Response: Proposed ISQM 2

Respondent: CPA Australia

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Note to respondents:

- The questions below are from the exposure draft of proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews,* which is available at www.iaasb.org/quality-management.
- Respondents are asked to respond separately to each of the exposure drafts and the overall explanatory memorandum.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents' comments.

General Comments on Proposed ISQM 2

We support separation of engagement quality reviews into a discrete standard and overall consider it addresses the role of the engagement quality reviewer appropriately.

Questions

1) Do you support a separate standard for engagement quality reviews? In particular, do you agree that ED-ISQM 1 should deal with the engagements for which an engagement quality review is to be performed, and ED-ISQM 2 should deal with the remaining aspects of engagement quality reviews?

   Response: We agree with a separate standard for engagement quality reviews (i.e., ISQM 2) as not all firms are required to obtain such reviews, and nor do all practitioners need to provide them. We also agree that the requirement for which engagements will be reviewed should sit in ISQM 1.

2) Are the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 clear?

   Response: The linkage is clear in the introduction of ISQM 2, paragraph 2, but this could be included in the requirements. In addition, voluntary quality reviews could be contemplated by the standard.

3) Do you support the change from "engagement quality control review/reviewer" to "engagement quality review/reviewer?" Will there be any adverse consequences of changing the terminology in respondents' jurisdictions?

   Response: We support the change in title to reflect the proposed change to system of quality management. We are not aware of any jurisdictional problems with changing this term.

4) Do you support the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer as described in paragraphs 16 and 17, respectively, of ED-ISQM 2?

Response: We support the eligibility requirements for engagement quality reviewers and any assistant.

(a) What are your views on the need for the guidance in proposed ISQM 2 regarding a "cooling-off" period for that individual before being able to act as the engagement quality reviewer?

Response: We do not support inclusion of a cooling off period as this is addressed in the Code of Ethics issued by IESBA.

(b) If you support such guidance, do you agree that it should be located in proposed ISQM 2 as opposed to the IESBA Code?

Response: N/A

5) Do you agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures? Are the responsibilities of the engagement quality reviewer appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised)?

Response: We agree that the requirements for the engagement quality reviewer's procedures are appropriate.

6) Do you agree that the engagement quality reviewer's evaluation of the engagement team's significant judgments includes evaluating the engagement team's exercise of professional skepticism? Do you believe that ED-ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer? If so, what suggestions do you have in that regard?

Response: We agree that evaluation by the engagement quality reviewers of professional skepticism exercised is appropriate. We do not believe that it is necessary to set specific requirements for the engagement quality reviewer to exercise professional skepticism.

7) Do you agree with the enhanced documentation requirements?

Response: Yes, we agree with the documentation requirements.

8) Are the requirements for engagement quality reviews in ED-ISQM 2 scalable for firms of varying size and complexity? If not, what else can be done to improve scalability?

Response: As engagement quality reviews are only required for "entities that are of significant public interest" in the proposed ISQM 1, this standard will not apply to all small practices so scalability is less of a concern. Nevertheless, we consider it is sufficiently scalable for its purpose.

Editorial Comments on Proposed ISQM 2

None identified.