



ISQC 2 – Engagement Quality Control Review

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IAASB Meeting, New York, USA

Agenda Item 3

September 19, 2017

IAASB

International Auditing
and Assurance
Standards Board

General Feedback

GPPC Feedback

- Consider and clarify what is the purpose of the EQC review
 - Seems to be evolving and expectation gap – is it an evaluation of most significant judgments on the most significant engagements or a quality check that engagements comply with standards
 - Links to “stand back” requirement for the EQC reviewer
 - Clarify the inherent limitations of the EQC review

Question to the IAASB

The IAASB is asked to share their views regarding:

- The purpose of the EQC review.
- Whether more clarity is needed in ISQC 2 about the purpose of the EQC review.

General Feedbacks

SMPC Feedback

- No support for separate standard - creates public expectation as to the frequency of use of EQC review may be increased
- Recommendation to group requirements in ISQC 2 separately, i.e., for the firm and for the EQC reviewer

Scope of the Engagements Subject to EQC Review

GPPC Feedback

- Practically firms will predefine engagements, rather than determining on a “per engagement basis”
- Group audits – clarify how the EQC review extends to components in the group

SMPC Feedback

- General support for paragraph 1
- More conditions in paragraph 1(c) of ISQC 1 could generate scope for regulators
- Scoping in engagements for the request of the engagement partner may create uncertainty and expectations

Scope of the Engagements Subject to EQC Review

Questions to the IAASB

1. The IAASB is asked to share their views regarding the proposed requirements and application material addressing the scope of engagements subject to an EQC review in ISQC 1 (Revised), including:
 - a) Whether the IAASB agrees with the proposal to retain the requirement for an EQC review for all audits of financial statements of listed entities, i.e., not only for general purpose financial statements?
 - b) Whether the IAASB supports the proposals in relation to other engagements for which the firm determines that an EQC review is required, i.e., paragraph 1(c) of Agenda Item 3–B?
 - c) Whether the IAASB is of the view that the proposals will result in the appropriate selection of engagements for an EQC review, in particular entities that are not listed entities but which are of particular public interest?

Objective and Definition

SMPC Feedback

- Support for the proposed objectives
- Explain the difference between the two objectives (firm and EQC reviewer)
- Support for locating requirements for EQC reviewer in ISQC 2 instead of ISA 220
- Concerns that the role of the ECQ reviewer becoming more prominent than the role of the engagement partner
- More clearly distinguish between EQC reviews and other types of review
- Clarity needed on the eligibility of others who support the EQC reviewer

Objective and Definition

CAG Feedback

- No support for locating requirements for EQC reviewer in ISQC 2 because
 - EQC review is being performed at engagement level and ISQC 2 is a firm level standard
 - EQC review procedures for audit may differ from procedures for other engagements

Objective and Definition

Questions to the IAASB

- 2.a The IAASB is asked to share their views regarding the proposals in relation to the objective of ISQC 2, including whether it is appropriate to locate the responsibilities of the EQC reviewer in ISQC 2, instead of ISA 220.
- 2.b The IAASB is asked to share their views regarding the proposals in relation to the revised definitions, including whether the IAASB supports the proposal to remove the reference to “team” from the definition of an EQC reviewer, and instead explain the use of a team in the application material supporting the appointment of the EQC reviewer.

Eligibility of the EQC Reviewer

GPPC Feedback

- Flexibility needed across all of the criteria (e.g., individual has appropriate experience, but may have recently been involved with the engagement)

SMPC Feedback

- General support for the proposal

Eligibility of the EQC Reviewer

Question to the IAASB

3. The IAASB is asked to share their views regarding the proposed requirements and application material in relation to the eligibility of the EQC reviewer.

Appointment of the EQC Reviewer

SMPC Feedback

- Strong support for the enhanced application material about the appointment of the EQC reviewer
- More guidance on how to manage hierarchical issues (i.e., the EQC reviewer at lower level than the engagement partner)
- More guidance for small firms and sole practitioners:
 - Difficulty in establishing objectivity of the EQC reviewer

Appointment of the EQC Reviewer

Question to the IAASB

4. Does the IAASB agree with the proposed requirement and application material relating to the appointment of the EQC reviewer and how the QCTF has proposed addressing circumstances when the EQC reviewer is selected by someone within the engagement team?

Performance and Documentation of the EQC Review

GPPC Feedback

- Clarity regarding information and communication between the firm, engagement partner and EQC reviewer
 - E.g., responsibility for communicating the results of previous monitoring activities
- Clarity on appropriateness of interactions and communication between EQC reviewer and those charged with governance

SMPC Feedback

- List in paragraph A27 could drive checklist based approach
- The EQC reviewer should ensure that the engagement team appropriately identified areas of significant judgments
- Need for principle based requirements regarding documentation of EQC reviews

Performance and Documentation of the EQC Review

Questions to the IAASB

5. The IAASB is asked to share their views regarding the proposed requirements and application material in relation to the performance of the EQC review, including whether the IAASB supports the proposed application material in paragraph A27 of Agenda Item 3–C regarding areas of significant judgment?
6. The IAASB is asked to share their views regarding the proposed requirements and application material in relation to documentation, including, whether the IAASB agrees with the level of specificity of the requirements in relation to documentation?



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