



National Association of State Boards of Accountancy

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June 28, 2019

International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York, NY 10017

Via website: [www.iaasb.org](http://www.iaasb.org)

**Re: Proposed International Standard on Quality Management 2**

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the Proposed International Standard on Quality Management 2 – *Engagement Quality Reviews* (ED-ISQM 2). NASBA’s mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the IAASB’s Exposure Draft are made in consideration of the Boards’ of Accountancy charge as regulators to promote the public interest.

In furtherance of that objective, NASBA offers the following comments on the questions as presented in the Exposure Draft.

**Request for Comment 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?*

Yes, we support having a separate standard for engagement quality reviews. We agree that it is appropriate to separate the topics such that ED-ISQM 1 deals with engagements for which an engagement quality review is to be performed and ED-ISQM 2 deals with the remaining aspects of engagement quality reviews.

**Request for Comment 2:**

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

In general, we believe the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are clear.

We question the linkage referenced in A32 regarding difficult or contentious matters. A32 of ED-ISQM 2 references Paragraphs 40(c) and (d) of ED-ISQM 1. Difficult or contentious matters are not discussed in ED-ISQM 1 Paragraphs 40(c) and (d); however, those matters are described in ED-ISQM 1 Paragraphs 37(c) and (d).

**Request for Comment 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 terminology in respondents’ jurisdictions?*

Yes, we support the change from “engagement quality control review/reviewer” to “engagement quality review/reviewer.”

With respect to the state boards of accountancy as regulators of the profession in the United States, we do not foresee that there would be any adverse consequences of changing the terminology in the jurisdictions.

**Request for Comment 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?*

- (a) What are your views on the need for 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?*

We generally support the requirements as described in paragraphs 16 and 17. We believe consideration should be given to moving Paragraph A15 into the requirements of the standard.

- (a) We believe a “cooling off” period should be required. The guidance regarding a “cooling off” period for an individual before being able to act as the engagement quality reviewer is presented as application guidance. More guidance and specificity are needed in order to avoid inconsistencies.
- (b) Yes, if more guidance is provided regarding a “cooling off” period, we believe it should be included in the IESBA Code and linked with proposed ISQM 2, rather than including this directly in ISQM2.

**Request for Comment 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)?*

Yes, we agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures. We also agree that the responsibilities of the engagement quality reviewer are appropriate.

**Request for Comment 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?*

Yes, we 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.

We believe that the ED-ISQM 2 has appropriately addressed the exercise of professional skepticism by the engagement quality reviewer and has appropriately linked to ISA 220.

**Request for Comment 7:**

*Do you agree with the enhanced documentation requirements?*

Yes, we are supportive of the enhanced documentation requirements.

**Request for Comment 8:**

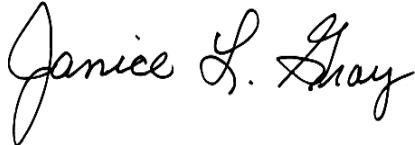
*Are the requirements for engagement quality reviews in ED-ISQM 2 scalable for firms of varying size and complexity? If not, what else can be done to improve scalability?*

We believe that the requirements for engagement quality review in ED-ISQM 2 will be challenging for smaller firms in having adequate qualified reviewers. Improvements for scalability for engagement quality reviews in ED-ISQM 2 will depend on the specificity of the engagements that require an engagement quality review prescribed in ED-ISQM 1 as well as the implementation guidance provided, especially for the smaller firm and sole proprietor.

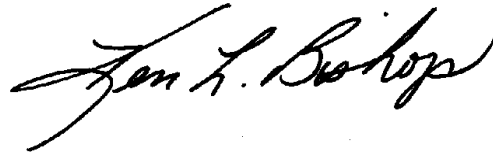
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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,



Janice L. Gray, CPA, CVA  
NASBA Chair



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