

Swedish National Audit Office Response Template: Proposed ISQM 2

Note to respondents:

- The questions below are from the exposure draft of proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*, which is available at www.iaasb.org/quality-management.
- Respondents are asked to respond separately to each of the exposure drafts and the overall explanatory memorandum.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents' comments.

General Comments on Proposed ISQM 2

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:

Yes.

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

Response:

We find the linkages to be 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:

Yes, we support the 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?

Response:

Yes, we support the paragraphs but a with a few comments:

- Wouldn't it be relevant that also the assistant ensures that there are no threats to objectivity related to the engagement or the engagement team as this person might have been part of that team previously.

(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:

We would suggest including a cooling-off period within the requirements. The cooling-off period would be decided by the firm and included in their policies and procedures for engagement quality reviews.

(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:

We believe that it is best positioned in ISQM 2.

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:

Yes.

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 definitively believe that addressing professional skepticism more clearly in ISQM 2 would be relevant. Paragraph 22 d i) reads: *The engagement team's basis for making the significant judgments, including when applicable, the appropriate exercise of professional skepticism;*

We find the last the wording “when applicable” to be confusing and would suggest deleting it. In our interpretation of professional skepticism it will always apply. We also suggest to include a reference to ISA 220 where professional skepticism is elaborated.

7) Do you agree with the enhanced documentation requirements?

Response:

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?

Response:

No comment.

Editorial Comments on Proposed ISQM 2

Paragraph 15. *The firm shall establish policies or procedures that require the assignment of responsibility for the appointment of engagement quality reviewers to an individual(s) with the competence, capabilities and appropriate authority within the firm to fulfill the responsibility. Those policies or procedures shall require such individual(s) to appoint the engagement quality reviewer. (Ref: Para. A1–A3)*

Suggestion to delete the last sentence, no added value as it is written.