

THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)

International Auditing and Assurance Standards Board

Exposure Draft

Proposed International Standard on Quality Management 2, Engagement Quality Reviews

Questionnaire

Respondents are asked to comment on the clarity, understandability and practicality of application of the requirements and related application material in ED-ISQM 2. Comments are most helpful if they are identified with specific aspects of ED-ISQM 2 and include the reasons for any concern about clarity, understandability and practicality of application, along with suggestions for improvement.

Question 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?

MICPA's Comments:

Yes, the Institute agreed that separate standard should be set for engagement quality reviews. This provides further clarity where ED-ISQM 1 explains the firm's responsibility for establishing a system of quality management and ED-ISQM 2 addresses the importance of the engagement quality reviews by requiring the firm to have policies or procedures set forth for the eligibility of an individual to be appointed as an engagement quality reviewer.

Question 2

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

MICPA's Comments:

Yes, the linkages between the requirements for engagement quality reviews are clear.

Question 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?

MICPA’s Comments:

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.

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

MICPA’s Comments:

An engagement partner is not likely to be able to perform the role of the engagement quality reviewer immediately after ceasing to be the engagement partner because it is not likely that the threats to the individual’s objectivity with regard to the engagement and the engagement team can be reduced to an acceptable level. Hence, policies or procedures of establishing a specified cooling-off period during, which the engagement partner is precluded from being appointed as the engagement quality reviewer is necessary. Such guidance should be located in IESBA Code.

Question 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)?

MICPA's Comments:

Yes, the Institute agreed to the requirements proposed by ED-ISQM 2. However, there should be a balance of responsibilities between the engagement quality reviewer and the engagement partner.

At the moment, based on the procedures set out in ED-ISQM 2, there could be overlaps in responsibilities engagement and engagement quality reviews.

Question 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?

MICPA's Comments:

Yes, the Institute agreed that the engagement quality reviewer's evaluation of the engagement team's significant judgments includes evaluating the engagement team's exercise of professional skepticism.

The firm's quality management policies or procedures may specify the firm to be notified if the engagement quality reviewer has unresolved concerns that the significant judgments made by the engagement team, or the conclusions reached thereon, are not appropriate.

Question 7

Do you agree with the enhanced documentation requirements?

MICPA's Comments:

Yes, the Institute agreed to the enhanced documentation requirements. The most common quality issue encountered was inadequate audit documentation to indicate the engagement quality review procedures have been performed. Hence, ED-ISQM 2 may help to solve this problem.

Question 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?

MICPA's Comments:

Yes, ED-ISQM 2 addresses the scalability issue.

Other Comments

MICPA's Comments:

Paragraph 9 suggests 2 effective dates, one for audits and reviews of financial statements and another for other types of engagement. Suggest that the IAASB clarify the rationale for having 2 different effective dates within the same standard, especially since we are looking at the implementation of an entire system of quality management for a firm.