July 19, 2019
Ref.: SEC 039/2019 - DN

International Assurance and Auditing Standards Board for Accountants (IAASB)
529 Fifth Avenue
New York, NY 10017
US

Dear Sirs,

We, Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft: Proposed International Standard on Quality Management 2 – Engagement Quality Reviews. See our comments below.

1) Do you support a separate standard for engagement quality reviews? In particular, do you agree that ED-ISQM 1 should deal with the engagements for which an engagement quality review is to be performed, and ED-ISQM 2 should deal with the remaining aspects of engagement quality reviews?

Yes. We are supportive of the decision to separate the EQR aspects into ISQM 2, bringing greater clarity to those individuals performing this specific role, as well as addressing scalability.

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

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.

3) 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?

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

4) Do you support the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer as described in paragraphs 16 and 17, respectively, of ED-ISQM 2?

(a) What are your views on the need for the guidance in proposed ISQM 2 regarding a “cooling-off” period for that individual before being able to act as the engagement quality reviewer?

We believe it might be needed to establish a cooling-off period depending on the nature and circumstances of the firms and their engagements. However, we do not agree with the inclusion of a 2 years period as set in paragraph A5, as it can be considered a rule and each firm needs to address it in its system of quality management.

(b) If you support such guidance, do you agree that it should be located in proposed ISQM 2 as opposed to the IESBA Code?

Yes. However, a reference to applicable IESBA Code paragraphs’ would be appreciated.
5) Do you agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer’s procedures? Are the responsibilities of the engagement quality reviewer appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised)?

Yes. We agree that the responsibilities of the EQR are appropriate given the revised responsibilities of the engagement partner in ED-ISA 220.

6) Do you agree that the engagement quality reviewer’s evaluation of the engagement team’s significant judgments includes evaluating the engagement team’s exercise of professional skepticism? Do you believe that ED-ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer? If so, what suggestions do you have in that regard?

We agree that the engagement quality reviewer’s evaluation of the engagement team’s significant judgments includes evaluating the engagement team’s exercise of professional skepticism and that it is embedded in the proposed requirements. Thus, it is not necessary to include any further requirement in ED-ISQM 2.

7) Do you agree with the enhanced documentation requirements?

Yes.

8) Are the requirements for engagement quality reviews in ED-ISQM 2 scalable for firms of varying size and complexity? If not, what else can be done to improve scalability?

Yes.

Best Regards,

Francisco A.M. Sant’Anna
President

Rogério Hernandez Garcia
Technical Director