

### ISQM 1 – Question 11: Scope of engagements subject to an EQ review – Agree

Question 11 in the EM to ED-ISQM 1 asked respondents:

*Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of engagements to be subject an engagement quality review?*

#### 1 Monitoring Group

##### 03\_IFIAR

We strongly support the IAASB's development of proposals to address firms' quality control systems and to strengthen the engagement quality review standard. We have identified the following areas where substantive improvements have been made to the extant standards:

##### ISQM 1

- Enhancements to Governance and Leadership that reinforce that the firm's leadership collectively has the responsibility and accountability for setting and demonstrating the firm's culture and values;

Establishment of requirements relating to resources (including, but not limited to, personnel), networks and service providers. These improvements are required to respond to the evolution of the audit industry, including how firms are responding to environmental changes in order to provide services effectively and achieve the appropriate levels of quality;

- Expanded scope of engagements requiring engagement quality reviews;

#### 3 Regulators and Oversight Authorities

##### 08\_FRC

We agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review, including the extension of the scope to audits of financial statements that the firm determines are of significant public interest, and the supporting application material. We believe the requirements have the potential to encourage a more effective process in the identification of engagements subject to an engagement quality review.

#### 4 National Auditing Standard Setters

##### 19\_JICPA

We agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review.

##### 21\_MAASB

We agree with the scope of engagements that are subject to an engagement quality review as addressed in the ED. The requirements will result in the proper identification of engagements to be subject to an engagement quality review.

## 5 Accounting Firms

### 27\_BDO

Yes, we believe that the proposals in ED-ISQM 1 addressing the scope of engagements that should be subject to an engagement quality review are appropriate. We agree that audits of financial statements of listed entities and entities that the firm determines are of significant public interest should capture the majority of engagements where quality issues could have a significant impact on the public. We also believe that paragraph 37(e)(iii) is broad enough to capture other engagements where an engagement quality review is either required by law or regulation, or where the firm believes that an engagement quality review is an appropriate response to a quality risk identified under the new QMF in ED-ISQM 1.

While there is no clear definition of 'significant public interest' in ED-ISQM 1, we believe that the guidance in paragraph A102 on determining whether an entity is of significant public interest is helpful because it provides factors to take into account but it is not prescriptive, thereby allowing professional judgement to be applied. We agree with the terminology used (i.e., an entity of significant public interest), rather than using the term 'public interest entity' which is not consistently defined.

The examples provided in paragraph A104 regarding engagements with assessed quality risks, and the guidance in paragraphs A106 and A107 on public sector entities are also very useful.

### 28\_CASI

Yes, we support.

### 29\_CHI

We agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review (EQR).

### 31\_DTL

R11: Yes. We agree that simply using the term 'PIE' may well create wide variances throughout the world in the differing interpretation of the term, but it is also correct to expand the definition to a greater level than simply listed entities.

The application material assists users to decide on their firm's policy in this area.

### 32\_ETY

Yes. As stated, it ease the scalability and proportionality of the standard and enhance its adoption and implementation by all the firms of whatever size and structure.

### 36\_KPMG

We are supportive of the proposals addressing the scope of engagements that should be subject to an engagement quality review and agree the approach of allowing flexibility for the audit firms to determine the entities that are of significant public interest for the purpose of requiring an EQCR. Such flexibility allows firms to identify the population that would be Significant Public Interest within their jurisdiction, and hence respond to local legal and regulatory requirements that may not be applicable globally.

### 37\_KI

Yes

### **38\_MZRS**

Yes, we agree with the proposals around scope.

### **41\_MNP**

Yes, we agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review and we also believe that it will result in the proper identification of engagements to be subject to an engagement quality review.

## **6 Public Sector Organizations**

### **50\_AGSA**

Yes, we agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review. The requirements for types of audits or clients subject to an engagement quality review in paragraph 37(e) of the ED-ISQM 1 are appropriate and will result in the firm's proper identification of these engagements.

### **53\_NAOM**

Yes.

### **57\_PAS**

Yes, we agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review. Yes, the requirements will result in the proper identification of engagements to be subject to an engagement quality review

## **7 Member Bodies and Other Professional Organizations**

### **67\_CICC-AIC**

Yes, we are agree.

### **68\_CCC-ICPARD**

Yes, we do.

### **69\_CNDCEC**

CNDCEC agrees with the proposal.

### **77\_IEC-IAB**

The requirements will result in proper identification of said engagements. The limiting of the scope of this review and the separate ISQM 2, makes the draft ISQM 1 more scalable than the extant ISQC 1.

### **88\_MICPA**

Yes.

### **93\_SRO-AAS**

Yes

## **9 Individuals and Others**

**99\_VM**

Yes