



**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

**HEAD OFFICE**

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*(Submitted electronically)*

Technical Director  
International Auditing and Assurance Standards Board (IAASB)  
529, Fifth Avenue, 6th Floor  
New York, USA

**Comments on the Proposed International Standard on Quality Management 2, 'Engagement Quality Reviews'**

The Institute of Chartered Accountants of Pakistan (ICAP) is pleased to comment on the Exposure Draft, International Standard on Quality Management 2, 'Engagement Quality Reviews' (ISQM 2) published by the International Auditing and Assurance Standards Board (IAASB) in February 2019.

We fully support IAASB's focus and efforts to introduce ISQM 2 for enhancing quality management of engagements.

Our responses detailed by the questions contained in the ISQM 2, are presented in the 'Appendix' to this letter.

We hope our comments are helpful to the IAASB's deliberation on the proposal.

Should you require further clarification on our comments, please contact the undersigned at [sohail.malik@icap.org.pk](mailto:sohail.malik@icap.org.pk)

Yours truly,

Sohail Malik  
Director Technical Services



**'Appendix'**

**General Comments on Proposed ISQM 2**

No Comments.

**Questions**

- 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?

**Response**

We support the proposed approach of separating the engagements for which an engagement quality review is to be performed, and eligibility criteria and roles and responsibilities for engagement quality control reviews (EQR).

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

**Response**

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

- 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?

**Response**

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.

- 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?

**Response**

We support the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer.

- (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?

**Response**

The IESBA's Restructured Code of Ethics provides requirement for cooling off period. The proposed ISQM 2 also contains cooling-off period requirement which is inconsistent with the IESBA's Restructured Code of Ethics. We believe that the IESBA Code of Ethics should contain all relevant provisions of the cooling-off period.

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

**Response**

Based on our above response to question 4 (b), we do not support the inclusion of guidance in proposed ISQM2.

- 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)?

**Response**

We support the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures.

- 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?

**Response**

We support enhanced discussion on the professional skepticism and agree with the idea that engagement quality reviewer should use judgment and evaluate the engagement team's significant judgments including their exercise of professional skepticism. However, we believe that the engagement quality reviewer is not required to use professional skepticism, and this position requires clarification in the proposed standard.

- 7) Do you agree with the enhanced documentation requirements?

**Response**

We agree with the enhanced documentation requirements outlined under proposed ISQM 2.

- 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?

**Response**

For SMPs, it will be challenging to implement all aspects of engagement quality due to resources constraints. However, the scalability provided in the proposed ISQM 2 would be helpful to SMPs.

**Editorial Comments on Proposed ISQM 2**

*[No Comment.]*