



**Meeting:** IAASB Consultative Advisory Group (CAG)  
**Meeting Location:** Virtual Zoom Meeting  
**Meeting Date:** March 8-9, 2021

## Agenda Item E.2

### ISQM 2<sup>1</sup> – Cover and Report Back

#### Objective of Agenda Item

1. The objective of this agenda item is to report back on comments of the IAASB CAG Representatives on this project as discussed at the September 2020 meeting.

#### Project Status

2. The IAASB approved [ISQM 2](#) as a final standard at its meeting in September 2020. After receiving the confirmation by the Public Interest Oversight Board in December 2020 that due process was followed, the final standard, Basis for Conclusions and fact sheet were released in December 2020. Prior to the finalization of the standard, coordination activities during the period included minor editorial alignment across the three Quality Management Standards.
3. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and the IAASB on this topic, including links to the relevant IAASB CAG documentation.

#### Feedback

4. Extracts from the draft September 2020 IAASB CAG meeting minutes, as well as an indication of how the IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force / IAASB Response <sup>2</sup>
ENGAGEMENTS SUBJECT TO AN ENGAGEMENT QUALITY (EQ) REVIEW IN PROPOSED ISQM 1, AND PROPOSED ISQM 2	
Mr. Orth asked whether there was appropriate coordination with IESBA Representatives and Staff relating to the alignment with the proposed revisions to the IESBA Code <sup>3</sup> addressing the objectivity of EQ reviewers (now broadened to cover "appropriate	Mr. Vanker noted that throughout the life of the QM projects, there has been extensive coordination among the QM Task Force Chairs and Staff with the IESBA Representatives and Staff.

<sup>1</sup> International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

<sup>2</sup> Where applicable, references have been updated to align with **Agenda Item E.2.1**.

<sup>3</sup> International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

Representatives' Comments	Task Force / IAASB Response <sup>2</sup>
reviewers" as described in the IESBA Code).	
Mr. Yurdakul suggested providing additional guidance in the application material relating to significant judgments in proposed ISQM 2.	Mr. Vanker noted that ISQM 2 takes a principles-based approach with respect to significant judgments, and that further guidance is already provided in the application material (paragraphs A35-A43), including a reference in paragraph A36 to the examples of significant judgments in ISA 220 (Revised). <sup>4</sup>
Mr. Dalkin noted the broad support expressed by Representatives for ISQM 2.	Broad support noted.

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<sup>4</sup> International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*

## Appendix A

### Project History

Project Summary: [ISQM 2](#)

Project Phase	IAASB CAG Meeting	IAASB Meeting / Publication
Project Commencement	March 2015 September 2015 September 2016	June 2014 (Quality Control only) December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project Proposal	November 2016 Teleconference	December 2016
ISQC 1 Issues Discussion, Including ISQC 2 Addressing EQC Reviews	March 2017 September 2017	December 2016 March 2017 June 2017 August 2017 September 2017
First Read of Draft ED of Proposed ISQC 1		December 2017
Second Read of Draft ED of Proposed ISQC 1	March 2018	March 2018
Third Read of Draft ED of Proposed ISQC 1 First Read of Draft ED of Proposed ISQC 2	September 2018	September 2018
ISQM 2 Issues Discussion – Engagements for which an EQ Review is Required (ISQM 1 Extract – Paragraph 43(e)) <sup>5</sup>		October 2018

<sup>5</sup> Paragraph 43 was renumbered as paragraph 37(e) in ED-ISQM 1 and now is renumbered as paragraph 34(f) in proposed ISQM 1.

Project Phase	IAASB CAG Meeting	IAASB Meeting / Publication
Approval of ED-ISQM 1 and ED-ISQM 2		December 2018
Development of Final Standard	March 2019 (update only) September 2019 March 2020 September 2020	September 2019 December 2019 March 2020 June 2020 September 2020

#### IAASB CAG Discussions: Detailed References

Information Gathering: Responding to Calls to Enhance Audit Quality	<p><u>March 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Items B and C).</p> <p><a href="http://www.ifac.org/meetings/new-york-usa-5">http://www.ifac.org/meetings/new-york-usa-5</a></p> <p><u>September 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F).</p> <p><a href="https://www.iaasb.org/cag/meetings/new-york-usa-5">https://www.iaasb.org/cag/meetings/new-york-usa-5</a></p>
Information Gathering: Overview of Responses to the ITC, Group Audits and EQC Reviews	<p><u>September 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item G).</p> <p><a href="https://www.iaasb.org/cag/meetings/new-york-usa-6">https://www.iaasb.org/cag/meetings/new-york-usa-6</a></p>
Project Proposal	<p><u>November 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B).</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est">http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</a></p>
ISQC 1 Issues Discussion, Including EQC Reviews	<p><u>March 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item H).</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting</a></p> <p><u>September 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D).</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</a></p>

	<p><u>March 2018</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D).</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny</a></p>
ISQC 2 Issues Discussion	<p><u>September 2018</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B).</p> <p><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</a></p>
ISQM 2 Report Back	<p><u>March 2019</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item H-2).</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1</a></p>
ISQM 2 Development of Final Standard	<p><u>September 2019</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item J)</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2</a></p> <p>March 2020</p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item G)</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3</a></p> <p><u>September 2020</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B2)</p> <p><a href="https://www.iaasb.org/cag/meetings /iaasb-cag-meeting-new-york">https://www.iaasb.org/cag/meetings /iaasb-cag-meeting-new-york</a></p>