



Kreston International Response: Proposed ISQM 2

General Comments on Proposed ISQM 2

[Please include here comments of a general nature and matters not covered by the questions below.]

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: The separate standard for engagement quality reviews is supported. It is appropriate for ISQM 1 to identify the engagements for an engagement quality review is required.
- 2) Are the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 clear?
Response: 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.
- 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: 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.
- 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: The requirements for eligibility to be appointed as an engagement quality reviewer are appropriate.
 - (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: Guidance on a “cooling off” period should be included in ISQM 2 for completeness.
 - (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: The guidance could be located in both ISQM 2 and the IESBA Code providing it will be consistent.
- 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: Consideration could be given to the engagement quality control reviewer being expected to assess the completeness of the significant risks identified by the engagement team.

The evaluation of conclusions on consultations could be difficult for the engagement quality control reviewer. In many cases consultations will have been undertaken with subject experts whose knowledge and experience will be significantly greater than that of the EQR. A more appropriate response could be to assess whether the person undertaking the consultation is appropriately knowledgeable and experienced and the consultation process and conclusions have been appropriately documented.

Reviewing the financial statements is a likely to be a significant exercise. The firm's policies and procedures should be designed to ensure that appropriate detailed review activities have been undertaken. The EQR should be restricted to ensuring the required procedures have been completed and that any issues identified have been appropriately resolved. The presentation in the financial statements of the significant issues identified in the audit could be part of the role of the EQR.

- 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: The exercise of professional skepticism is an important element of significant judgements and therefore should be assessed by the EQR. The EQR is not a member of the engagement team and ISQM 2 does not need to further address the exercise of professional skepticism by the EQR.

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

Response: The documentation requirements are appropriate.

- 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: The requirements are scalable with the key element the identification of assignments that should be covered by an EQR. In some cases for SMPs, appropriate consultation will be the appropriate route rather than a too wide requirement for an EQR.

Editorial Comments on Proposed ISQM 2

[Please include here comments of an editorial nature.]