~knowledge~~.
- Knowledge of relevant industries in which the clients operate.
- Ability to apply professional judgment.
- An understanding of the firm's quality control policies and procedures.

Engagement Performance

47. The firm should establish policies and procedures designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and ~~applicable—~~regulatory and legal requirements, and that the firm or the engagement partner issue reports that ~~are issued by the firm or engagement partners~~ are appropriate in the circumstances.

48. Through its ~~Such—~~policies and procedures, the firm ~~address matters on which the firm~~ seeks to establish consistency in the quality of engagement performance, ~~by its personnel. Often, t~~This is often accomplished ~~through by establishing~~ written or electronic manuals, software tools or other forms of standardized documentation, and industry or ~~specific—~~subject matter specific guidance materials. Matters addressed include ~~the following~~:

- How engagement teams are briefed on the engagement to obtain an understanding of the objectives of their work.
- Processes for ~~ensuring that complying with~~ applicable engagement standards are followed.
- Processes of engagement supervision, staff training and coaching.

- Methods of reviewing the work performed, the significant judgments made and the form of report being issued.
 - Appropriate documentation of the work performed and of the timing and extent of the review.
 - Processes to keep all policies and procedures current.
49. It is important that all members of the engagement team understand the objectives of the work they are to perform. Appropriate team-working and training are necessary to assist less experienced members of the engagement team ~~in~~to clearly understanding the objectives of the assigned work ~~they are assigned~~.
50. Supervision includes the following:
- Tracking the progress of the engagement.
 - Considering the capabilities and competence of individual members of the engagement team, whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
 - Addressing significant issues arising during the engagement, considering their significance and modifying the planned approach ~~as~~appropriately.
 - Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.
51. Review responsibilities are determined on the basis that more experienced engagement team members, including the engagement partner, review wWork performed by less experienced team members ~~of the engagement team is reviewed by more experienced engagement team members, including the engagement partner~~. Reviewers consider whether:
- (a) The work has been performed in accordance with professional standards and ~~applicable~~ regulatory and legal requirements;
 - (b) Significant matters have been raised for further consideration;
 - (c) Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
 - (d) There ~~are indications that suggest is~~ a need to revise the nature, timing and extent of work performed;
 - (e) The work performed supports the conclusions reached and is appropriately documented;
 - (f) The eEvidence obtained is sufficient and appropriate to support the report; and
 - (g) The objectives of the engagement procedures have been achieved.

Consultation

52. The firm should establish policies and procedures designed to provide it with reasonable assurance that:
- (a) Appropriate consultation takes place on difficult or contentious matters;
 - (b) Sufficient resources are available to enable appropriate consultation to take place;
 - (c) The nature and scope of, ~~and conclusions resulting from,~~ such consultations are documented; and
 - (d) Conclusions resulting from consultations are documented and implemented.
53. Consultation includes discussion, at the appropriate professional level, with individuals within or outside the firm who have specialized expertise, ~~in order~~ to resolve a difficult or contentious matter.
54. Consultation uses appropriate research resources as well as the collective experience and technical expertise of the firm. Consultation ~~and~~ helps to promote quality and. ~~It also~~ improves the application of professional judgment. The firm seeks to establish a culture in which consultation is recognized as a strength and encourages personnel to consult ~~when they are considering a on~~ difficult or contentious matters.
55. Effective consultation with other professionals requires that those consulted be given all the relevant facts that will enable them to provide informed advice, ~~whether~~ on technical, ethical or other matters. Consultation procedures require consultation are designed so that individuals with those having appropriate knowledge, seniority and experience within the firm (or, where applicable, outside the firm) ~~are consulted~~ on significant technical, ethical and other matters, and appropriate documentation and implementation of that the conclusions resulting from consultations ~~are properly implemented and documented~~.
56. A firm needing to consult externally, for example, a firm without appropriate internal resources, may take advantage of advisory services provided by (a) other firms, (b) professional and regulatory bodies, or (c) commercial organizations that provide relevant quality control services. Before contracting for such services, the firm considers whether the external provider is suitably qualified for that purpose.
57. The documentation of consultations with other professionals that involve difficult or contentious matters is agreed by both the individual seeking consultation and the individual consulted. ~~The documentation and~~ is sufficiently complete and detailed to enable an understanding of:
- (a) The issue on which consultation was sought; and
 - (b) The results of the consultation, including any decisions taken, the basis for those decisions and how ~~the manner in which~~ they were implemented.

Differences of Opinion

58. The firm should establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and, ~~where applicable~~, the engagement quality control reviewer. Conclusions reached should be documented and implemented.
59. Such procedures encourage identification of differences of opinion at an early stage, provide clear guidelines as to the successive steps to be taken thereafter, and require documentation regarding the resolution of the differences and the implementation of the conclusions reached. **If a difference remains at the end of the consultation process, the firm should not issue the report until the matter is resolved**~~s policies and procedures determine the person or persons, other than the engagement partner, with responsibility for the final resolution of the issue. Ordinarily, such person or persons are those who have ultimate responsibility for the firm's quality control system.~~
60. ~~When a~~ firm ~~us~~ings a suitably qualified external ~~consultant person~~ to conduct an engagement quality control review, ~~it~~ recognizes that differences of opinion can occur and establishes procedures to resolve such differences, for example, by consulting with another practitioner or firm, or a professional or regulatory body.

Engagement Quality Control Review

61. The firm should establish policies and procedures requiring, for appropriate engagements, ~~that~~ an engagement quality control review that is performed to provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures should:
- (a) Require ~~the performance of~~ an engagement quality control review for all audits of financial statements of listed entities;
 - (b) Set out criteria against which all other audits and reviews of historical financial information, and other assurance and related services engagements should be evaluated ~~for the purpose of to~~ determining whether an engagement quality control review should be performed ~~in each instance~~; and
 - (c) Require ~~the performance of~~ an engagement quality control review for all engagements meeting the criteria established in compliance with subparagraph (b) above.
62. The firm's policies and procedures should require the completion of the engagement quality control review before the report is issued. ~~The completion of this~~ The review should include the resolution to the satisfaction of the engagement quality control reviewer of issues raised, after following, if necessary, the procedures for resolving differences of opinion.
63. ~~The firm considers whether engagements other than audits of financial statements of listed entities require an engagement quality control review.~~ Criteria that a firm

considers when determining which engagements other than audits of financial statements of listed entities are to be subject to an engagement quality control review include ~~the following~~:

- The nature of the engagement and the extent to which the subject matter information and the report involve the public interest.
- The identification of circumstances or risks in an engagement or class of engagements.
- Whether a modified report is expected to be issued.
- Whether laws or regulations require ~~there are legal or regulatory requirements for~~ an engagement quality control review.

64. **The firm should establish policies and procedures setting out:**

- (a) **The nature, timing and extent of an engagement quality control review;**
- (b) **Criteria for the eligibility of engagement quality control reviewers; and**
- (c) **Documentation requirements for an engagement quality control review.**

Nature, Timing and Extent of the Engagement Quality Control Review

65. An engagement quality control review ordinarily involves discussion with the engagement partner, a review of the financial statements or other subject matter and the report, and, in particular, consideration of whether the report is appropriate. It also involves a review of selected working papers relating to the significant judgments the engagement team made and the conclusions they reached. The extent of the ~~engagement quality control~~ review depends on the complexity of the engagement and the risk ~~that the report issued by the firm or the engagement partner~~ might not be appropriate in the circumstances. The review ~~It~~ does not reduce the responsibilities of the engagement partner.

66. ~~The scope of a~~An engagement quality control review includes ~~considering~~ingation of the following:

- The engagement team's evaluation of the firm's independence in relation to the specific engagement.
- ~~The s~~Significant risks identified during the engagement and the responses to those risks.
- ~~The j~~Judgments made, particularly relating with respect to materiality and significant risks.
- Whether appropriate consultation has taken place on difficult or contentious matters, and the conclusions arising from those consultations.
- The significance and disposition of corrected and uncorrected misstatements identified during the audit.
- The matters to be ~~reported~~communicated to management and those charged

with governance and, where applicable, other parties such as regulatory bodies.

- Whether ~~selected documentation working papers selected for~~ review ~~ed~~ reflects the work performed in relation to the significant judgments and supports the conclusions ~~reached~~ drawn as a result of that work.
- The appropriateness of ~~Whether~~ the report to be issued ~~is appropriate in the circumstances~~.

67. The engagement quality control reviewer conducts the review in a timely manner at appropriate stages during the engagement ~~so that to allow for~~ significant matters may be identified to be promptly resolved ~~on a timely basis~~ to the reviewer's satisfaction before the report is issued.
68. **Where the engagement quality control reviewer makes recommendations that the engagement partner does not accept and the matter is not resolved to the reviewer's satisfaction, the report should not be issued until the matter is resolved by following the firm's procedures for dealing with differences of opinion.**

Criteria for the Eligibility of Engagement Quality Control Reviewers

69. **The firm's policies and procedures should address the appointment of engagement quality control reviewers and ~~should~~ establish their eligibility through:**
- (a) **The technical qualifications required to perform the role, including the necessary experience and authority; and**
 - (b) **The degree to which an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer's objectivity.**
70. The firm's policies and procedures on the technical qualifications of engagement quality control reviewers address the technical expertise, ~~and~~ experience and authority necessary to perform the role. ~~The determination of w~~What constitutes sufficient and appropriate technical expertise, ~~and~~ experience and authority depends on the circumstances of the engagement. In addition, ~~where an engagement quality control review is performed for an audit of the financial statements of a listed entity;~~ the engagement quality control reviewer for an audit of the financial statements of a listed entity is an individual with sufficient and appropriate experience and authority to act as an audit engagement partner on audits of financial statements of listed entities.
71. The firm's policies and procedures are designed to maintain the objectivity of the engagement quality control reviewer and the reviewer's independence from the engagement team. For example, the engagement quality control reviewer:
- (a) Is not selected by the engagement partner;
 - (b) Does not otherwise participate in the ~~performance of the engagement or any other engagement involving the same client~~ during the period of review;

- (c) Does not make decisions ~~for-on-behalf-of~~ the engagement team; and
 - (d) Is not subject to other considerations that would threaten the reviewer's objectivity.
72. The engagement ~~partner may consult the engagement~~ quality control reviewer ~~may be consulted by the engagement partner~~ during the ~~course of the~~ engagement. Such consultation need not compromise the engagement quality control reviewer's eligibility to perform the role. Where the nature and extent of the consultations become significant, ~~however,~~ care is taken ~~by both the engagement team and the reviewer~~ to maintain the reviewer's objectivity ~~and independence from the engagement team~~. Where this is not possible, another individual within the firm or a suitably qualified external ~~consultant person~~ is appointed to take on the role of either the engagement quality control reviewer or the person to be consulted on the engagement.
73. The firm's policies provide for the replacement of the engagement quality control reviewer where the ability to perform an objective review may be impaired, for example, ~~where an immediate family member of the engagement quality control reviewer has become a key member of the client's management, or~~ where the engagement quality control reviewer has been assigned engagement partner responsibility for another assurance engagement with the same client.
74. Suitably qualified external persons may be contracted ~~Where sole practitioners and or small firms identify engagements requiring engagement quality control review, a suitably qualified external consultant may be engaged to conduct that review.~~ Alternatively, some sole practitioners ~~or and~~ small firms may wish to establish arrangements with use other firms to facilitate engagement quality control reviews. Where the firm ~~engages contracts suitably qualified~~ external ~~consultants persons~~, the firm follows the requirements and guidance in paragraphs 69 – 73.

Documentation of the Engagement Quality Control Review

75. Policies and procedures on documentation of the engagement quality control review should require ~~the evidencing of documentation that:~~
- (a) The ~~fact that the~~ procedures required by the firm's policies on engagement quality control review have been performed; ~~and~~
 - (b) The ~~completion of the~~ engagement quality control review has been completed, including the resolution to the engagement quality control reviewer's satisfaction of the matters, if any, arising from the review, before the report is issued; and-
 - (c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate.

Monitoring

76. The firm should establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of

quality control are relevant, adequate, operating effectively and complied with in practice. Such policies and procedures should include:

- (a) An ongoing consideration and evaluation of each of the other elements of the system of quality control set out in paragraph 7-~~above~~; and
- (b) The periodic inspection of a selection of completed engagements.

77. The firm entrusts responsibility for the monitoring process to a partner or partners or other persons with sufficient and appropriate experience and authority in the firm to assume that responsibility. Monitoring of the firm's system of quality control is performed by competent individuals and covers both the appropriateness of the design and the effectiveness of the operation of the system of quality control.

78. Ongoing consideration and evaluation of the system of quality control includes ~~matters such as, for example, the following:~~

- Analysis of:
 - New developments in professional standards and ~~applicable~~ regulatory and legal requirements, and ~~how the manner in which~~ they are reflected in the firm's policies and procedures where appropriate;
 - Results of independence confirmations;
 - Continuing professional development and other training or education undertaken by personnel; and
 - Decisions related to acceptance and continuance of client relationships and specific engagements.
- Determination of corrective actions to be taken and improvements to be made in the system, including the provision of feedback into the firm's policies and procedures relating to education and training.
- Communication to appropriate firm personnel of weaknesses identified in the system, ~~or~~ in the level of understanding of the system, or compliance ~~there~~ with it.
- Follow-up by appropriate firm personnel ~~such so~~ that necessary modifications are promptly made to the quality control policies and procedures ~~on a timely basis~~.

79. The inspection of a selection of completed engagements is ordinarily performed on a cyclical basis. Engagements selected for inspection include at least one engagement for each engagement partner over a ~~An inspection cycle, which~~ –ordinarily spans no more than three years, ~~with the selection of engagements for inspection designed to include at least one engagement for each engagement partner at least once in every inspection cycle.~~ The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, including the following:

- The size of the firm.

- The number and geographical location of offices.
 - The results of previous monitoring procedures.
 - The degree of authority ~~afforded to~~ both personnel and offices have (for example, whether individual offices are authorized to conduct their own inspections or whether only the head office ~~is authorized to may~~ conduct them inspections).
 - The nature and complexity of the firm's practice and organization.
 - The risks associated with the firm's clients and specific engagements.
80. The inspection ~~process of individual engagements~~ includes the selection of individual engagements, some of which may be selected without prior notification to the engagement team ~~where practicable~~. Those inspecting the individual engagements are ~~inspected by individuals who were~~ not involved in performing ~~either~~ the engagement or, ~~where applicable~~, the engagement quality control review. In determining the scope of the inspections, the firm may, ~~where appropriate, have regard to~~ take into account the scope or conclusions of an independent external ~~monitoring inspection~~ program. However, an independent external inspection program does not act as a substitute for the firm's own internal inspection program.
81. Small firms and sole practitioners may wish to use ~~the services of~~ a suitably qualified external ~~consultant~~person, who may ~~or may not~~ be appointed by an external monitoring program, or another firm to carry out engagement inspections and other monitoring procedures. Alternatively, they may wish to establish arrangements to share resources with other appropriate organizations to and thereby facilitate monitoring activities.
82. The purpose of monitoring compliance with quality control policies and procedures for completed engagements is to provide an evaluation of:
- (a) Adherence to professional standards and ~~applicable~~ regulatory and legal requirements;
 - (b) The appropriateness, in the circumstances, of ~~Whether the~~ reports ~~that are~~ issued by the firm or engagement partners ~~are appropriate in the circumstances~~; and
 - (c) The appropriate application of ~~Whether~~ the firm's quality control policies and procedures ~~have been appropriately applied~~.
83. **The firm should evaluate the effect of deficiencies noted as a result of the monitoring process and should determine whether they are either:**
- (a) **Isolated instances that do not necessarily indicate that the firm's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and ~~applicable~~ regulatory and legal requirements, and that the reports issued by the firm or engagement partners are appropriate in the circumstances; or**
 - (b) **Systemic or repetitive deficiencies that ~~may indicate that further~~**

investigation require prompt and corrective action may be necessary.

84. The firm's evaluation of either type of deficiency ordinarily will result in recommendations for appropriate courses of action. These actions may include one or more of the following:
- (a) ~~¶~~The communication of the findings to those responsible for training and professional development;⁵
 - (b) ~~e~~Changes to the quality control policies and procedures;⁵ and
 - (c) ~~d~~Disciplinary action against those who fail to comply with the policies and procedures of the firm, especially those who do so repeatedly.
85. ~~Having Where the firm~~ identified deficiencies ~~in relevant to~~ a specific engagement, ~~the firm these are~~ communicates ~~sd them~~ to the engagement partner and other appropriate individuals within the firm, together with appropriate remedial actions.
86. Where deficiencies are identified in that part of the firm's system of quality control ~~comprising including~~ policies and procedures regarding independence, the firm communicates these findings to appropriate firm personnel promptly, and takes ~~immediate prompt~~ steps to remedy the situation.
87. **Where the results of the monitoring procedures indicate that a report may be inappropriate, ~~the criteria against which the subject matter was measured or evaluated were unsuitable~~, or that procedures were omitted during the performance of the engagement ~~in question~~, the firm should determine what further action is appropriate ~~in compliance to comply~~ with relevant professional standards and ~~applicable~~ regulatory and legal requirements. It should also consider obtaining legal advice.**
88. Appropriate procedures relating to monitoring include the following:
- (a) Setting out monitoring procedures, including the procedure for selecting completed engagements ~~to be subject to~~ inspection;⁵
 - (b) Evaluating the other elements of the system of quality control (see paragraph 7);
 - (c) Evaluating:
 - (i) Adherence to professional standards and ~~applicable~~ regulatory and legal requirements;
 - (ii) Whether the ~~design of the~~ quality control system ~~is was~~ appropriately designed and ~~has been~~ effectively implemented; and
 - (iii) Whether the firm's quality control policies and procedures have been appropriately applied, ~~so that thereby ensuring that~~ reports that are issued by the firm or engagement partners are appropriate in the circumstances; and
 - (d) Considering deficiencies noted, evaluating their effect, and setting out the basis for determining whether and what further action is necessary ~~and detailing that~~

~~action where applicable.~~

89. At least annually, ~~T~~the firm should communicate ~~information on~~ the results of the monitoring ~~process~~ of its quality control system ~~on at least an annual basis~~ to engagement partners and other appropriate individuals within the firm, including the firm's chief executive officer (or equivalent) or, if appropriate, its managing board of partners (or equivalent). Such communication should enable the firm and these individuals to take prompt and appropriate action where necessary in accordance with their defined roles and responsibilities. Information communicated should include the following:
- A description of the monitoring procedures performed.
 - The conclusions drawn from the monitoring procedures.
 - Where relevant, a description of systemic or repetitive deficiencies and of the actions taken to resolve or amend those deficiencies.
90. To maintain client confidentiality, the reporting of identified deficiencies to individuals other than the relevant engagement partners ordinarily does not include an identification of the specific engagements concerned, unless such identification is necessary for the proper discharge of these individuals' responsibilities.
91. Some firms operate as part of a network and, for consistency ~~reasons~~, may apply implement some or all of their monitoring procedures on a network basis. Where firms within ~~such~~ a network place reliance on such a monitoring system:
- (a) At least annually, ~~t~~The network communicates the overall scope, extent and results of the monitoring process ~~on at least an annual basis~~ to appropriate individuals within the network firms;
 - (b) The network communicates promptly any identified deficiencies in the quality control system to ~~the~~ appropriate individuals within the relevant network firm or firms ~~concerned so that to enable these firms to take~~ the necessary action can be taken; and
 - (c) Engagement partners in the network firms are entitled to rely on the results of the monitoring process applied at implemented within the network ~~level~~, unless the firms or the network advises ~~d~~ otherwise ~~by their firms or the network~~.

Complaints and Allegations

92. The firm should establish policies and procedures designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations ~~about whether that~~ the work performed by the firm fails to comply with professional standards and ~~applicable~~ regulatory and legal requirements.
93. Complaints and allegations (which do not include those that are clearly frivolous) may originate from within or outside the firm. They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.

94. The firm investigates such complaints and allegations in accordance with established policies and procedures. The investigation is supervised by a partner with sufficient and appropriate experience and authority within the firm but who is not otherwise involved in the engagement, and includes involving legal counsel as necessary. Small firms and sole practitioners may use the services of a suitably qualified external ~~consultant person~~ or another firm to carry out the investigation. Complaints, allegations and the responses to them are documented.
95. Where the results of the investigations ~~of the complaints and allegations~~ indicate ~~the existence of~~ deficiencies in the design or operation of the firm's quality control policies and procedures, the firm takes appropriate action as discussed in paragraph 84.

Documentation

96. **The firm should establish policies and procedures requiring appropriate documentation to provide evidence of the operation of each element of its system of quality control.**
97. ~~How~~ ~~The manner in which~~ such matters are documented is ~~for~~ the firm's decision to determine. For example, large firms may use electronic databases to document matters such as independence confirmations, performance evaluations and the results of monitoring inspections. Smaller firms may use more informal methods such as manual notes, checklists and forms.
98. Factors to consider when determining the form and content of documentation evidencing the operation of each of the elements of the system of quality control include the following:
- The size of ~~the a~~-firm and the number of offices.
 - The degree of authority ~~afforded to~~ both personnel and offices have.
 - The nature and complexity of the firm's practice and organization.
99. The firm retains this ~~D~~documentation ~~is retained~~ for a period of time sufficient to permit those performing monitoring procedures to an evaluation of the extent of the firm's compliance with its system of quality control, ~~by those performing monitoring procedures~~ or for a longer period ~~as may be if~~ required by ~~applicable~~ law or regulation.

Effective Date

100. This ISQC is effective as of ~~January 1, 2005~~ December 15, 2004.

Public Sector Perspective

1. *This ISQC is applicable in all material respects to the public sector.*
2. *Some of the terms used, such as "engagement partner" and "firm," should be read as referring to their public sector equivalents. Audits of significant public sector entities should be subject to the same standards as audits of listed entities. The significance of a public sector entity may be assessed by reference to a number of*

factors including business risk, public interest, political and/or public significance and the number and range of affected stakeholders.

3. *In the public sector, auditors may be appointed in accordance with statutory procedures. Accordingly, considerations regarding the acceptance and continuance of client relationships and specific engagements, as set out in paragraphs 29 – ~~37~~6 of ISQC 1, may not apply.*
4. *Similarly, the independence of public sector auditors may be protected by statutory measures, with the consequence that certain of the threats to independence of the nature envisaged by paragraphs 19 – 28 of ISQC 1 are unlikely to occur.*