Question 3 in the EM to ED-ISQM 2 asked respondents:

Do you support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer?” Will there be any adverse consequences of changing the terminology in respondents’ jurisdictions?

ED-ISQM 2 – Question 3: Changing the terminology from EQCR to EQR – Agree

3 Regulators and Oversight Authorities

07_ISQM 2_FRC
Yes. We support the change and do not anticipate any adverse consequences of changing the terminology.

08_ISQM 2_IRBA
We support the change. The term “control” sometimes implies an action after an event, i.e. it is reactive or detective in nature, and not preventative. The new standards refer to “quality management”, which implies a pre-emptive, proactive action, which seeks to prevent problems from arising. We therefore agree with the removal of the word “control” in this context.

In South Africa we do not foresee any adverse consequences of changing the terminology.

84_ISQM 2_NASBA
Yes, we support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer.”

With respect to the state boards of accountancy as regulators of the profession in the United States, we do not foresee that there would be any adverse consequences of changing the terminology in the jurisdictions.

4 National Auditing Standard Setters

10_ISQM 2_AICPA
We support this change. We believe it is consistent with the change from ISQC to ISQM. We are not aware of any adverse consequences of this change.

11_ISQM 2_AUASB
The AUASB supports the change to “engagement quality review/reviewer” as it is consistent with the proposed suite of quality management standards which now refer to quality management rather than quality control. The AUASB do not believe there would be any unintended consequences as a result of the change.

14_ISQM 2_CNCC-CSOEC
We support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer”. We do not think that there will be any adverse consequences of changing the terminology in respondents’ jurisdictions.

15_ISQM 2_CFC
We believe it is a positive change because it turns to an individual professional and there will be no adverse consequences in Brazil by changing it.

Prepared by: Hanken Talatala and Dan Montgomery (November 2019)
16_ISQM 2_HKICPA
We support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer” in alignment with the proposed change in the name of ED-ISQM 1 from “quality control” to “quality management”.

We do not believe that there will be any adverse consequences of changing the terminology in our jurisdiction.

17_ISQM 2_IDW
We support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer” because the emphasis is now on quality management, rather than on quality control. Hence dropping the word “control” is appropriate. We do not see any adverse consequences of changing the terminology in our jurisdiction.

19_ISQM 2_KSW
In our perspective, there will not be any adverse consequences of changing the terminology in Austrian jurisdictions.

20_ISQM 2_MAAASB
The change is consistent with the change in approach from “quality control” to “quality management”. We do not anticipate any adverse consequences.

21_ISQM 2_NZAASB
The NZAuASB is supportive of the change in terminology. No adverse consequences of changing the terminology have been identified.

5 Accounting Firms
26_ISQM 2_CASI
The change is consistent with the change in approach from “quality control” to “quality management”. We do not anticipate any adverse consequences.

27_ISQM 2_CHI
We support the change in terminology. The simplification of the term is welcome and the removal of the word “control” is consistent with the aims of the IAASB’s quality management initiative.

28_ISQM 2_DTTL
DTTL is supportive of the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer” thereby aligning with the transition from references to “quality control” in ED-ISQM 1. We do not believe that changing the terminology will create adverse consequences in adopting the standard at a jurisdictional level.

30_ISQM 2_ETY
We do. In our view, the new expressions bring more precision the related subject.
Yes, we support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer” because it is consistent with the revised name of ED-ISQM 1 and places explicit emphasis on engagement quality. It also is consistent with the term we have used for these reviews internally for many years.

Yes

We are generally supportive of the change in terminology and we do not foresee any significant concerns with the revised terminology, in particular, because we consider that the description of the role in the definition, together with the material set out at paragraph 6, is clear and appropriate, and therefore we believe would support consistent application in practice.

We believe the removal of the term “control” may be helpful as that terminology may inappropriately imply a more general compliance-based evaluation, rather than a role which focuses on “higher-level” matters, i.e. significant judgements.

This proposed change aligns with the inclusion of the statement at paragraph 6 that “an engagement quality review is not intended to be an evaluation of whether the entire engagement complies with professional standards and applicable legal and regulatory requirements, or with the firm’s policies or procedures”.

We believe this change in terminology and the clarification at paragraph 6 are helpful, in particular, because the requirements are no longer in ISA 220 and instead are placed in a quality management standard, which would usually be considered to address firm-level policies and procedures more broadly.

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

The change from engagement quality control reviewer to engagement quality review is appropriate and consistent with the change to a quality management approach. The change will also support the importance of the quality reviewer exercising professional judgement rather than assessing compliance which can be considered to be implied by the use of the term control.

Yes, we support the change. No adverse consequence foreseen.

We support the change to engagement quality review/reviewer and do not see any adverse consequences to the change in terminology.
Yes, the change supports the overall changes proposed in ED-ISQM 1 to promote the proactive management of audit quality at the firm level, and of audit quality being embedded within a firm’s culture versus a control process at a point in time.

Yes this is logical.

Yes, we support this change and do not see any adverse consequences.

Yes, we support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer”. We do not foresee any adverse consequences of changing the terminology in our jurisdiction.

ACAG supports the change

Yes

Yes, we support this change and do not envisage any adverse consequences of this change in terminology.

We support the change in terminology.

We do not have a strong position with either “engagement quality control review/reviewer” or “engagement quality review/reviewer.”

We have no concerns with this terminology change.

Yes, we support the change.

Yes, we support the change.
Yes, we support this change. We are not aware of any adverse consequences that would affect the government audit community in the United States.

7 Member Bodies and Other Professional Organizations

Yes.

In this jurisdiction there has been no evidence of any confusion over the terminology and we see no issues arising from the change.

We support the change and do not foresee any adverse consequences to changing the terminology.

Yes, we support it and we understand there will be no adverse consequences.

Yes, we do and also understand there will be no adverse consequences.

We support the change in title to reflect the proposed change to system of quality management. We are not aware of any jurisdictional problems with changing this term.

We support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer”. We foresee that there will be no adverse consequences of changing the terminology in our jurisdiction.

We do not see where the slight terminology change would be met with adverse consequences. Changing the term from “engagement quality control review” to “engagement quality review” better reflects a quality management approach, as an ongoing system, rather than as a point in time, and in line with terminology used in PCAOB AS 1220 Engagement Quality Review.

The change in terminology alone will not have adverse consequences.
We understand that the change in the terminology from EQCR to EQR is due to change in context of shift in focus from support quality control to quality management. Accordingly, we note that the change in terminology is understandable and will not have adverse consequences.

We do not envisage that there will be any adverse consequences of changing the terminology from “engagement quality control review/reviewer” to “engagement quality review/reviewer” in the UK.

ICPAU supports the change from “engagement quality control review/reviewer” to engagement quality review/reviewer and believes that there will not be any adverse consequences of changing the terminology.

Yes. We do not foresee any issues with the proposed change.

We agree with the proposed terminology change since the process is includable in the many controls that a firm must have to enable a successful quality control process over its work (a more inclusive concept). In the US, the auditing standards, including quality management standards, are not embedded in laws and regulation when issued by the AICPA or the IAASB. The PCAOB standards, on the other hand, are tantamount to law through the Sarbanes Oxley Act of 2002 but are not germane to this question.

Yes

In line with the objective of the IAASB’s project on quality management to move from a reactive, tick box approach to quality to a proactive, continuously process of quality management, SAICA supports the change in terminology.

We do not foresee any adverse consequences in response to the change in the terminology.

We support the change from engagement quality control review/reviewer to engagement quality review/reviewer as the change in wording gives the reviewer the obligation of not only ensuring that the engagement meets pre-set quality controls, be it firm level or engagement level quality controls, but looks at the work performed and simply judges whether the work is of good quality. This is beneficial since at times work that meets pre-set quality controls may not necessarily be good quality as the review may overlook some issues that are not addressed by a firm’s quality control QMS. Quality control reviewer gave the impression that the reviewer was only assessing the quality control process, the new terminology places
emphasis on the need to review the quality of the whole engagement. There will be no adverse consequences in Zimbabwe as a result of the change in terminology.

91_ISQM 2_VM

Yes
ED-ISQM 2 – Question 3: Changing the terminology from EQCR to EQR – Agree but with further comments

4 National Auditing Standard Setters

13.ISQM 2_CICPA

The proposed standards do not provide clear explanation on the relationship of engagement quality review and other quality management process such as monitoring and remediation, inspection of in-process engagement, etc., what their responsibilities respectively are, and how they coordinate and collaborate. Suggest further explanation.

18.ISQM 2_JICPA

We do not oppose terminology changes, but we believe that the terminology changes are not indispensable and there will be no issue even if we do not change the current terminology. Rather, we believe there are some concerns that the change to “engagement quality review/reviewer” will make it difficult to distinguish whether the term refers to the various types of “review” conducted by the firm to ensure consistency of quality, or “engagement quality review” performed in accordance with ED-ISQM 2.

5 Accounting Firms

23.ISQM 2_BTI

We support the change in terminology in line with the changes in ED-ISQM 1 to remove the reference to quality control, albeit a mainly cosmetic change in this context.

25.ISQM 2_BDO

Yes, we support the elimination of the term ‘control’ in the context of ED-ISQM 2. In our response to ED-ISQM 1 we have set out our concerns related to the proposed changes in terminology – noting that this can lead to difficulties for different types of stakeholders, jurisdictions where professional standards have to be translated and those jurisdictions where requirements have to be enshrined in law.

Notwithstanding our overall concern, we do recognise the need to replace ‘quality control’ with the concept of ‘quality management’ within ED-ISQM 2 to ensure consistency.

29.ISQM 2_DTL

We do not believe that this makes a significant difference and would probably prefer to leave the terminology as it is.

32.ISQM 2_GTIL

We are indifferent to the change in terminology. We are of the view that it reflects better the substance of the role of the EQ reviewer but appreciate that the change in terminology may have consequences on translation, or in jurisdictions where the term “engagement quality control review(er)” has been incorporated into local legislation. We have not identified any jurisdictions where the change in terminology would be an issue.
39. ISQM 2_MSI

We have no problem with changing away from EQCR because obviously the C no longer makes sense in context. That having said, the term engagement quality management review/er (EQMR) might better link the whole concept to what came before (EQCR). All forms of review address quality, whether they are hot reviews or cold reviews, independent or not so independent, and whoever performs those reviews. If the review in question was called an EQMR then at least the symbolism, that this was special, and that it linked specifically to the QM standards, would be maintained. The fact is in some jurisdictions there remains confusion to this day about what an EQCR is, what qualifies to be regarded as an EQCR and what standards apply, even with the clue in the name. Removing the explicit linkage with the firm level quality standard will probably not reduce this confusion. So, all things considered, we would prefer the terminology to be changed to EQMR.

41. ISQM 2_NSW

We believe that what the process is called is less important than clarity of the objective. Some firms already use different terminology in referring to EQCRs anyway.

We do not foresee any adverse consequences of the change in the UK.

42. ISQM 2_PKFI

In our view, the introduction of ED-ISQM 2 provides an opportunity for a more fundamental change to the terminology than has been proposed.

The use of “engagement quality” within the terminology, is not entirely appropriate, since it implies that the “engagement quality” reviewer has the responsibility for reviewing all aspects of quality on the engagement.

Further, the objectives of an EQR, as set out in ED-ISQM 2 are focused predominately on a review of the significant judgements exercised by the engagement team, and of their application of professional skepticism. Therefore, the engagement quality reviewer’s responsibilities, by definition, is narrower in scope than a responsibility for engagement quality.

Another problem with the current terminology of an “engagement quality control review” process under extant ISQC 1, is that it is frequently confused with the engagement monitoring process as required by ISQC 1. ED-ISQM 1 retains requirements for firms to establish an engagement monitoring process, and the engagement monitoring process is conducted as a review focusing on engagement quality, all of which could be mistaken for an engagement quality review process. This increases the chance of continued confusion over the terminologies in the respective proposals of ED-ISQM 2 for the EQR process, and ED-ISQM 1 for the engagement monitoring process.

In order to avoid confusing the two, we suggest that the IAASB considers an alternative, and more apt, term for use within ED-ISQM 2 to describe the EQR process.

43. ISQM2_PKFSA

We are not concerned with the change from “engagement quality control review(er)” to “engagement quality review(er).” Rather, we have concerns with the current and new proposed terminology. The “engagement quality control review” process under extant ISQC 1 is frequently confused with the engagement monitoring process as required by ISQC 1. ED-ISQM 1 retains requirements for firms to establish an engagement monitoring process, and the engagement monitoring process is conducted as a review focusing on
engagement quality, all of which could be mistaken for an engagement quality review process. This increases the chance of continued confusion over the terminologies in the respective proposals of ED-ISQM 2 for the EQR process, and ED-ISQM 1 for the engagement monitoring process. We believe therefore that the introduction of ED-ISQM 2 provides an opportunity for a more fundamental change to the terminology than has been proposed.

The use of “engagement quality” within the terminology, is not entirely appropriate, since it implies that the “engagement quality” reviewer has the responsibility for reviewing all aspects of quality on the engagement.

Further, the objectives of an EQR, as set out in ED-ISQM 2 are focused predominately on a review of the significant judgements exercised by the engagement team, and of their application of professional skepticism. Therefore, the engagement quality reviewer's responsibilities, by definition, is narrower in scope than a responsibility for engagement quality.

In order to avoid confusing the two, we suggest that the IAASB considers an alternative, and more apt, term for use within ED-ISQM 2 to describe the EQR process.

44_ISQM 2_PwC
Yes, we support this change in terminology. We do not foresee any particular adverse consequences.

National standard setters will need to assess any potential impact at a jurisdictional level, based on local law or regulation.

7 Member Bodies and Other Professional Organizations

56_ISQM 2_AE
We believe that such nuances to the wording are unlikely to have any significant behavioural effect. However, it will force consequential amendments. For example, in countries where it is explicitly mentioned into law that an 'engagement quality control review' should be performed, there will be a need to amend the reference in the law. This might be seen as an administrative burden for policy makers. We refer for instance to article 8 of the EU Audit Regulation.

57_ISQM 2_APESB
APESB understands the change in terminology from engagement quality control review to EQR is due to the shift in focus from quality control to quality management and to ensure consistency of terminology in the suite of standards. This change in terminology will require changes in Australia, including legislative instruments such as ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information. It will also impact the APESB in respect of updating standards (the Code and APES 320) and all relevant member firms in updating their existing quality control documentation.

59_ISQM 2_BICA
Currently there is confusion in the local practice in terms of engagement performance review by engagement partner and engagement quality reviewer. Practitioners tend to believe these are one and the same thing due to terminology.

We propose to add “Independent” to the new name for it to read “Independent Engagement Quality Review/Reviewer”. This addition will synchronize well with emphasis provided by ED-ISQM 2 regarding
ethical and independence requirements of the Engagement Quality Reviewer and send a clear message of the independence of the review/reviewer.

61_ISQM 2_CalCPA

Is there really any difference?

63_ISQM 2_CAANZ-ACCA

Our stakeholders were generally supportive of the change, however concerns were raised that a change in terminology will result in firms having to update documentation that may not otherwise be impacted by the new standards which will increase the work effort required to implement the standards. We understand that in some countries, this change will require updates to legislation which can be time consuming and may delay implementation.

71_ISQM 2_SMPC

Yes, we support the changes in terminology. National regulators and PAOs will need to revise their national legislations and other regulations to reflect this change of terminology. The time frame will vary from country to country. In our response to the over-arching explanatory memorandum that was issued with the three EDs, the SMPC had voiced concern about the IAASB proposed 18 months implementation period, which we believe is too short for effective implementation of such critical standards.

74_ISQM 2_ICAEW

We are not concerned about the change to terminology but it might be helpful for IAASB to explain some of the many different types of reviews performed by firms, the various names used for them, and also to point out that firms may not use the term used by IAASB - simply to distinguish between this type of review and any other.

82_ISQM 2_KICPA

We support and believe that there would be no adverse consequences, but terms used in the IESBA Code should be considered as well.

83_ISQM 2_MICPA

The change from “engagement quality control review/reviewer” to “engagement quality review/reviewer will align with the draft ED-ISQM 2, which refer to quality management rather than quality control.

However, further consideration is required as auditing and assurance standards and IESBA Code refer to engagement quality control review.

86_ISQM 2_NRF

We understand the rationale behind the proposed changes. But, in order to achieve consistent terminology throughout the Quality Management Standards, there will be inconsistencies in relation to different legislations and regulations, where “engagement quality control review/reviewer” are being used. Those terms are, for example, used in the EU Audit regulation.
If the IAASB decides to proceed with this change in terminology, we encourage the Board to take this matter into consideration when determining the length of implementation time. Having said that, there are no certainties that consequential amendments will be made in different legislations in the short term.

89_ISQM 2_WPK

We support the changes in terminology to reflect the new quality management approach.

However the substantial differences between the requirements regarding engagement quality control review/reviewer in extant ISQC 1 and the requirements regarding engagement quality review/reviewer in proposed ISQM 2 are not clear at a glance.

Nearly all audit firms have established a quality system during the last years. We assume that most firms tend to develop and evolve their existing quality system further, instead of establishing a new system. Given that, the IAASB should clarify what is new and why it is better. (e.g. guidance, Q&A’s).

National Standard Setter, Regulators etc. will need to revise their national legislations and other regulations to reflect this change of terminology.
ED-ISQM 2 – Question 3: Changing the terminology from EQCR to EQR – Disagree

7 Member Bodies and Other Professional Organizations

81_ISQM 2_IMCP

Do not support considering that it may be a misunderstanding, additionally the quality review is a CONTROL from the Quality System.
ED-ISQM 2 – Question 3: Changing the terminology from EQCR to EQR – 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_CEOB
CEOBO

4 National Auditing Standard Setters
12_ISQM 2_CAASB
We have no information on which to base a response.

22_ISQM 2_NBA
We have some doubts. We understand that this better links to the changed name of the standard. But we feel that it is also important to recognize in the terminology that the quality review plays an important role in the system of quality management for the firm. For instance the firm decides which other engagements, apart from audits of listed entities will be and that it is a firm responsibility to decide which engagements are subject to an EQR.
In the EU regulation the terminology engagement quality control review/reviewer is used. For the Netherlands we use a term that can be used as a translation of both terms.

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.