



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4.3.1**

Meeting Date: 6 March 2019

Subject: Significant issues identified

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Date Prepared: 25 February 2019

Objective

1. The objective of this paper is to outline the significant issues raised by the AUASB and ATG during the development of Proposed ISQM 2 *Engagement Quality Reviews*, determine whether any other issues have been identified since the last review of the proposed standard in December 2018 and whether the questions in ED 02/19 appropriately draw stakeholder’s attention to areas of interest.

Matters to Consider

2. A table has been prepared in paragraph 3, which aligns each of the issues raised by the AUASB to a question in ED 02/19. Based on the analysis in the table, the ATG recommends the inclusion of an additional question to questions in ED 02/19 to draw stakeholder attention to the following issue:

Questions	
1.	Does the AUASB consider it appropriate to include an additional question in ED 02/19 to address whether the requirement in ASQM 2 for the EQR to determine whether the requirements of ASQM 2 have been fulfilled and completed should actually reside in ISQM 1 or ASA 220?
2.	Has the AUASB identified any significant issues in ED 02/19 which have not been listed in this paper? If yes, do the specific questions appropriately bring the issue to stakeholder’s attention?

AUASB Table Aligning Questions to Issues

3. The following table has been prepared to provide the ATG’s view on whether issues identified by the ATG and AUASB have been appropriately covered by the questions in ED 02/19.

Para	Issue Raised	Brief Description	Addressed by Question
ISQM 1 – para 37(e)	Linkages to proposed ISQM 1 and Scope of engagements subject to EQR	This paragraph sets out all engagements for which an EQR is required to be performed in accordance with proposed ISQM 1.	ATG view that this is sufficiently addressed by ED 02/19 – Question 1 and Question 2 . 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

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Para	Issue Raised	Brief Description	Addressed by Question
			deal with the remaining aspects of engagement quality reviews? 2) Are the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 clear?
	Definitions	Change to the terminology from ‘engagement quality control review/reviewer to “engagement quality review/reviewer”. This change is proposed to be consistent with the proposed ISQM 1 (revised) which now refers to quality management rather than quality control.	ATG view that this is sufficiently addressed by ED 02/19 – 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?
15-20	Eligibility of the engagement quality reviewer (including cooling-off period)	Further work is to be completed on the cooling-off period being coordinated with IESBA through a joint working group.	ATG view that this is sufficiently addressed by ED 02/19 – 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?.....
21-23	Performance of an engagement quality review	These amendments seek to clarify the EQRs responsibilities in relation to evaluating the engagement team’s significant judgements. For financial statement audits <i>this</i> has now been linked to the requirements in ISA 220 and A80 which provides examples of significant judgements through A29-A30 of ISQM 2. Para 22(e) addresses consultation on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations	ATG view that this is sufficiently addressed by ED 02/19 – Question 5 and Question 6 . 5) Do you agree with 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 judgements includes evaluating the engagement team’s exercise of professional scepticism?
21(c) and A24	Consultation between the engagement team and the engagement quality reviewer	ATG has no specific issues with how the taskforce has dealt with the risk of consultations impairing the objectivity of the EQ reviewer under proposed ISQM 1 para 43(e)(v) and A109.	ATG view that this is sufficiently addressed by ED 02/19 – Question 5 . Refer Qn 5 above.
24	The engagement quality reviewer’s overall conclusion	The requirement at para 24 addresses that the EQ reviewer shall evaluate whether, the requirements of ISQM 2 have been fulfilled, and whether the EQR is complete. Does the AUASB think that the stand back requirement in para 24	Not clearly addressed by any specific question. Generally covered in Qn 5. Do the AUASB support an additional question in

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		should be performed at the firm level, engagement partner level or the EQ reviewer level?	ED 02/19 to seek respondents' views on this area?
25 -27	Documentation	The ED has strengthened, clarified and been more specific in the amended documentation requirements.	ATG view that this is sufficiently addressed by ED 02/19 – Question 7. 7) Do you agree with the enhanced documentation requirements?

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