QUALITY MANAGEMENT AT THE FIRM AND ENGAGEMENT LEVELS

Issued 1 July 2019

ICAEW welcomes the opportunity to comment on the IAASB's Exposure Drafts on quality management at the firm and engagement levels, including engagement quality reviews, published in December 2019, copies of which are available from this link:

- Proposed International Standard on Quality Management 1 (Previously International Standard on Quality Control (ISQC) 1) *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ED-ISQM 1);
- Proposed International Standard on Quality Management 2, *Engagement Quality Reviews* (ED-ISQM 2);
- Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements* (ED-220).

This response of 1 July 2019 has been prepared by the ICAEW Audit and Assurance Faculty. Recognised internationally as a leading authority and source of expertise on audit and assurance issues, the Faculty is responsible for audit and assurance submissions on behalf of ICAEW. The Faculty has around 7,500 members drawn from practising firms and organisations of all sizes in the private and public sectors.

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KEY POINTS

Welcome for the proposals

1. We welcome these proposals. Quality management underpins audit quality and the extant standards are in need of modernisation. In particular, we welcome a risk-based approach because it lays the foundations for proportionate and scalable standards.

2. IAASB should take the time to get these linchpin standards right. There is a way to go before they are ready for finalisation but the proposals do represent an appropriate basis for comment.

Risk assessment, unidentified risks and what more firms will need to do

3. We welcome the new approach based on risk assessment which is similar to the threats and safeguards to quality approach we advocated in our responses to previous consultations. We have three main concerns:

    *   the proposed requirements lack internal consistency in that they include mandatory risk responses but no mandatory risks. This will be hard to explain to those not involved in the development of this standard. We acknowledge the difficulties associated with specifying mandatory risks but examples of risks, or factors to be taken into account in determining them, outside the standard, possibly in a new type of IAASB publication, may be the solution;

    *   there is a lack of clarity about the additional actions firms will need to take over and above what they currently do. This is critical to scalability, to avoid excessive elaboration. In practice, few firms will start with a blank sheet of paper when implementing these proposals. Those responsible for methodology within firms and training and software providers will all seek to ascertain what within their existing systems of quality control can be retained (the presumption will be 'everything', because IAASB has specifically set out not to lose anything), what needs to be amended and what needs to be added. Consistency will be a great deal easier to achieve if IAASB itself indicates in high level terms which areas firms should focus on when considering the need for new material. Again, examples, outside the standard, possibly in a new type of IAASB publication may be the solution;

    *   the length of the proposals which warrant a new approach if scalability for SMPs is to have credibility.

Scalability, digitisation and new categories of IAASB publication

4. IAASB's current regime allows for two types of pronouncement only: standards which are authoritative, and staff publications and IAPNs which are not. This regime has not in substance changed for decades and was designed to deal with a body of ISAs that were significantly shorter and less complex than they are now.

5. ISQM 1 is almost double the length of ISQC 1 and ISQM 2 adds more. The length and complexity of proposed ISQM 1 is the single most important scalability issue. It presents an all-too familiar challenge; whether to include all of the material developed in the standard itself, including examples either as application material or in an appendix, or whether to separate it out.

6. Inclusion renders the standard unwieldy and onerous, giving a more elevated status to some of the material than is warranted. Exclusion creates a need to cross-reference, difficulties in determining where the additional material should go and, potentially, uncertainty over status.

7. Beyond the ISAs, anything issued by IAASB, regardless of its actual status, is treated by some regulators as having greater authority than is intended. This hampers attempts by

IAASB to innovate in terms of the types of publications it issues and we believe that to escape this impasse, IAASB must address the issue head on. It must be prepared to make it clearer than it does now that each audit, each firm, and each set of circumstances is unique, and that it is inappropriate to treat non-authoritative material - examples, in particular - as authoritative or as best practice in all cases. Examples can never address every possible set of circumstances. They are snapshots at best.

8. Respondents to our enquiries, unsurprisingly, had mixed views about additional material. Length and complexity are, as IAASB acknowledges in its recent DP on the audit of LCEs, a critical implementation issue. We have commented on it many times and we remain of the view that IAASB needs to think outside the box and consider the development of a different category, or categories, of publication. While there are substantive issues (set out below) regarding the content of the proposed examples and FAQs, examples and FAQs might be the place to start, and IAASB may want to consider material directed at different types of firm, or engagement. There is a great deal on IAASB's agenda but the opportunities to innovate afforded by this and the LCE project are unlikely to recur.

9. We therefore encourage IAASB to use the quality management standards to consider how examples, FAQs, and material directed at different types of firms or engagement, can be published as a new category of non-authoritative document. This could serve as a template for other ISAs as they are revised. In doing so, IAASB should take steps to help ensure that the status of any such material is properly understood. This includes clearly communicating its non-authoritative status and the fact that examples and FAQs are just that, and are not applicable in all cases. This will go some way to helping ensure that such publications are not misunderstood or misused by government, regulators, professional accountancy organisations (PAOs) or others. New material directed at different types of firm or engagement - particularly SMPs and LCE engagements - would help deal with the perception that IAASB is insufficiently engaged with that constituency, and to prevent the inappropriate use of such non-authoritative material.

10. We not only believe that this is worth doing, we also believe that IAASB is best placed to produce the highest quality material and we do not believe that it is beyond IAASB to achieve this in a reasonable timescale. Doing so would demonstrate the very agility that its detractors claim it is incapable of, and would go a very long way indeed to demonstrate that its standards are scalable and proportionate.

11. In this context, the medium affects the messaging. Digitisation of material facilitates ease of navigation, avoids the need for, or inadvertent trawling of, irrelevant information, and might facilitate more of a building blocks / think small first type approach. Indeed, the absence of digitisation is somewhat surprising, it inhibits development and acts as a drain on resources globally. These standards could be used as a pilot for digitisation.

12. Requirements could be linked digitally to application material and conditional requirements could be linked digitally to further requirements. The 'what, why and how' approach being considered in the revision of ISA 315 might be also advanced using this approach. Requirements and application material could be further linked to examples outside the standard, FAQ, staff publications and other media.

13. Digitisation would serve to encourage better drafting in that scalability material applying to LCEs might be brought forward, which might help practitioners read the subsequent material with an appropriate frame of reference - rather than reading material intended to apply to more complex situations with mounting concern about how it applies in a smaller audit, only to discover the scalability paragraphs right at the end.

The quality of drafting

14. The drafting of ISQM 2 could be improved. We provide examples below suggesting editorial and substantive improvements to a handful of paragraphs. The law of unintended consequences often means that the more IAASB attempts to clarify something 'just for the avoidance of doubt', the more scope there is for creating more questions, and further confusion.

15. Consideration should also be given to simple editorial rationalisations, such as whether any genuine case can be made for repeating the words 'system of quality management' over 170 times in ISQM 1 alone, rather than having a category of abbreviations following the definitions that simply says that the use of the word 'system' is to be taken as meaning 'system of quality management' throughout, and of course checking that this is in fact the case. Ditto 'engagement quality review' ('review') and 'engagement quality reviewer' ('reviewer').

16. The confusion likely to be caused by weak drafting may be exacerbated by the mixing of material relating to the firm, and material relating to the individual, an area in which a lack of demarcation already gives rise to audit quality risks. We understand that IAASB has already tried this but we urge IAASB to revisit this issue. Is there any way at all of indicating which paragraphs apply to the reviewer, which to the firm, and which to both? Would a simple appendix listing those paragraphs be possible?

17. The objective as currently set out in ISQM 2 is a bare summary of the requirements and not an objective at all. A better objective is set out in paragraph 4, and is described as such. The requirements are without exception procedural and highly prescriptive. IAASB should consider the long-term sustainability of this style of drafting, particularly in the absence of any mechanism for rationalising or consolidating old, weak, duplicative or redundant material. The document is unnecessarily long and would benefit from a thorough review and be subject to a plain language test.

18. The quality of translation of standards has a direct impact on audit quality. IAASB should consider systematically involving the translators with whom it has established good relationships at key points in drafting.

'Significant public interest' entities

19. We are not persuaded that IAASB has as yet made the case for the introduction of this category to these standards, or that it has done enough to enable practitioners to determine consistently which entities are of 'significant public interest'. This term may be used in ISAs 700 and 260 but in neither case is the determination of which entities fall into this category critical to the operation of the standard. In the case of ISQM 1 and particularly ISQM 2, the issue is critical to scoping.

Competency

20. Together with professional scepticism, auditor competency is a key factor in achieving audit quality, but practitioners may focus on process. While process can compensate for some shortcomings in competency or experience, we do not believe that the balance is right in the proposals. ISQM 1 in particular should further emphasise the importance of competency in the Engagement Performance and Resources components. The link with the IAESB's work in this area should also be made clearer by referring explicitly to the proposed IESs, particularly IES 8.

Examples and FAQs

21. The proposed examples have value and IAASB could and should be bolder in developing examples covering more nuanced situations. We set out below in our response to specific questions a number of additional areas in which examples would be helpful.

22. The FAQs also have value but they are a mixed bag: some simply repeat what is in the standards, some of them add to them and it is arguable that some should be in the standard itself. We provide more detail in our response to specific questions on ISQM 1, below.

23. Respondents have also suggested that a flowchart describing the quality management process might help firms navigate the material.

Implementation dates

24. Given the implementation challenges, particularly for SMPs, one possibility might be an optional phased implementation process. Certain categories of firm might be given an extra 12 months to allow for effective implementation. This will not necessarily work for all such firms but very small firms and sole practitioners, or firms that do not perform assurance engagements, might benefit. Another alternative, and one which on balance we prefer, is simply extending the implementation date for all firms. This would set a good precedent and would demonstrate IAASB's further commitment to scalability at the smaller end of the spectrum.

25. Translation seems likely to be a key issue in considering the necessary implementation period. IAASB should consider the need to obtain more detailed information on this, and in particular on the position in countries where firms are required, or have no choice but to use regulator-produced resources. There are many jurisdictions using old versions of ISAs, partly for want of translation resources. Adding to the backlog by imposing a challenging implementation date will not help.

ANSWERS TO SPECIFIC QUESTIONS

Covering Explanatory Memorandum

Overall Questions

Question 1: Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board? If not, what is an appropriate implementation period?

26.   18 months is likely to be the minimum time needed for implementation and longer periods may be needed for some. We note in our main points above the need for a longer implementation period, preferably for all entities, or alternatively for some SMPs, particularly very small firms and sole practitioners, or firms that do not perform assurance engagements. An additional 12 months might be appropriate to allow for the time needed to perform the initial risk assessment and implement any necessary additional controls in response. Early adoption should be permitted.

27.   Those jurisdictions using old versions of ISAs for want of translation and other resources will not welcome any addition to the backlog arising from the imposition of challenging implementation dates.

Question 2: In order to support implementation of the standards in accordance with the IAASB's proposed effective date, what implementation materials would be most helpful, in particular for SMPs?

28.   We note in our main points above that a flowchart might be helpful as an aid to navigation.

29.   We also note the arguments in favour of new types of IAASB publication.

30.   We encourage IAASB to use this opportunity to consider how examples, FAQs, and/or material directed at different types of firms or engagement can be published as a new category or categories of non-authoritative document, and used as template for other ISAs as they are revised. While there are substantive issues with the proposed examples and FAQs that we note in more detail below, we believe that these might be an appropriate starting point.

31.   IAASB should not overlook the opportunity to innovate afforded by this and the LCE project. IAASB itself is best placed to produce the highest quality material and we do not believe that it is beyond IAASB to achieve this in a reasonable timescale. Doing so would demonstrate the very agility that its detractors claim it is incapable of, and would go a very long way indeed to demonstrate that its standards are scalable and proportionate.

32.   IAASB must be prepared to make it clearer than it does now that each audit, each firm and each set of circumstances is unique, and that it is inappropriate to treat non-authoritative material - examples, in particular - as authoritative or as best practice in all cases.

33.   The usual webinars and slide decks will also be useful but only provided the focus is on specifics, and on what is genuinely new and different, rather than simply going over the entire range of material at a high level.

General Questions

(a) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposals, in particular, on any foreseeable difficulties in applying it in a developing nation environment.

(b) Public Sector—The IAASB welcomes input from public sector auditors on how the proposed standards affect engagements in the public sector, particularly regarding whether there are potential

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concerns about the applicability of the proposals to the structure and governance arrangements of public sector auditors.

(c) Translations—Recognizing that many respondents may intend to translate the final ISQMs and ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed standards.

34.   We note in our main points above a number of issues with length and complexity, opportunities to improve drafting and in particular the use of plain language. All of these have an impact on translation which matters because of its impact on the timing, success and effectiveness of ISAs. There are too many jurisdictions using old versions of ISAs, the solution to which is shorter standards written in better quality English, as well as more resources for translators. We suggest that IAASB consider the need to involve translators at a much earlier stage in the process than at present. We also note the need for IAASB to gather intelligence on the time it will take to perform translations when considering the implementation period(s). The cost and technical challenges of translation seem likely to be particularly burdensome for developing nations. Challenging implementation dates exacerbate existing problems in such cases.

Overall Questions

Question 1: Does ED-ISQM 1 substantively enhance firms' management of engagement quality, and at the same time improve the scalability of the standard? In particular:

(a) Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?

35. We welcome the new, more proactive approach to quality management based on risk assessment. It is widely understood by auditors and similar to the threats and safeguards approach we advocated in our responses to previous consultations.

36. IAASB should take the opportunity of the attention the revisions will attract to emphasise the need for practitioners to use the new material in a thoughtful and holistic manner, and to avoid excessive emphasis on process.

37. We have concerns about the effectiveness of these proposals for smaller firms and in particular the risk of over-elaboration in the design of quality management systems. A simple and straightforward approach to quality management may be appropriate in many cases but this is not clear from the proposals. IAASB needs to consider what it can do to manage expectations, particularly those of regulators, in terms of what is expected of smaller firms or firms with low risk engagement portfolios.

38. We note in our main points above our belief that the proposals lack internal consistency in that mandatory responses have been included without corresponding mandatory risks. We suggest that IAASB consider this issue carefully, and should at least consider providing examples of the related risks, and/or factors to be taken into account, outside the standard, if it concludes that including them within the standard is not feasible.

(b) In your view, will the proposals generate benefits for engagement quality as intended, including supporting the appropriate exercise of professional skepticism at the engagement level? If not, what further actions should the IAASB take to improve the standard?

39. The impact of auditing standards on the exercise of professional scepticism, which is a state of mind, is limited. Auditing standards support the exercise of scepticism to the extent that they require the exercise of professional judgement and avoid prescription. IAASB's standards - by its own admission - have become increasingly prescriptive in recent years. That, combined with the sheer length of the proposals risks auditors getting bogged down in the requirements rather than standing back - which is what professional scepticism requires.

40. The proposals rightly emphasise iteration and connectivity as well as process. But practitioners may focus on process and IAASB could improve the proposals by balancing this perceived emphasis with more focus on competence, and the importance of its role in fostering professional scepticism. The link with the IAESB's work on this area should be made clearer by referring explicitly to the proposed IESs, particularly IES 8.

(c) Are the requirements and application material of proposed ED-ISQM 1 scalable such that they can be applied by firms of varying size, complexity and circumstances? If not, what further actions should the IAASB take to improve the scalability of the standard?

41. Proposed paragraph 10c has created some confusion. It seems obvious to some that additional responses beyond those required by the standard will be needed, simply because there are no prescribed responses in some cases. It would be helpful if this were explained in paragraph 10c because others fear that without such an explanation practitioners will develop unnecessary responses.

42.   ISQM 1 is better drafted than ISQM 2, but it is still double the length of ISQC 1, added to which are new requirements of ISQM 2. The sheer length of standards is a barrier to effective implementation at all levels.

43.   We note in our main points above the need for new types of non-authoritative IAASB documents, such as examples, FAQs and material targeted at different types of firm and engagement. IAASB needs to clearly promote such material as being non-authoritative, and to discourage the misuse of it as authoritative to governments, regulators and PAOs.

44.   We make detailed comments elsewhere in this response about areas in which further guidance supporting scalability would be beneficial.

45.   To the extent that many smaller firms rely on PAOs and other third parties for systems and methodologies, IAASB should consider engaging directly with those parties in its implementation activities.

Question 2: Are there any aspects of the standard that may create challenges for implementation? If so, are there particular enhancements to the standard or support materials that would assist in addressing these challenges?

46.   We note in our main points above and elsewhere in this response, the need for:

-   further non-authoritative guidance from IAASB supporting scalability, such as examples and FAQs;
-   an emphasis by IAASB on the simple and straightforward application of the requirements to some smaller firms to avoid over-elaborate and checklist-based risk assessments and responses;
-   the usual webinars and slides, provided they focus on the specifics of what is new, rather than a high-level overview.

47.   We also note in our main points above the value of digitisation. Requirements could be linked to application material and conditional requirements could be linked to further requirements. The 'what, why and how' approach being considered in the revision of ISA 315 might be also advanced using this approach. Requirements and application material could be further linked to examples outside the standard, FAQ, staff publications and other media.

48.   Digitisation would serve to encourage better drafting in that scalability material applying to less complex entities might be brought forward, which might help practitioners read the subsequent material with an appropriate frame of reference - rather than reading material intended to apply to more complex situations with mounting concern about how it applies in a smaller audit, only to discover the scalability paragraphs right at the end.

Question 3: Is the application material in ED-ISQM 1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional examples or explanations would be helpful or where the application material could be reduced?

49.   The application material is long and, in places, not an easy read, even for native English speakers. While the existing standard undoubtedly needs modernising, the absolute length of the proposed standard is an issue, and not just for smaller firms. Length is a particular issue when iteration and linkages are important (as in ISA 315), because length leads to linearity of approach.

50.   The number of paragraphs has nearly doubled in total. We therefore welcome any proposals or plans for the use of innovative media to house material in the form of non-authoritative examples, FAQs or other material targeted at different types of firm or engagement.

Question 4: Do you support the eight components and the structure of ED-ISQM 1?

51.   Some commentators suggested that a number of the components, particularly the risk assessment, information and monitoring components were not really components at all, but

that they were overarching processes or pervaded the other components. Others however believe that changing the ordering or structure is unlikely to change behaviour. On balance, we make no comment on this aspect of structure.

52. Competency and professional scepticism are critical to quality and ISQM 1 should emphasise the importance of competence in components other than risk assessment. The link with the IAESB's recent work on this should be made clearer. This could be done by referring explicitly to the proposed IESs currently being revised, particularly IES 8.

Question 5: Do you support the objective of the standard, which includes the objective of the system of quality management? Furthermore, do you agree with how the standard explains the firm's role relating to the public interest and is it clear how achieving the objective of the standard relates to the firm's public interest role?

53. We support the objective of the standard, however, we believe that there will be inconsistencies in the interpretation of which entities are of 'significant public interest'. Many commentators thought the category unnecessary.

54. The 'public interest' remains a nebulous and highly specific concept culturally and legally, and there is a defensive tone in IAASB's discussions on this issue. While understandable, given the dialogue about the extent to which IAASB's standards do or do not serve the public interest, this is unfortunate. The simple reference in paragraph 7 to the public interest being served by the consistent performance of quality engagements is perfectly adequate. No reference needs to be made to this in the objective, and no difference in behaviour would be achieved by so doing.

Question 6: Do you believe that application of a risk assessment process will drive firms to establish appropriate quality objectives, quality risks and responses, such that the objective of the standard is achieved?

55. We support an approach to quality management based on risk assessment.

In particular:
(a) Do you agree that the firm's risk assessment process should be applied to the other components of the system of quality management?

56. Yes, although some correspondents strongly believe that risk assessment in particular is not a component, but rather an overarching process and that the standard would flow better if it was treated as such.

(b) Do you support the approach for establishing quality objectives?

In particular:
(i) Are the required quality objectives appropriate?

57. The required quality objectives seem reasonable.

(ii) Is it clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances?

58. It is abundantly clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances. To balance the emphasis on this, and as a scalability issue, consideration should be given to noting in the application material the fact that in some cases it may not be necessary to develop further or more granular objectives.

(c) Do you support the process for the identification and assessment of quality risks?

59. We note in our main points above our concern about the lack of internal consistency in the proposals arising from the inclusion of responses for which no mandatory risks are identified. We understand the difficulties associated with articulating the range of risks that can attach to a particular response, but IAASB needs to include such risks, or at least factors to be taken into account, within an examples document outside the standard.

60. For many firms, the initial identification, articulation and assessment of risk in particular is likely to be challenging. Assessments are likely to vary and firms might need extensive documentation to demonstrate to regulators why they have assessed risk in a particular way.

(d) Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks? In particular:

(i) Do you believe that this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks?

61. Tailored and appropriate responses are only as good as the assessed risks, and we note in our main points above and elsewhere in this response our concerns regarding required responses in the absence of related risks, and our belief that this needs to be addressed by IAASB. Absent such guidance, required responses looking for risks to attach themselves to may not be well matched.

(ii) Is it clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard?

62. It is not entirely clear to some that the firm is expected to consider the need for responses in addition to those required by the standard. It would be helpful if paragraph 10c explained that additional responses beyond those required by the standard will be needed simply because there are no prescribed responses in some cases. It would also be helpful if that paragraph explained that there may be cases in which the responses already required by the standard are sufficient.

Question 7: Do the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership? If not, what further enhancements are needed?

63. We note in our main points above and elsewhere in this response the strongly held belief among some commentators that risk assessment is less a component, and more an overarching process. Mixed views have been expressed regarding the governance and leadership component, particularly as they apply to smaller firms which do not routinely use this sort of language. Again, examples would help.

Question 8: With respect to matters regarding relevant ethical requirements:

(a) Should ED-ISQM 1 require firms to assign responsibility for relevant ethical requirements to an individual in the firm? If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual?

64. Responsibility for relevant ethical requirements should be assigned to firms' designated ethics partners. Consideration might be given to covering this in the IESBA Code of Ethics.

(b) Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network?

65. Yes. The standard reflects the fact that ethical requirements will be determined by the requirements applicable in the firm's jurisdiction.

Question 9: Has ED-ISQM 1 been appropriately modernized to address the use of technology by firms in the system of quality management?

66. We have commented in a number of recent responses to IAASB our concern about the manner in which technological developments have - or have not - been dealt with. Many such developments are cross-cutting issues and have no obvious home and we note the significance of these issues in the most recent IAASB paper on audit evidence. This highlights a number of different ways in which the issues might be dealt with, the fact that the issues are not homogeneous, and the fundamental questions they give rise to. The one thing IAASB must not do is ignore these issues, or shunt them even further down the line.

67. Audit delivery models (including service delivery centres) are increasingly significant to audit quality and they rely on technology. There are differences of opinion between firms and regulators about whether engagement teams can rely on quality measures applied at the firm level to such centres, whether they need to perform their own, or both.

68. Such models and centres are tolerably well described, including their role within networks, but the different ways of approaching them from a quality point of view should be better described either in application material, or in an examples document.

Question 10: Do the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with the firm's stakeholders?

In particular, will the proposals encourage firms to communicate, via a transparency report or otherwise, when it is appropriate to do so?

69. The requirements for communication with external parties may promote the exchange of information but the quality of those communications will not depend on the ISA given the lack of specificity in the proposals. This may be a well-intentioned approach, but it will probably make little difference to behaviour. This is compounded by the fact that the use of the words 'where appropriate' are likely to give rise to disagreements between firms and regulators. Taken together, we believe that the IAASB should consider rationalising these requirements to avoid creating expectations that are unlikely to be met.

70. We do not believe that the words 'transparency report' should appear in the requirements because the vast majority of firms are not required to produce them, nor should they be. It would be more appropriate to refer to them in application material.

Question 11: Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of engagements to be subject to an engagement quality review?

71. While we agree that engagement quality reviews fulfil a vital role in the quality management process, we are concerned that they might be perceived as the answer to all quality issues, which they are not, and they must not be presented as such.

72. It would be helpful for the standard to note that an engagement quality review is not necessarily the only way of addressing the quality risks arising in the examples given in paragraph A104, and that a firm's own internal reviews or reviews by technical specialists within the firm are sometimes appropriate.

Question 12: In your view, will the proposals for monitoring and remediation improve the robustness of firms' monitoring and remediation?

In particular:

(a) Will the proposals improve firms' monitoring of the system of quality management as a whole and promote more proactive and effective monitoring activities, including encouraging the development of innovative monitoring techniques?

73. In general we are supportive of the proposals as long as scalability for firms performing less complex engagements can be clearly demonstrated. The proposals are explicit, which should promote consistency and ease and quality of monitoring. Unfortunately, while we support measures that encourage innovation, these proposals, of themselves, are unlikely achieve this.

74. In many jurisdictions, firms are required, or have no choice but to use PAO or regulator-produced resources for monitoring purposes. The revision of ISQM 1 will have little effect if the resources are not updated, and IAASB should engage with PAOs and regulators in such jurisdictions to help ensure that updates are made on a timely and holistic basis.

(b) Do you agree with the IAASB's conclusion to retain the requirement for the inspection of completed engagements for each engagement partner on a cyclical basis, with enhancements to improve the flexibility of the requirement and the focus on other types of reviews?

75.   It is important to retain the requirement for inspections of completed files. It provides an opportunity to take a holistic view, covering risk assessment, response, further audit procedures and completion, with a focus on the exercise of scepticism and the quality of judgements, as well as efficiency.

(c) Is the framework for evaluating findings and identifying deficiencies clear and do you support the definition of deficiencies?

76.   While the framework seems clear - a deficiency requires root cause analysis, a finding may or may not - the relationship between the two is less clear. Regulators have working definitions of findings and deficiencies and they are not consistent. A finding is not defined by IAASB, whereas a deficiency is defined. Despite the fact that most deficiencies will be identified as a result of internal or external findings, the definition of deficiency does not refer to findings. It is not clear what, if any, criteria auditors should apply when evaluating findings for the purposes of determining whether they are in fact deficiencies. If IAASB does not intend to do this, it should emphasise that a significant level of judgement is involved.

77.   Some auditors will assume that the two terms are synonymous. The use of the term 'finding' in paragraph 51 seems to indicate that they may be right. Did IAASB intend that paragraph to refer to deficiencies?

78.   We have concerns about the suggestion in paragraph A185 that the standard requires omitted procedures to be performed in relation to the engagement inspected. This is not required by audit regulators and could cause significant problems. IAASB should reconsider what it is trying to achieve in this context, whether it is reasonable and how to articulate it clearly.

(d) Do you agree with the new requirement for the firm to investigate the root cause of deficiencies? In particular:

(i) Is the nature, timing and extent of the procedures to investigate the root cause sufficiently flexible?

(ii) Is the manner in which ED-ISQM 1 addresses positive findings, including addressing the root cause of positive findings, appropriate?

79.   We support root cause analysis in principle. It works well for many firms and an emphasis on what works makes a significant and positive difference to attitudes. Firms with very few audits are, again, most likely to suffer disproportionate cost, and to fail to perform the analysis effectively. A simple example of how to deal with a deficiency in such a firm in an appropriate manner would be helpful.

(e) Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate at least annually whether the system of quality management provides reasonable assurance that the objectives of the system have been achieved?

80.   Exercises such as these include the annual compliance review required in the UK. However, this is a good example of another area which cries out for examples of how the requirements might work for a smaller firm. Such reviews can in practice be a pointless and/or ineffective burden if there are few, if any, serious issues to be addressed and they are addressed effectively on a piecemeal basis, which is sometimes the case.

Question 13: Do you support the proposals addressing networks? Will the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services?

81.   The proposed requirements in paragraph 61 are necessary to prevent undue reliance on networks but they will be hard to operationalise consistently.

82.   Firms will not welcome the need to assess the effectiveness of systems applied at a network level not least because there may be no established mechanism for doing this, and because they will have to consider how they perform the evaluation. That might involve the development of criteria which may or may not already exist at the network level, and a mechanism for dealing with adverse findings.

83.   The requirements effectively ask the firm to assess work performed at network level for network purposes, or to re-perform work already performed at network level. This has cost and administrative implications, even for firms with well-established and transparent quality management systems at the network level. Difficulties will arise if the firm has reason to disagree with internal findings, or to suspect that monitoring activities have not been performed effectively, or if information is simply not made available.

Question 14: Do you support the proposals addressing service providers?

84.   Many firms, not all of them small, have long relied on service providers - including professional bodies and commercial providers - for training, audit software or methodologies. An increasing number rely on service providers for analytics and cloud-based software. In practice, while some larger firms might look to assess different providers formally, smaller firms make that assessment informally through usage. It is not clear what the more formal assessment implied by paragraphs 64 and 65 would look like and some examples of this would be helpful.

85.   Does IAASB envisage providers being asked to provide ISAE 3402 reports, for example? What alternatives might there be?

Question 15: With respect to national standard setters and regulators, will the change in title to "ISQM" create significant difficulties in adopting the standard at a jurisdictional level?

86.   The change in title should make little difference to the process of adoption.

Other comments

87.   The following comments are on paragraphs that are unnecessarily obvious, verbose, repetitive, circular or otherwise hard to understand (or apparently illogical) as a result of the clumsy use of language. They are simply those that have been brought to our attention and do not represent a comprehensive analysis.

- Para 10, (c) in particular, (verbose)
- The definition of 'quality objectives' in para 19(p) (circular)
- The definition of 'system of quality management' in paras 19(v), 18 and 19(p) (repetitive)
- Para 28(a) which should refer to risks that are 'more than remote' rather than risks that have a 'reasonable possibility' of occurring (verbose, para A55 does nothing more than equate the two terms and should be deleted)
- Para 38 first para (repetition of 'resource')
- Para 38 (i) and (ii), the meaning here is very unclear, as a result of the use of the word 'or' implying that (ii) does not require knowledge or experience
- Para A35 (verbose and could be said in one line, referring to the need for capacity in the resource budget to deal with the unexpected)
- The example in para A51 (verbose)
- The last para in A87 (verbose)

- The last three sentences in para A113 (verbose and particularly impenetrable)
- Para A124: suggest delete (circular, unnecessary in many respects, para A125 would suffice, the rest is methodology and more relevant to and covered in ED ISA 315)
- Para A157: suggest delete (verbose and particularly impenetrable, seemingly suffering from the same unnecessary conceptual and methodological complexity as similar material in ISA 315: it addresses no widespread mischief, inconsistency or misunderstanding)
- Para A119: final bullet - either 'all personnel' is wrong, or the list that follows is incomplete. All personnel are defined as partners and staff.
- The use of the term 'may' is simply inappropriate in some of the application material. IAASB needs to find a middle way between this and the use of the present tense to deal with this problem. For example:
- Para A109: the integrity of engagement documentation will (not may) be compromised if it is permanently lost or damaged - and it is a statement of the obvious.
- Para A123: A firm 'may' take action where personnel demonstrate poor quality in the sense that it is permitted so to do, but does IAASB really consider this optional? Any action will (not may) depend on severity and frequency. This feels more like a required response.
- Para A129: the idea that IT applications or other aspects of the IT environment might not give rise to quality risks does not make sense. The nature and significance of those risks are (not may be) based on the extent to which the firm relies on IT. Similarly egregious examples can be found in paras A134, A160 and A209.
- In Appendix 1, para 5 could be expanded to help SMPs. Para 5 (a) refers to firms with a service delivery centre, which could be contrasted with a smaller firm where everything is done by a few personnel, making it easier to direct and supervise, and thus decreasing the quality risk.
- it might be helpful to include up-front a definition of a 'finding'. Many firms will have an understanding of this term based on their interaction with regulators and this will not necessarily be the same as what is intended in the standard
- it might be unclear what is meant by 'ethical values' in the acceptance and continuance section. This is presumably related to maintaining a good business reputation. A definition would be helpful.
- Para 19(k): would be better to delete 'larger' and just refer to 'a structure'. Larger is a relative term.
- Para 20: as only one individual can be 'ultimately' responsible, we suggest that this refers to 'the individual or board assigned…'.
- Para 34(b): should be expanded to address competence and experience.
- Para A162: *the firm's monitoring activities may include monitoring of those areas of change.* This should just refer to the fact that monitoring activities may need to change if the system of quality management changes.
- Para A164: this would be clearer if it simply said that even if a system has not changed it does not need to be tested on a cyclical basis.
- Para A189: the suggestion here in relation to the smaller firm seems to be at odds with the independence angle in para A171.
- Complaints and allegations: the requirement in ISQC 1 (para 59) concerning the need to establish policies and procedures requiring documentation of complaints and allegations and the responses thereto seems to have disappeared. It might be argued that this is part of 'monitoring and remediation', but we would support retaining an explicit reference. The risk of litigation must be a potential risk to all firms regardless of size.

- Para A202: we consider the language here confusing. Should it be '…for example, when a network firm performs work for the firm's engagements, such as in the capacity of a component auditor.'?

Detailed comments on FAQs and examples

- FAQs: these all have value but IAASB might consider the following inconsistencies in the nature and importance of content: Q1 is critical and likely to be missed but fairly high level. Q2 is basic and is already in the application material. Q3, while subtle, is also already in the application material. Q6 and 7 and 9 however, add to the application material, are useful and are more like examples.

- Examples: it would be helpful to provide factors to be taken into account (or some other guidance or examples) regarding how a firm might establish whether there is a 'reasonable possibility' of a risk occurring in scenarios 2 and 3.

- We note above, and in our response to ED-ISA 315, the fact that we disagree with the identification of a 'reasonable possibility' with one that is 'more than remote' as an excessively low hurdle driven, we believe, by a desire on the part of some firms to integrate as far as possible the requirements of US and IAASB standards within their methodologies. It would be more honest, given the fact that para A55 simply equates the two phrases to refer to a 'more than remote' possibility, rather than a 'reasonable' one.

- In Scenario 2, it would help if the third point under responses explained that in some other cases, there are others outside the firm who are caught.

Question 1: Do you support the focus on the sufficient and appropriate involvement of the engagement partner (see particularly paragraphs 11–13 and 37 of ED-220), as part of taking overall responsibility for managing quality on the engagement? Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?

88. It is not immediately obvious from the objective to whom the standard applies: the reference is to the 'auditor' who is defined in the glossary of terms and who will be further defined by national legislation. It would be helpful if some reference could be made to this issue in the application material.

89. Para 12 refers to 'supervisory roles' and some clarification of this term in the application material would be useful. For example, a second year trainee might be 'supervising' the work of a first year trainee, but we assume that this paragraph is aimed at more senior staff.

90. It would be helpful to bring forward the last sentence in para A30 which makes it clear that 'sub-assignment' is possible within the audit team. This is important within large audits.

91. IAASB also needs to consider the implications of para 13 in the context of the current developments in audit delivery models. This may be considered as part of the audit evidence project but the paragraphs as drafted look somewhat dated as they stand.

Question 2. Does ED-220 have appropriate linkages with the ISQMs? Do you support the requirements to follow the firm's policies and procedures and the material referring to when the engagement partner may depend on the firm's policies or procedures?

92. We agree with the requirements to follow the firm's policies and procedures, in relation to acceptance and continuance procedures (para 20) and consultation (para 32 (a)), for example. In terms of links to ISQMs, both paragraphs refer directly to 'the firm's policies and procedures'. In other cases though, this reference is in the application guidance.

93. Para 33 refers to audit engagements for which an engagement quality review is required, and only the application material refers to the firm's policies and procedures - rather than para 33 saying 'For audit engagements where the firm's policies and procedures require an engagement quality review…'. This seems inconsistent.

94. References to situations in which the engagement partner may depend on the firm's policies and procedures are helpful, for example para A61 which explains that the engagement partner may be able to depend on the firm's technological development and maintenance programs when using firm approved technology.

95. However, some have read para A8 as implying that the engagement partner does not need to follow the firm's policies or procedures. It might be helpful in any case to note in the second bullet that positive and negative outcomes of monitoring and remediation processes are both relevant in this context.

96. We note references in requirements for auditors to 'determine' various matters and to 'be satisfied' in relation to various matters. We are not convinced that there is a significant distinction between these two terms and we suggest one or the other be eliminated if that is the case to avoid inconsistent interpretations.

Question 3: Do you support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level? (See paragraph 7 and A27–A29 of ED-220)

97. Material on the appropriate exercise of professional scepticism is helpful, although we note in our main points above the limited impact auditing standards can have on it.

98. The recognition of some of the impediments to scepticism in para A27, the examples of bias in para A28 and the possible actions in paragraph A29 all provide useful guidance. However, while it is clearly related to audit quality, consideration might be given to including the material in ISA 200, instead, in more general guidance on professional scepticism.

Question 4: Does ED-220 deal adequately with the modern auditing environment, including the use of different audit delivery models and technology?

99.   We have commented in a number of recent responses to IAASB on our surprise at how thinly developments in technology are covered in revisions, and the risks associated with passing over the opportunities thereby afforded. The manner in which ED ISA 220 deals with technology and different audit delivery models is barely adequate.

100.   Para A58 states that the engagement partner may use professional judgement in determining whether the use of the resource on the audit engagement is appropriate, but there is no guidance on what factors the engagement partner should consider in making that judgement.

Question 5: Do you support the revised requirements and guidance on direction, supervision and review? (See paragraphs 27–31 and A68–A80 of ED-220)

101.   We are broadly supportive of the proposed requirements. Para 30 refers to reviewing the financial statements and the audit report, without specifying which version of those documents should be reviewed. In practice there can be a number of drafts, and the engagement partner's review may be evidenced on a final draft, rather than the final signed version.

Question 6: Does ED-220, together with the overarching documentation requirements in ISA 230, include sufficient requirements and guidance on documentation?

102.   The documentation requirements of ED-ISA 220 and ISA 230 need to be taken together with the requirement in ED-ISQM 2 para 27 (covering documentation of the engagement quality review) to get the full picture.

103.   It is unclear how IAASB determines what needs to be included in an individual standard rather than relying on the overall requirements in ISA 230. A more systematic approach is warranted going forward, rather than simply including matters the working party thinks are particularly important.

104.   For example, the documentation requirements in para 37 include nothing on evidencing the extent of the involvement of the engagement partner and we assume this is considered to be covered by the general requirements of ISA 230. Perhaps this is what is meant by the first sentence in para A102, but it seems odd to have application material in the standard that addresses this but no requirement to link it to.

105.   We note that the requirements in respect of consultations now include documenting how the conclusions from consultations have been implemented, which was previously in the application material. This seems reasonable.

Question 7: Is ED-220 appropriately scalable to engagements of different sizes and complexity, including through the focus on the nature and circumstances of the engagement in the requirements?

106.   ED-ISA 220 has fewer obvious scalability problems for less complex audits than the proposed ISQMs and this is directly related to length and complexity. However, the responsibilities of the engagement partner have an onerous feel to them for larger audits. Consideration might be given to noting the need for a layered approached to assignment of responsibilities in larger audits.

ED-ISQM 2

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?

107. We support a separate standard for engagement quality reviews, however, we note in our main points above the fact that ISQM 2 mixes up firm wide requirements for policies and procedures and engagement level requirements relating to the engagement quality reviewer. The lack of clear delineation of responsibilities between the firm, the engagement partner and the engagement quality reviewer is a perennial problem, and a driver of these revisions. The risks associated with this might be reduced if the ISQM provided some navigational guide, perhaps in an appendix as to which requirements relate to the firm, and which to the engagement quality control reviewer.

108. The drafting of ISQM 2 could be improved. The objective is a bare summary of the requirements and not an objective at all. A better objective is set out in paragraph 4 and is described as such. The requirements are without exception procedural and highly prescriptive. This has become the norm and IAASB should consider the long-term sustainability of this style of drafting, particularly in the absence of any mechanism for rationalising or consolidating old, weak, duplicative or redundant material. We make a number of drafting suggestions below, to illustrate what we mean by this. The document is too long and would benefit from a thorough review and a plain language test.

109. The quality of translation of standards has a direct impact on audit quality. IAASB should consider systematically involving the translators with whom it has established good relationships at key points in drafting,

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

110. Yes. There is a link in ISQM 1 para 37 to ISQM 2, and a link from ISQM 2 para A88 to ISQM 1.

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?

111. 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.

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?

112. We support the requirements for eligibility. The application material allows for the use of individuals outside the firm, which is important for small practitioners in the UK and elsewhere.

113. Para A4: the cross-references to ISQM 1 have the wrong paragraph numbers - 65 should be 64.

(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?

114. We agree that it is appropriate to suggest a cooling off period in the application material. Two years seems a reasonable length of time for listed entities. Like all bright lines in application material, it risks being treated as if it were a requirement by regulators, possibly rightly so in this case. We struggle to imagine any circumstances in which the threats could be reduced to an acceptable level where the engagement quality reviewer has been the engagement partner for a listed entity in the last two years. If it is not to be included as a requirement, as a public interest issue, it should be included in the IESBA Code. IAASB should address directly the position for unlisted entities. It is easier to argue the need for more flexibility in such cases.

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)?

115. Para 21 requires policies and procedures to ensure that the engagement quality reviewer's procedures are performed 'at appropriate points in time during the engagement'. The word 'appropriate' allows flexibility, but would benefit from application guidance explaining the risks associated with performing these procedures only once. This may be too late in practice to deal with problems that should have been identified earlier, particularly for smaller firms using external reviewers. Reference should also be made to the need for delay in completion of the audit if issues are identified at a late stage.

116. We are concerned about the general overuse of closely related terms such as 'high', 'higher' and 'significant', particularly in close proximity. Confusion around the use of 'significant matters' and 'significant judgements' in para 22 seems inevitable.

117. Examples of significant matters are given in ISA 230 para A8. Examples of significant judgements are given in ISA 220 para A79. Based on this, it seems there could be significant judgements that do not relate to significant matters. Paras 22 (a) and (b) require the engagement quality reviewer to read and understand information from the engagement team about the nature and circumstances of the engagement and discuss significant matters with the engagement team. Is this sufficient to enable the reviewer to identify the significant judgements? Is the reviewer required to consider the completeness of significant judgements, i.e., is the reviewer required to consider whether there is anything they consider to be a significant judgement that the engagement team has not? The explanations in paras 34 to 36 of the explanatory memorandum are not particularly helpful.

118. In para 22(e), does the requirement to evaluate whether appropriate consultation took place and to evaluate conclusions extend to requiring the reviewer to check whether the team took account of those conclusions, by requiring amendments to the financial statements, for example?

119. We foresee some issues with para 22(f) as it seems very unlikely that the engagement partner will conclude that they have *not* taken overall responsibility for managing and achieving quality. The focus should be on what the reviewer will expect to see on the audit file to support this conclusion.

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?

120. Yes, it seems appropriate that the reviewer evaluates the team's exercise of professional scepticism. We do not consider that there is a need for ISQM 2 to further address professional scepticism by the engagement quality reviewer, other than to emphasise the

need to maintain a sceptical mindset throughout the review, and to focus on those areas where scepticism should have been applied.

Question 7: Do you agree with the enhanced documentation requirements?

121. Paragraph 25 is helpful in stating that the reviewer is required to 'take responsibility' for documentation of the engagement quality review. Para A38 is similarly helpful in noting that it may be documented in a number of ways. It is important to recognise that there may be situations where the engagement team prepare some of the documentation, and the standard could be clearer on this by, for example, recognising that the minutes referred to in para A38 are prepared by the engagement team and not by the reviewer.

122. The application guidance could also usefully address the situation where an individual assists the engagement quality reviewer and produces documentation which is part of the engagement quality review.

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?

123. When major changes are proposed to a regulated activity, firms performing only a few such engagements are likely to be most affected. Firms performing just a few PIE audits may consider that the regulatory cost of such work simply is not worth it. However, it is often the regulatory approach to the changes that tips the scales, rather than the changes themselves and IAASB needs to consider the damage that is done to its reputation by the over-zealous interpretation of changes by audit regulators particularly SMPs. A dialogue is needed on this subject, and IAASB needs to take part.

124. We note in our answer to question 5, above, the need to refer to the risks associated with performing the review very late.

125. The reference to 'frequent communication between the engagement team and engagement quality reviewer' in para A24 is not appropriate in some LCE audits and the removal of the word 'frequent' would make little difference in other cases. The use of the word 'appropriate' later in the sentence is the critical one.

126. The appendix to the explanatory memorandum purports to summarise how the proposed standard addresses scalability. Some of the matters included are stretched, at best. 'Consideration of the reasons for the assessments given to the quality risks in determining competence and capabilities required for an engagement' and 'Impact of firm culture on authority of the engagement quality reviewer' may very indirectly contribute to scalability, but so do virtually all of the other requirements.

Other comments.

127. Para A9 states that a lack of appropriate competence or capabilities 'may' affect the ability of the engagement quality reviewer to exercise appropriate professional judgement. We do not believe that there are any circumstances in which a lack of appropriate competence or capabilities will not affect the reviewer's judgement. This sentence should be deleted.

Examples of suggested drafting improvements

~~ISQM 2~~

27 The engagement quality reviewer shall determine that the documentation of the engagement quality review is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed by the engagement quality reviewer, any ~~and, when applicable,~~ individuals who assisted ~~the reviewer~~, and the conclusions reached ~~in performing the review~~.

A5 An individual who has served as the engagement partner is un~~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 un~~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. ~~In recurring engagements, the matters on which significant judgments are made and the facts and circumstances around those significant judgments are not likely to vary to a degree such that an objective evaluation of those judgments can be made by the individual who served as the engagement partner in the immediate previous period. 114~~ *[The substantive text deleted arguably adds little value to the practitioners' understanding of the issue. To assume that practitioners need this level of explanation is to assume that the majority have a level of understanding far below that which would normally be expected. The qualifier regarding recurring engagements diminishes and compromises the overall message, raises more questions than it answers and rather than providing clarity, is more likely to create confusion].*

A6 ~~Accordingly,~~ Tthis ISQM therefore requires the firm to establish policies or procedures ~~that~~ limiting ~~the~~ eligibility for appointment ~~of individuals to be appointed~~ as engagement quality reviewers who previously served as the engagement partner, for example, by establishing a specified cooling-off period during which the engagement partner is precluded from being appointed as the engagement quality reviewer. Determining a suitable cooling-off period depends upon the facts and circumstances of the engagement, and applicable ~~provisions of~~ law, ~~or~~ regulation or ~~relevant~~ ethical requirements. In the case of an audit of financial statements of a listed entity, it is unlikely that an engagement partner would be able to act as the engagement quality reviewer until two subsequent audits have been conducted.

Para 24 The engagement quality reviewer shall determine whether the requirements in this ISQM with respect to the performance of the engagement quality review have been fulfilled, and ~~, and whether the engagement quality review is complete. If so, the engagement quality reviewer shall~~ notify the engagement partner when ~~that~~ the engagement quality review has been ~~is~~ completed.