Question 2 in the EM to ED-ISQM 2 asked respondents:

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

**ED-ISQM 2 – Question 2: Clear linkages between ED-ISQM 1 and ED-ISQM 2 – Agree**

3 Regulators and Oversight Authorities

07_ISQM 2_FRC

Yes.

4 National Auditing Standard Setters

12_ISQM 2_CAAASB

Yes. We believe it is clear that ED-ISQM 1 establishes the requirements for determining which engagements are subject to an EQR, while ED-ISQM 2 deals with the eligibility and appointment of a reviewer and the performance and documentation of the EQR.

15_ISQM 2_CFC

Yes. We believe the linkages are appropriate.

16_ISQM 2_HKICPA

We consider the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear. The scope of ED-ISQM 2 is clearly set out in paragraph 1 and the linkage with ED-ISQM 1 is set out in paragraph 2.

20_ISQM 2_MAASB

Paragraphs 1 to 8 for ED-ISQM 2 clearly provide the linkage between the requirements of ED ISQM 1 and 2.

22_ISQM 2_NBA

The linkages are clear.

5 Accounting Firms

23_ISQM 2_BTI

Yes, we believe that are clear linkages between the two standards and there is clarity of what is required within each.

26_ISQM 2_CASI

Yes, it is clear.
27_ISQM 2_CHI
The linkages between ED-ISQM 1 and ED-ISQM 2 are clear.

28_ISQM 2_DTTL
As ED-ISQM 2 is designed to operate as part of the firm’s system of quality management, DTTL agrees with the need for the requirements in ED-ISQM 1 and ED-ISQM 2 to be organized in a manner that provides appropriate linkages between the standards. We believe the linkages between such requirements are clear.

30_ISQM 2_ETY
Yes, the linkages are clear.

31_ISQM 2_EYG
Yes, we believe the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear.

32_ISQM 2_GTIL
We are of the view that the linkages between ED-ISQM 1 and ED-ISQM 2 are sufficiently clear.

33_ISQM 2_HM
Yes.

36_ISQM 2_MZRS
Yes

37_ISQM 2_MZRSUS
The linkage between the two standards is reasonably clear.

38_ISQM 2_MNP
Yes, the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear.

39_ISQM 2_MSI
We believe they are.

40_ISQM 2_NI
YES

41_ISQM 2_NSW
Yes, we believe that the linkages are clear.

44_ISQM 2_PwC
Yes, we believe that the linkages between ISQM 1 and ISQM 2 are sufficiently clear.
6 Public Sector Organizations

46_ISQM 2_AGSA
Yes, the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear. As stated in question 1 above, the ED-ISQM 1 sets out requirements for engagements for which an engagement quality review is to be performed, and ED-ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer and the performance of the engagement quality review.

49_ISQM 2_NAOM
Yes.

50_ISQM 2_OAGNZ
Yes

51_ISQM 2_OAGA
Yes, the linkages between ED-ISQM 1 and ED-ISQM 2 are clear.

52_ISQM 2_OAGC
Yes, the concept of linkages and integration of the standards and their requirements is understandable and sufficiently clear.

53_ISQM 2_PAS
Yes, the linkages seem clear.

54_ISQM 2_SNAO
We find the linkages to be clear.

55_ISQM 2_GAO
Yes, the linkages are clear.

7 Member Bodies and Other Professional Organizations

57_ISQM 2_APESB
APESB agrees that the linkages between the requirements for EQRs in ED-ISQM 1 and ED-ISQM 2 are clear.

58_ISQM 2_IBR-IRE
Yes.

59_ISQM 2_BICA
ED-ISQM 1 provides detailed guidance to instances where Engagement Quality Reviews are required. The standard links well to ED-ISQM 2 in that it gives criteria for performing Engagement Quality Review and refers the reader to ED-ISQM 2 wherein criteria as provided in ED-ISQM 1 is also mentioned. The two standards therefore flow well together and are clear.
60_ISQM 2_CAI
Yes the linkages between the documents are sufficiently clear.

61_ISQM 2_CalCPA
Yes.

69_ISQM 2_FACPCE
Yes they are, the links between the established requirements are clear throughout the document.

72_ISQM 2_ICPAS
Yes.

73_ISQM 2_IEC-IAB
They are clear.

75_ISQM 2_ICAP
We note that the linkages between the requirements for engagement quality reviews in proposed ISQM 1 and ISQM 2 are clear.

78_ISQM 2_IBRACON
We understand that ED-ISQM 2 has been designed to operate as part of a firm’s system of quality management, which is explained in the ED-ISQM 1. As a result, we believe that the linkage is appropriate.

83_ISQM 2_MICPA
Yes, the linkages between the requirements for engagement quality reviews are clear.

85_ISQM 2_NYSSCPA
Yes, they are clear.

87_ISQM 2_SRO-AAS
Yes

89_ISQM 2_WPK
The linkages are sufficiently clear.

8 Individuals and Others

90_ISQM 2_TAS-CAA
Yes

The linkages between the requirements for engagement quality reviews in ED-ISQM1 and ED-ISQM2 are clear. ISQM1 is at a firm level in response to an assessed quality risk for assurance engagements while ISQM2 addresses specific quality risk at an engagement level. Addressed in ED-ISQM 1 are why an engagement quality review should be undertaken and when it should be undertaken then ED-ISQM deals
with how an engagement quality review should be conducted and who should conduct it. The objectives of both ED-ISQM 1 and ED-ISQM 2 is to seek to address the same fundamental problem which is the risk of quality and addressing that risk at different levels.

91_ISQM 2_VM

Yes
ED-ISQM 2 – Question 2: Clear linkages between ED-ISQM 1 and ED-ISQM 2 – Agree but with further comments

3 Regulators and Oversight Authorities

08_ISQM 2_IRBA

Yes, the linkages are clear. However, as per our response to question 1 above, we suggest that the scope of EQRs also be included in ISQM 2, for completeness of the standard.

Paragraph 15 of ED-ISQM 2 requires the audit firm (firm) to establish policies and procedures that require the assignment of responsibility for the appointment of EQ reviewers to an individual/s. However, who is responsible if an EQ reviewer is not appointed on an engagement where this was a requirement? Is it the engagement partner’s responsibility for not appointing the EQ reviewer, or the individual/s identified in this paragraph? Paragraph A22 of ED-ISQM 2 states that it is the responsibility of the engagement partner, and this may then imply that it is not the responsibility of the individual/s identified. We recommend that this responsibility be clarified.

84_ISQM 2_NASBA

In general, we believe the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear.

We question the linkage referenced in A32 regarding difficult or contentious matters. A32 of ED-ISQM 2 references Paragraphs 40(c) and (d) of ED-ISQM 1. Difficult or contentious matters are not discussed in ED-ISQM 1 Paragraphs 40(c) and (d); however, those matters are described in ED-ISQM 1 Paragraphs 37(c) and (d).

4 National Auditing Standard Setters

10_ISQM 2_AICPA

Overall, we believe the linkages are clear, but have a suggestion for improvement.

We are concerned that the phrase “all engagements for which an engagement quality review is required to be performed in accordance with proposed ISQM 1” may be subject to misinterpretation. Paragraph 37e(iii)(b) of ED-ISQM 1 requires that firms require an engagement quality review for certain engagements. Audits of financial statements of listed entities or audits or other engagements for which an engagement quality review is required by law or regulation, are clearly required by ED-ISQM 1. However, because an engagement for which the firm determines that an engagement quality review is an appropriate response to assessed quality risks is dependent on the nature and circumstances of that engagement, some practitioners may inappropriately fail to consider that engagements subject to engagement quality review based on the firm’s determination of the risks of those engagements are included in the concept of engagement quality reviews that are required by ED-ISQM 1. We believe that the guidance in paragraph A88 of ED-ISA 220 provides a helpful explanation of the interrelationship among the standards. We believe this guidance would also be applicable and helpful within this standard. We recommend adding the following language to paragraph 2 to clarify the scope of applicability of the standard:

2. This ISQM applies to all engagements for which an engagement quality review is required to be performed in accordance with proposed ISQM 1, including when the firm has determined that an engagement quality review is an appropriate response to assessed quality risks. This ISQM is

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11_ISQM 2_AUASB

The AUASB believe the linkages between ED-ISQM 1 and ED-ISQM 2 are appropriate. However we consider that the definition of an EQR in ED-ISA 220 is inconsistent with ED-ISQM 2 and this needs to be addressed. Specifically, the EQR definition in ED-ISA 220 requires that a 'suitably qualified' partner or other individual appointed by the firm to be responsible for the performance of the engagement quality review, but this requirement is not captured in ED-ISQM 2.

14_ISQM 2_CNCC-CSOEC

As far as the linkages between ISQM1 and ISQM2 are concerned, we suggest moving up footnote 7 into the text of the standard, i.e. Proposed ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph 37(e).

17_ISQM 2_IDW

As noted in our response to Question 1, since the draft covers both requirements for the firm and for the engagement quality control reviewer, the split between the requirements in the two standards is rather confusing. If ISQM 2 were to be retained, it would best to have all requirements addressing the firm in ISQM 1 and all requirements addressing the engagement quality control reviewer in ISQM 2. However, we continue to believe that a separate standard for EQRs is not needed and overemphasizes EQRs in comparison to other responses to quality risks.

18_ISQM 2_JICPA

Major Points

Our major points are as follows:

- Relationship between ED-ISQM 1 and ED-ISQM 2: We believe that it is unclear in ED-ISQM 1 that ISQM 2 is on the premise that the firm applies ISQM 1. It is necessary to clarify in ED-ISQM 1 the relationship between ED-ISQM 1 and ED-ISQM 2, and to simplify the standards by avoiding duplication of the descriptions. (Question 2)
- Consistency between ED-ISQM 1 (paragraph 20) and ED-ISQM 2 (paragraph 12): We believe that it is necessary to consider consistency between paragraph 20 of ED-ISQM 1 and paragraph 12 of ED-ISQM 2 with regard to who is required to have an understanding of the standards. (Question 2)

We believe that it is clear ED-ISQM 1 deals with requirements relating to the scope of engagements subject to an engagement quality review, and ED-ISQM 2 deals with requirements relating to the appointment and eligibility of engagement quality reviewers and the performance of the engagement quality review. However, we have the following comments regarding the linkages between ED-ISQM 1 and ED-ISQM 2.

- Duplicated descriptions in the Introduction section (paragraphs 4, 5 and 8)

The following paragraphs overlap with paragraphs in ED-ISQM 1. Given that ED-ISQM 2 addresses the requirements for the engagement quality review with respect with the engagement for which an engagement quality review is required to be performed in accordance with ED-ISQM 1, we believe that the matters described in ED-ISQM 1 do not necessarily need to be repeated in ED-ISQM 2. In ISAs, the authority of
ISAs is only described in ISA200 to avoid duplicated descriptions in other ISAs. ISQMs should be structured in the same way. To simplify the standards, we suggest the following:

- Paragraphs 4 and 5: We suggest deleting them because they overlap with paragraphs 7 and 18 of ED-ISQM 1.
- Paragraph 8: This is duplicated with paragraph 16 of ED-ISQM 1. In our comment letter to ED-ISQM 1, we suggest amending paragraph 16 of ED-ISQM 1 as follows and deleting paragraph 8 of ED-ISQM 2 (see our comments to ED-ISQM 1).

(ED-ISQM 1)

"Authority of this ISQM

16. This ISQM contains the objective of the firm in following this ISQM, and requirements designed to enable the firm and the engagement quality reviewer (in the context of ISQM 2) to meet that stated objective...."

In this regard, we believe that it is unclear in ED-ISQM 1 that ED-ISQM 2 applies to the engagements for which the firm determines that the engagement quality review is required to be performed in accordance with ED-ISQM 1, and therefore ED-ISQM 2 is on the premise that the firm applies ISQM 1. In order to clarify the relationship between ED-ISQM 1 and ED-ISQM 2 and avoid duplication of descriptions so that the standards can be shortened, we suggest the following amendments in our comment on ED-ISQM 1.

(ED-ISQM 1)

"1. This International Standard on Quality Management (ISQM) deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements. ISQM 2, which applies to all engagements for which an engagement quality review is required to be performed in accordance with proposed ISQM 1, deals with the responsibility of the firm and engagement quality reviewers relating to engagement quality reviews. This ISQM is to be read in conjunction with relevant ethical requirements."

- Consistency between paragraph 20 of ED-ISQM 1 and paragraph 12 of ED-ISQM 2

We believe that consistency between paragraph 20 of ED-ISQM 1 and paragraph 12 of ED-ISQM 2 needs to be reconsidered. Paragraph 12 of ED-ISQM 2 requires the firm as well as engagement quality reviewer to have an understanding of ISQM 2, while paragraph 20 of ED-ISQM 1 requires the individual(s) assigned ultimate responsibility and accountability, and the individual(s) assigned operational responsibility, for the firm’s system of quality management to have an understanding of ISQM 1. Therefore, there is inconsistency between those requirements with regard to the treatment of “the firm.”

19_ISQM 2_KSW

We therefore recommend that the IAASB emphasizes more that an engagement quality review is just one aspect of quality management control and one particular response to quality risks. Developing a separate standard dealing with quality review should not overshadow other measures included in ISQM 1 that could be as effective.

As far as the linkages between ISQM 1 and ISQM 2 are concerned, we urge the IAASB for emphasizing more the fact that an engagement quality review is one aspect of quality management control and one particular response to quality risks. The fact that there is a proposal for a separate standard dealing with quality review should not overshadow other measures included in ISQM 1 that could be as effective.
Yes, the NZAuASB considers that the linkages are clear. The NZAuASB encourages the IAASB to continue to check for consistency between the standards as they are finalised.

5 Accounting Firms

Yes, the linkages between both sets of requirements outlined in ED-ISQM 1 and ED-ISQM 2 are clear.

On reading the individual standards, we do find that there is sufficient clarity to differentiate and also link the purpose and context of ISQM 1 and ISQM 2. We note that in respect of ED-ISQM 2 paragraph A35 and ED-ISQM 1 paragraphs 67 and 68 there are references to the engagement level documentation requirements relating to ED-ISQM 2 and the more general documentation requirements relating to firm-level systems of quality management. In our view there is the potential for confusion as these are two distinct types of documentation the purposes of which are quite different.

Yes, they appear clear, although differences may not become apparent until using the standards.

We believe that, generally, appropriate linkage between the standards is provided, in particular, in ED ISQM 2 paragraphs 3-7, in the section entitled “The Firm’s System of Quality Management and Role of EQ Reviews”, as it is critical that ISQM 1 and ISQM 2 are clearly linked in order to operate together as the firm’s system of quality management.

We recommend that certain paragraphs, such as ED ISQM 2 paragraph 15, which requires “the firm to establish policies and procedures that require the assignment of responsibility for the appointment of engagement quality reviewers to an individual(s) with the competence, capabilities and appropriate authority within the firm to fulfil the responsibility”; and 16-19, which also impose requirements on the firm regarding establishing policies and procedures regarding the criteria for eligibility for appointment as an EQ Reviewer and any individuals who assist him/her; policies and procedures that address the EQ Reviewer’s responsibility in the specific role, and address circumstances in which the EQ reviewer’s eligibility may be impaired, be more clearly cross-referenced to ED ISQM 1 paragraph 38, from which they build.

We recognise that the requirements in respect of the EQ review set out in ED ISQM 2 are more granular/specific than those set out at ED ISQM 1 paragraph 38 and we also note that the requirement at ED ISQM 2 paragraph 20 regarding the EQ Reviewer becoming aware of impairment to his/her eligibility to perform the review, and the requirements addressing performance of the review are specific to the individual (and their designees) who performs the EQ review role on behalf of the firm. Accordingly, as we note above, we support the IAASB’s rationale to specifically address these various aspects of the role in one standard, building on the base requirements in ISQM 1.

However, as a result of this approach, we highlight that there are certain imbalances/ mismatches between the two quality management standards, e.g.:

- ED ISQM 1.38(b) refers to the Engagement Partner (and staff) “being given sufficient time” to perform the engagement, i.e. recognising that the firm bears this responsibility, at least in part, and therefore would need to establish procedures such as engagement portfolio review in order to enable this to be
determined. In respect of the EQ review, ED ISQM 2.16(a) refers to whether the firm’s policies and procedures require the EQ Reviewer to “have… sufficient time”, i.e. the firm’s role/ responsibility to ensure that this is possible is not explicitly acknowledged. This is important because “sufficient time” is a prerequisite for competence and capabilities to perform the role, as described at ED ISQM 2.16(a);

- ED ISQM 1.38(d) requires that quality objectives be established that require personnel to “demonstrate a commitment to quality through their actions and behaviours, develop and maintain the appropriate competence to perform their roles, and are held accountable through timely evaluations, compensation, promotion and other incentives”. However, ED ISQM 2.18 requires the firm to establish policies and procedures that require “the EQ reviewer to take responsibility for the performance of the review…” but does not go as far as to link this performance specifically to accountability, evaluation and reward, which would be a very important aspect of giving appropriate recognition to this role.

Accordingly, we recommend that the above requirements in ED ISQM 2 be at least as stringent/detailed as those in ED ISQM 1, which may be achieved by more specifically building on the requirements set out in ED ISQM 1 in respect of EQ reviews, and introducing clearer linkage between these requirements and ED ISQM 1.38, rather than the current presentation in which these requirements in ISQM 2 appear to replace ED ISQM 1.38, and as a result may not be complete.

Please also refer to our comments in Question 5, in the section entitled “Responsibility in Respect of Quality Deficiencies”.

We suggest that the requirement at ED ISQM 2 paragraph 15 is also cross-referenced to an overarching requirement in ED ISQM 1 regarding policies and procedures of the firm in relation to independence/objectivity and rotation, on which this specific requirement in ED ISQM 2 may build. We note that the current requirements in this regard in ED ISQM 1 are at a higher level, referring more generally to ethical requirements and independence, and we therefore suggest that such a requirement be developed in that standard.

35_ISQM 2_KI

The importance of engagement quality reviews in ISQM 1 could be enhanced by having this as a separate bold heading rather than a sub category of engagement performance.

42_ISQM 2_PKFI

We have a concern regarding the split between ED-ISQM 1 and ED-ISQM 2 on the requirements for the EQR. We believe this is an important area where the links between ED-ISQM 1 and ED-ISQM 2 are not sufficiently clear. Specifically, we are concerned that there is a lack of appropriate emphasis across both ED-ISQMs that a risk assessment should be performed over a firm’s EQR process.

We believe it is important that a firm performs a risk assessment over its EQR process in order that it can identify relevant quality risks. These would include risks affecting:

- the suitability of staff to be eligible for the engagement quality reviewer role,
- availability of eligible reviewers,
- achieving the right culture at an engagement level that is supportive of the EQR process, and
- documentation of the performance of the EQR.
In this regard, we believe that there is insufficient emphasis in the proposed standards because the EQR process has been brought into ED-ISQM 1 as a "response", (see paragraph 37 (e) of ED-ISQM 1) and not as an “objective”. The prescribed responses that are already provided in ED-ISQM 1 (which includes the EQR response) should, in theory at least, have been designed by the IAASB to address assumed quality risks. We have a concern that there is a possibility of firms presuming a risk assessment is not necessary for a prescribed response on the basis that the IAASB have already performed the relevant risk assessment.

Consistent with this concern, we note that ED-ISQM 2 does not include the same, or similar, requirements to ED-ISQM 1 for a risk assessment process. As the majority of requirements that relate to the EQR process are set out in ED-ISQM 2, we consider this will heighten the risk that a firm does not cover its EQR process as part of its ED-ISQM 1 risk assessment process.

Accordingly, we recommend the following amendments to ED-ISQM 1:

- In order for the standard to require a risk assessment over the EQR process, the objective in paragraph 38 (b) of ED-ISQM 1, “Resources” should be expanded to include explicit reference to the EQR. We suggest the following wording may be appropriate:
  “The firm assigns an engagement partner, an engagement quality reviewer (where required by paragraph 37 (e) of ED-ISQM 1), and other human resources to each engagement who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.”

- Explicit reference should be made to the EQR process either within the objectives of the Governance and Leadership section of ED-ISQM 1, or within the Application Guidance which directly corresponds with the objectives of the Governance and Leadership section of ED-ISQM 1.

In addition, please see our point above regarding our suggestion that the requirements in ED-ISQM 1 for engagements for which an EQR is required, be repeated within ED-ISQM 2.

43_ISQM2_PKFSA

We have a concern regarding the split between ED-ISQM 1 and ED-ISQM 2 of the requirements for the EQR. We believe this is an important area where the links between ED-ISQM 1 and ED-ISQM 2 are not sufficiently clear.

The EQR process has been brought into ED-ISQM 1 as a “response” (see paragraph 37 (e) of ED-ISQM 1), and we agree with and support this approach. However, we do believe that there are specific risks relating to the EQR process, and as a result of the EQR process being a response to a prescribed risk, and most requirements relating to the EQR process are set out in ED-ISQM 2, the firm’s risk assessment may not sufficiently consider the risks associated with the EQR process.

Accordingly, we recommend the following amendments to ED-ISQM 1:

- In order for the standard to require a risk assessment over other elements of the quality management system as they relate to the EQR process, the objective in paragraph 38 (b) of ED-ISQM 1, “Resources” should be expanded to include explicit reference to the EQR:
  “The firm assigns an engagement partner, an engagement quality reviewer (where required by paragraph 37 (e) of ED-ISQM 1), and other human resources to each engagement who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements.”
• Explicit reference should be made to the EQR process either within the objectives of the Governance and Leadership section of ED-ISQM 1, or within the Application Guidance which directly corresponds with the objectives of the Governance and Leadership section of ED-ISQM 1.

In addition, please see our point above regarding our suggestion that the requirements in ED-ISQM 1 for engagements for which an EQR is required, be repeated within ED-ISQM 2.

45_ISQM 2_RSMI

Yes, we believe that the linkages are clear. However, we believe that it should be made clearer that ED-ISQM 1 includes the requirement for an EQR based on the assessment of risk by the individual firm. As currently drafted, this could potentially be overlooked by an engagement partner.

6 Public Sector Organizations

47_ISQM 2_ACAG

ACAG acknowledges that there are linkages between ED-ISQM 1 and ED-ISQM 2, but they are not robust. Where requirements are linked, ACAG recommends linkages be made to specific paragraph references to enhance clarity and understandability.

48_ISQM 2_INTOSAI

The linkages between ISQM 2 and 1 are summarized in the explanatory memorandum. However, on reading both standards as such (which will be the case once they are adopted), it will not be that clear, so auditors will not intuitively know where to turn to when looking for information.

7 Member Bodies and Other Professional Organizations

56_ISQM 2_AE

As far as the linkages between ISQM 1 and ISQM 2 are concerned, we note that an engagement quality review is just one aspect of quality management control and one particular response to quality risks; we urge the IAASB to emphasise this so that this does not overshadow other measures included in ISQM 1. We refer to our response to Question 1.

62_ISQM 2_CAQ

Overall, the linkage is clear as this is highlighted in paragraph 2 of ED-ISQM 2; however, in certain instances, the linkage could be strengthened. For example, ED-ISQM 1 paragraph 38(b) refers to the engagement partner (and staff) “being given (emphasis added) sufficient time” to perform the review, while ED-ISQM 2 paragraph 16(a) states that “policies and procedures shall require that the engagement quality reviewer... have (emphasis added)... sufficient time.” In ED-ISQM 2, the firm’s responsibility to ensure the EQR has “sufficient time” is not acknowledged.

63_ISQM 2_CAANZ-ACCA

Yes. However, we do not believe that ED-ISQM 1’s use of the term “significant public interest entity” in paragraph 37(e)(ii) is appropriate. Our stakeholders found this term confusing as it is inconsistent with the terminology of ‘public interest entity’ used in the IESBA’s Code of Ethics for Professional Accountants (including International Independence Standards). It was felt that all public interest entities are ‘significant’ and adding another category above ‘public interest entity’ just adds another layer of complexity and judgement which will lead to divergence in interpretation and compliance. The terminology used by the
IAASB should be consistent with the IESBA terminology. There is also a lack of clarity around whether appointing an EQR is the appropriate response to risk in circumstances other than where one is required by law or due to public interest.

64_ISQM 2_CICC-AIC

Yes, but a practical and simple guide would support the implementation of quality systems easily in the absence of a quality culture.

65_ISQM 2_CCC-ICPARD

Yes, plus a simple, practical guide would support the implementation of quality systems easily in the absence of a quality culture.

66_ISQM 2_CPAA

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.

71_ISQM 2_SMPC

Yes, the linkages are sufficiently clear. However, as IAASB has acknowledged, there are considerable issues in defining what constitutes a public interest entity (PIE) globally.

74_ISQM 2_ICAEW

Yes. There is a link in ISQM 1 para 37 to ISQM 2, and a link from ISQM 2 para A88 to ISQM 1.

76_ISQM 2_ICAS

Although we believe that the linkages between the requirements for an engagement quality review in ED-ISQM 1 and ED-ISQM 2 are generally clear, more emphasis could be placed on the fact that an engagement quality review is only one aspect of quality management and that depending on the circumstances there are other measures included in ED-ISQM 1 that could be equally effective.

We believe that the linkages between the requirements for an engagement quality review in ED-ISQM 1 and ED-ISQM 2 are generally clear. However, we would draw your attention to the following:

- More emphasis could be placed on the fact that an engagement quality review is only one aspect of quality management and that, depending on the circumstances, there are other measures included in ED-ISQM 1 that could be equally effective.
- We believe the linkage between the objective of an engagement quality review and the actions taken by the firm post its completion could be better signposted. The ED states that ‘The objective of the firm is to perform an engagement quality review for the engagement’. It also defines an EQR as ‘an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report’. We would welcome the inclusion of some content to highlight the interaction with the application material in ED-ISQM1 which deals specifically with differences of opinion etc. and how such matters should be dealt with.
ICPAU believes that the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear. ED-ISQM 1 aims to ensure firms have good quality management systems through among others aspects having a good risk management system to quality of engagements. Performance of engagement quality reviews as required by ED-ISQM 2 is one of the responses to the assessed risks in ED-ISQM 1.

The above notwithstanding we note that para 37(e) of ED-ISQM 1 forms a fundamental linkage between ED-ISQM 1 and ED-ISQM 2 as it specifies all engagements for which an Engagement Quality Review is required to be performed in accordance with proposed 220 (revised). We refer the Board to our responses as provided for under question 11 of ED ISQM 1 regarding the extended scope of engagements subject to EQR which now includes audits of financial statements of entities that the firm determines are significant public interest entities and the lack of a definition for the term "significant public interest entity."

Yes, but we suggest changing the name of ISQM to Quality Reviews of the engagement in process. (ISQM 2)

The NRF believes that the linkage between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are rather clear. However, the explanatory memorandum to ED-ISQM 2 states that an engagement quality review is a response, among others, that is designed and implemented by a firm to address its assessed quality risks. We would appreciate if this statement could be included in the standard itself.

Paragraph 2 of ED-ISQM 2 states that this ISQM applies to all engagements for which an EQR is required to be performed in accordance with ED-ISQM 1. The requirements for engagements subject to an EQR are clearly stated in one specific paragraph of ED-ISQM 1, namely 37(e). SAICA is therefore satisfied that the overall linkages between the requirements for an EQR in ED-ISQM 1 and the requirements contained in ED-ISQM 2 are clear.

Paragraph 15 to 19 of ED-ISQM 2 requires the firm to establish certain policies or procedures in relation to the appointment and eligibility of engagement quality reviewers. It is recommended that the cross reference to ED-ISQM 1 be clarified. Since these build on the requirements relating to resources, a clear cross reference to paragraph 38 of ED-ISQM 1 should be made.

In relation to the interaction between ED-ISQM 2 and ED-220, the responsibilities of the engagement partner in relation to ensuring that an EQR is performed is not clear. In paragraph 15 of ED-ISQM 2, reference is made to the firm having to establish policies or procedures that require the assignment of responsibility for the appointment of engagement quality reviewers. Paragraph A22 then states that ED-220 establishes the requirements for the engagement partner, in audit engagements for which an EQR is required, including being satisfied that an engagement quality reviewer has been appointed. This seems contradictory to the requirements of paragraph 15, as well as the intention of the EQR in being a firm level response to an identified quality risk.
To this end, we suggest that the first bullet point contained in paragraph A22 be removed and ED-ISQM 2 clarify that the firm and hence the individual that is assigned ultimate responsibility for the SOQM be responsible for ensuring that an engagement quality reviewer is appointed when so required.
ED-ISQM 2 – Question 2: Clear linkages between ED-ISQM 1 and ED-ISQM 2 – Disagree

No responses.
ED-ISQM 2 – Question 2: Clear linkages between ED-ISQM 1 and ED-ISQM 2 – Unclear or no specific response or refer to other respondent's views

1 Monitoring Group
01_ISQM 2_BCBS
Basel Committee on Banking Supervision

02_ISQM 2_IAIS
IAIS

03_ISQM 2IFIAR
The International Forum of Independent Audit Regulators (IFIAR)

04_ISQM 2_IOSCO
The International Organization of Securities Commissions’ Committee on Issuer Accounting, Audit and Disclosure (Committee 1)

2 Investors and Analysts
05_ISQM 2_ICGN
The International Corporate Governance Network (ICGN)

3 Regulators and Oversight Authorities
06_ISQM 2_CPAB
Canadian Public Accountability Board (CPAB)

09_ISQM 2_IAASA
IAASA

92_ISQM 2_CEAOB
CEAOB

4 National Auditing Standard Setters
13_ISQM 2_CICPA
The Chinese Institute of Certified Public Accountants (CICPA)

5 Accounting Firms
24_ISQM 2_BTVK
Baker Tilly Virchow Krause, LLP
7 Member Bodies and Other Professional Organizations

67_ISQM 2_EXPERT
EXPERTsuisse

68_ISQM 2_FAR
In general, FAR supports the response submitted by the Nordic Federation of Public Accountants and FAR therefore refers to this response.

70_ISQM 2_FSR
We support the views stated in the responses to ISQM2 ED submitted by Accountancy Europe. We refer to those responses for our detailed answers to the questions stated in the invitation to comment.
Moreover, we refer to FSR - Danish Auditors’ response to the overall explanatory memorandum.

79_ISQM 2_ISCA
The Institute of Singapore Chartered Accountants (ISCA)

80_ISQM 2_ICJCE
No comments.

82_ISQM 2_KICPA
KICPA