

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: New York, United States of America
Meeting Date: September 11–12, 2018

Agenda Item

B

Quality Management (Engagement Quality Review): Proposed ISQC 2

Objectives of Agenda Item

1. The objective of this agenda item is to obtain Representatives' views on the ISQC 2 Task Force's (TF) proposals in relation to the draft exposure draft of proposed ISQC 2 and extracts of the draft exposure draft of proposed ISQC 1 (Revised) relevant to engagement quality reviews, set out in **Agenda Items B.2 and B.3**.

Project Status

IAASB Discussions

2. The TF last discussed matters relating to the draft exposure draft of proposed ISQC 2 and extracts of the draft exposure draft of proposed ISQC 1 (Revised) relevant to engagement quality reviews at the September 2017 IAASB meeting.
3. The Appendix to this paper provides a history of previous discussions with the IAASB CAG and IAASB on the draft exposure draft of proposed ISQC 2 and extracts of the draft exposure draft of proposed ISQC 1 (Revised) relevant to engagement quality reviews. In addition, the IAASB meeting minutes on this topic may be helpful to CAG Representatives (see links to the [December 2016](#), [March 2017](#) and [September 2017](#) IAASB meeting minutes and the [September 2017](#) joint IAASB-IESBA meeting minutes).

What Does the ISQC 2 Task Force Want Your Views On?

4. The IAASB CAG is asked to read **Agenda Item B.1** and provide views on the following matters (matters for IAASB CAG consideration are noted below and are not presented in **Agenda Item B.1**—the questions in that paper are for the upcoming IAASB meeting). The substantive issues being raised for the purposes of the September 2018 IAASB meeting are included in **Agenda Item B.1**, which makes reference to **Agenda Item B.2** and **Agenda Item B.3**.

Matters for IAASB CAG Consideration

1. Representatives are asked for their views on the following matters addressed in the draft exposure drafts in **Agenda Item B.2** and **Agenda Item B.3**:
 - (a) The proposed scope of engagements subject to engagement quality review (paragraph 43(e)(i) of the draft exposure draft of proposed ISQC 1 (Revised) in **Agenda Item B.3**).
 - (b) The proposed eligibility criteria for engagement quality reviewers (paragraphs 20–22 of the draft exposure draft of proposed ISQC 2 in **Agenda Item B.2** and paragraph 43(e)(ii)(b) of the

draft exposure draft of proposed ISQC 1 (Revised) in **Agenda Item B.3**).

- (c) Whether the proposed requirements on the performance of the engagement quality review will be sufficient to address the quality risks that give rise to the need for an engagement quality review (paragraphs 23–25 of **Agenda Item B.2**)
 - (d) Whether the proposals in **Agenda Items B.2 and B.3** are appropriately scalable for different engagement circumstances.
2. Representatives are also asked whether there are any other significant issues related to the development of the draft exposure draft of proposed ISQC 2 and extracts of the draft exposure draft of proposed ISQC 1 (Revised) relevant to engagement quality reviews that should be considered by the IAASB prior to public exposure.

IAASB Interaction with the IAASB CAG with Respect to Proposed ISQC 2

5. The substantive issues being raised for the purposes of the September 2018 IAASB meeting are included in this paper and Agenda Items B.1, B.2, and B.3. As noted above, the Appendix to this paper provides a project history, including links to the relevant CAG documentation

Material Presented – IAASB CAG Papers

Agenda Item B.1	Engagement Quality Reviews – Issues and Discussion
Agenda Item B.2	Draft ED of Proposed ISQC 2 – Clean
Agenda Item B.3	Extracts of Draft ED of Proposed ISQC 1 (Revised) – Clean

Material Presented – IAASB CAG Reference Papers

[TBA] [TBA]

Project History

Link to IAASB Project Page: [ISQC 2](#)

Project: Engagement Quality Reviews

Summary

	IAASB CAG Meeting	IAASB Meeting
Project Commencement ¹	March 2015 September 2015 September 2016	June 2014 (Issues related to Quality Control) December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project proposal ¹	November 2016 Teleconference	December 2016
ISQC 1 issues discussion, including ISQC 2 addressing engagement quality reviews ¹	March 2017 September 2017	December 2016 March 2017 June 2017 August 2017 September 2017

IAASB CAG Discussions: Detailed References

Information gathering: Responding to Calls to Enhance Audit Quality	<u>March 2015</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B and
---	--

¹ Note: the information in this table also relates to aspects of the project to revise ISQC 1 as this led to the decision to develop ISQC 2 as a separate standard.

	<p>C).</p> <p>http://www.ifac.org/meetings/new-york-usa-5</p> <p><u>September 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F).</p> <p>http://www.iaasb.org/cag/meetings/new-york-usa-0</p>
<p>Information gathering: Overview of Responses to the ITC, <i>Enhancing Audit Quality in the Public Interest</i></p>	<p><u>September 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item G).</p> <p>http://www.iaasb.org/cag/meetings/new-york-usa</p>
<p>Project Proposal</p>	<p><u>November 2016</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</p>
<p>ISQC 1 issues discussion, including EQ reviews</p>	<p><u>March 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item H).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-meeting</p> <p><u>September 2017</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D).</p> <p>http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</p>