

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?*

The AUASB support the approach for a separate standard specific to engagement quality review (EQR) set out in ED-ISQM 2 given the importance of the role as an element of a firm's system of quality control. A separate standard is effective in communicating the importance of the role and emphasises the EQR's responsibilities and allows the role to be clearly separated for those engagements that do not require an EQR with direct linkages to ED-ISQM 1 paragraph 37(e) for those engagements where an EQR is required.

The AUASB agree that ED-ISQM 1 should deal with determining the criteria for which an EQR is required and ED-ISQM 2 should deal with all remaining aspects of appointment, eligibility and responsibilities for performing and documenting an EQR.

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

The AUASB believe the linkages are appropriate except for the definition of an EQR in ISA 220 which is inconsistent with ED-ISQM 2.

The definition of "engagement quality reviewer" is not aligned to the definition in ISQM 2 as it includes the additional wording: 'suitably qualified' partner or other individual appointed by the firm to be responsible for the performance of the engagement quality review. The definitions between the two standards should be aligned.

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?*

The AUASB supports the change to "engagement quality review/reviewer" as it is consistent with the proposed suite of quality management standards which now refer to quality management rather than quality control. The AUASB do not believe there would be any unintended consequences as a result of 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?*

The AUASB are supportive of the eligibility requirements of the "engagement quality reviewer". However, the definition, an "engagement quality reviewer" may be an individual in the firm other than a partner. Paragraph 16, only discusses limitations on the eligibility of an individual to be appointed as EQR for an engagement in the context of when the individual has previously served as engagement partner. We suggest it should be clarified whether similar limitations would apply to situations in which an individual previously served in other roles.

- (a) *What are your views on the need for the guidance in proposed ED-ISQM 2 regarding a "cooling-off" period for that individual before being able to act as the engagement quality reviewer?*

The AUASB notes that IESBA has changed the IESBA code to include more detailed and specific requirements for auditor rotation for Public Interest Entities (PIEs) with detailed rotational rules and limits for combined roles of Audit Partner, Key Audit Partner, and EQCR roles, as well as specified clean periods depending on the combination of the roles held by the partner.

The AUASB is supportive of a “cooling-off” period, including the guidance in paragraph A5 that firms establish the cooling-off period and that the determination of a suitable cooling-off period depends upon the facts and circumstances of the engagements (and applicable provisions of law or regulation or relevant ethical requirements). We recommend to include language similar to paragraph 28 from the Explanatory Memorandum within the standard to achieve this purpose.

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

The AUASB recommend including such guidance in the IESBA Code as it addresses other similar matters and inclusion of enhanced guidance regarding “cooling-off” periods would be consistent. This will help to avoid duplication, inadvertent variations in the requirements as written and variations in the interpretations based on the location of the guidance.

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)?*

The AUASB agree with the requirements relating to the nature, timing, and extent of EQR’s procedures, with the following considerations:

- Paragraph 22(c), the use of “identify the areas involving significant judgments” could be viewed as expanding the role of the EQR beyond what is intended. We recommend replacing “identifying” with “evaluating”.
- Paragraph 22(f), it is uncertain as to how an EQR would “evaluate the basis for the engagement partner’s conclusion” and the related application guidance does not provide further clarity. We recommend further clarification around the documentation of the evaluation of the conclusion.

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 scepticism? Do you believe that ED-ISQM 2 should further address the exercise of professional scepticism by the engagement quality reviewer? If so, what suggestions do you have in that regard?*

The AUASB agrees that the EQR’s evaluation of the engagement team’s significant judgments includes evaluating the engagement team’s exercise of professional scepticism.

The AUASB not believe that ED-ISQM 2 should further address the exercise of professional scepticism by the EQR. The role of the EQR is limited to evaluating the significant judgments made by the engagement team, and whether an appropriate level of professional scepticism has been exercised and evidenced in designing and executing procedures and concluding on those areas by the engagement team and is appropriately reflected in the documentation.

The AUASB agrees that the EQR's evaluation of the engagement team's significant judgements includes evaluating the engagement team's exercise of professional scepticism, however, it is difficult to see how the IAASB anticipates this will be evidenced.

7. *Do you agree with the enhanced documentation requirements?*

The AUASB is supportive of the enhanced documentation requirements.

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?*

The AUASB agrees that the requirements in ED-ISQM 2 are scalable for firms of varying sizes and complexity.

*Matters for further consideration in relation to ISQM 2*

9. Do you consider that the requirements in ED-ISQM 2 are appropriate for all engagements to which the standard will apply through ED-ISQM 1 e.g. other assurance and related services engagements and not just audits of a financial report? An example of this may be the "cooling-off periods".

The AUASB is supportive of ED-ISQM 2 applying to other assurance and related services engagements and not just audits of financial statements if a risk based approach to ED-ISQM 1 is appropriately adopted.

10. Do you think the requirement for an engagement quality reviewers overall conclusion in paragraph 24 adds value to the performance of the engagement quality review as a whole?

The AUASB is generally supportive of the stand back provision in ED-ISQM 2 as it is consistent with other more recent standards issued by the IAASB.