

Vani Balabaskaran

Providing comments to the AASB The AASB's experience is that field testing proposed requirements often can identify areas where the proposals create practical challenges. Should you decide to field test the requirements in the Exposure Drafts, we would appreciate learning about the results in your response letter. Lessons learned from field testing will provide the Board with a better understanding of the proposals' practical implications. The AASB would appreciate receiving responses to the questions set out below, in addition to receiving a copy of the response to the IAASB's Exposure Drafts.

1. Do you agree with the proposed Canadian amendment?

Yes.

2. Do you believe the AASB should make any additional Canadian amendments? If so, please include your reasoning and describe their nature and extent. Any proposed amendments would need to meet the criteria set out in the Appendix.

Yes, I don't believe related services engagement should be included into the scope of the new Canadian quality management. Compilations, even with the proposed new standards, should not be included because it is supposed to be a cost-effective alternative to assurance engagements. In addition, a firm does not perform many engagements to report on supplementary matters arising from an audit or a review engagement (CSRS 4460).

3. Recognizing the proposals are intended to apply to a wide variety of circumstances, do you believe that examples in how the proposals apply to SMPs are appropriate? If not, why not?

Not applicable

4. Are there any circumstances (i.e., types of engagements) where the risk to quality would be considered too low to require a system of quality management? Alternately, are you aware of circumstances where some of the components of the system of quality management would not apply? If so, please explain the circumstances and which components you believe would not apply.

See responses in question 2.

5. Do you believe any of the proposals could create implementation challenges? If so, please explain why, and where additional implementation guidance may be needed.

I don't believe that the existing Quality Assurance (QAM). The response to QAM has been, in my experience, reactive not proactive in nature. I am afraid the response to the new QAM will be the same.

Enforcement happens once every three years. Who will monitor within that time frame?

June 6, 2019

Eric Turner, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Dear Mr. Turner,

**Re: Quality Management at the Firm and Engagement Level, Including Engagement Quality Review
Exposure Draft**

We appreciate this opportunity to provide our comments on the exposure draft on Quality Management at the Firm and Engagement Level, Including Engagement Quality Review.

In addition to being public practitioners ourselves our consulting business provides a range of services to other public practitioners and their staff. We provide monitoring and related compliance services, training and technical advice to hundreds of small to mid-sized CPA firms in western Canada. We feel this provides us with a unique viewpoint on what is currently occurring in many public practice firms from which to share with you.

Our comments with respect to the questions posed by the AASB in the exposure draft are as follows:

1. *Do you agree with the proposed Canadian amendment?*

Yes, we agree with the proposed Canadian amendment.

2. *Do you believe the AASB should make any additional Canadian amendments? If so, please include your reasoning and describe their nature and extent. Any proposed amendments would need to meet the criteria set out in the Appendix.*

The proposed standard is likely to have a direct impact on 'network firms'. Given the current environment in which many smaller firms are entering into various structures where resources can be shared, including the production and sharing of methodologies, templates and availability of technical consultations, we question whether the standard will appropriately or inappropriately place network requirements on these structures.

3. *Recognizing the proposals are intended to apply to a wide variety of circumstances, do you believe that examples in how the proposals apply to SMPs are appropriate? If not, why not?*

As practitioners responsible for quality control in our own SMP, we make a continual effort to fulfil the current requirements of CSQC-1 as best we can. We have documented policies and procedures, which are disseminated throughout the firm through our quality control documentation. We perform a variety of ongoing monitoring procedures including the performance of completed file monitoring annually instead of on a cyclical basis. We provide a significant amount of professional development training throughout all levels of the firm. We already seek to find the root causes of our quality issues and seek to implement additional training and new procedures to address any issues we identify. Thus, after reading through the proposed new standard we are left with the question, what has changed? In other words, for a SMP who performs small non-public audits, reviews and compilation engagements and has implemented a strong system of quality control under the existing CSQC-1 guidance what is the expected outcome on our system of quality control under the proposed standard?

We have identified some areas where additional Canadian guidance could be provided:

- Guidance on the amount of assurance and financial reporting professional development for engagement leaders;
- Illustrative examples of how often cyclical monitoring should be performed and how many engagements should be examined for various practice profiles;
- Recommendations on how in progress monitoring could be conducted for small audits, review engagements and compilations; and
- Suggestions on how emerging IT audit tools could be applied to help improve file quality.

4. *Are there any circumstances (i.e., types of engagements) where the risk to quality would be considered too low to require a system of quality management? Alternately, are you aware of circumstances where some of the components of the system of quality management would not apply? If so, please explain the circumstances and which components you believe would not apply.*

No, we feel strongly that any engagement, whether these fall within the CPA Canada Handbook or not, should be performed within a system of quality management. We have yet to work with a firm who has not implemented quality control procedures, albeit they may not necessarily be documented and assessed regularly.

We fail to understand the concept that quality control requirements would be considered a new requirement for firms who are not conducting assurance engagements. The CPA Code of Conduct requirements have formulated firms quality control requirements to date, including:

- Performance of all engagements with integrity, due care and objectivity;
- Demonstration of professional competence;
- Maintenance of adequate documentation; and
- Not knowingly associating with false or misleading information.

In our opinion, only under a well thought out system of quality management can a firm regulated under such a code ensure that it can comply with such requirements on a consistent basis.

Furthermore, it is our opinion that the proposed standard already addresses the components of the system of quality management that would not apply to specific engagements or firms in the standards and the application guidance.

Lastly, we think that regardless of whether a service is an assurance engagement or an other regulated service within the CPA Canada Handbook, that the public has a reasonable expectation that taxation, advisory and other services provided by a professional accounting firm are performed within some type of a system for quality management.

5. Do you believe any of the proposals could create implementation challenges? If so, please explain why and where additional implementation guidance may be needed.

Yes, we see two significant implementation challenges where additional application or guidance material would be of benefit.

First, the proposed new standard requires firms to make a firm level risk assessment for quality and then customize the design, implementation and operations of its system of quality management based on this assessment. The implementation of the CASs several years ago and subsequent results from the profession's practice inspections program have demonstrated that many SMPs continue to struggle with risk assessment at the engagement level. We believe that this is due to the fact that many of the practitioners in these firms perform a very limited amount of assurance work. Their focus for professional development training and research is often heavily weighted to taxation and other regulatory matters, which have a greater impact on their clients. We believe that this is the real issue behind quality in the SMP assurance market and that this is better addressed through the application of standards such as IES 8, *Professional Competence for Engagement Partners Responsible for Audits of Financial Statements*. If our assessment is correct, it is not a lack of focus on quality that is the primary issue but rather a lack of time and resources devoted to education on assurance and financial reporting that is the root cause of quality issues.

In other words, an adequate risk assessment and response is not feasible without a solid foundation of assurance and financial reporting technical knowledge that comes with sufficient continuing professional education as well as maintaining an assurance practice with sufficient size to ensure that this knowledge can be applied regularly. We are aware of several provincial CPA organizations that have implemented minimum annual assurance and financial reporting CPD requirements as well as minimums on the amount of assurance work a practitioner must conduct each year. We feel strongly that this will go a long way to address the quality of assurance engagements in the SMP market. Similar standards and guidance provided at a national level could ensure that this is done consistently across the country.

Secondly, firms that perform no assurance work will likely be unfamiliar with the existing requirements under CSQC-1. As this proposed standard is far more complex it will be a difficult transition from no quality standards to this robust and lengthy risk-based standard. As these firms do not currently maintain quality control manuals nor conduct ongoing and cyclical monitoring these processes will constitute a significant change.

We support the inclusion of related services in the proposed standard but also recognize that firms such as these will require training and materials that will be unique to their situation as much of the proposed standard may have little to no direct effect on their practices. Specific resources targeted to such firms should be developed to help ensure proper adoption as well as consistency across these firms.

Montréal, le xx juin 2019

Eric Turner, CPA, CA
Directeur, Normes d'audit et de certification
Conseil des normes d'audit et de certification
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Monsieur,

Vous trouverez ci-joint les commentaires du Groupe de travail technique – Certification mis de l'Ordre des comptables professionnels agréés du Québec concernant l'exposé-sondage – Projet de norme canadienne de gestion de la qualité intitulée « Gestion de la qualité au niveau du cabinet et de la mission, et revues de la qualité des missions ».

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veillez prendre note que l'Ordre des comptables professionnels agréés du Québec agit seulement à titre de facilitateur et ce document ne constitue pas une réponse de ce dernier, mais le point de vue des membres participant aux groupes de travail. De plus, ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veillez agréer, Monsieur Turner, mes salutations distinguées.

Kim Lemire, CPA auditrice, CA
Représentante du Groupe de travail technique – Certification

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les Groupes de travail techniques et sectoriels de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître l'opinion des groupes de travail sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis par ces comités ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail, l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via les Groupes de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les Groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux et dans l'industrie ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres des Groupes de travail mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires font l'objet d'un consensus parmi les membres des Groupes de travail ayant participé à cette analyse.

Les commentaires formulés par les Groupes de travail ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

COMMENTAIRES GÉNÉRAUX

Par souci d'efficacité, les membres du Groupe de travail – Certification ont choisi de discuter des enjeux et des problématiques qu'ils ont relevés lors de la lecture de ces exposés-sondages plutôt que de répondre à toutes les questions énumérées dans ces derniers.

D'entrée de jeu, les membres ont tenu à souligner que le moment de la publication de ces exposés-sondages ainsi que la courte période de commentaires allouée par le CNAC sur ces derniers ne facilite pas la consultation des parties prenantes de manière optimale. Bien que tributaire des délais imposés à l'international, il serait dans l'intérêt du processus de normalisation que le CNAC sensibilise l'IAASB à cet égard. Bien que les propositions aient une incidence substantielle sur la pratique des cabinets de plus petite taille (incluant ceux qui ne réalisent que des missions de compilation), nous n'avons pas été en mesure de les amener à commenter sur ces projets; les délais étant trop serrés et coïncidant avec une période de pointe pour ces cabinets.

Somme toute, les membres croient que les fondements du projet de norme sur la gestion de la qualité sont pertinents. Ils approuvent la volonté de l'IAASB de revoir ces normes pour tenir compte de la taille des cabinets, de leur complexité, de leur situation ainsi que de la nature des mandats qu'ils effectuent. En général, les 8 composantes proposées du système de gestion de la qualité sont bien accueillies auprès des membres. Toutefois, c'est la démarche d'évaluation des risques du cabinet qui génère le plus de commentaires et de préoccupations.

Plusieurs éléments ressortent des échanges entre les membres. Nous les avons énumérés ci-dessous :

Modifications importantes proposées pour le Canada

Les membres sont en accord avec les renvois suggérés au sujet des règles de déontologie pertinentes.

Champ d'application proposé et élargi :

Le champ d'application de la norme ISQM 1 en projet inclut l'ensemble des missions visées par les normes du Manuel de CPA Canada – Certification, y compris les missions de services connexes. Ainsi, le CNAC se propose d'adopter la norme ISQM 1 à titre de NCGQ 1. Lors de son entrée en vigueur, la quasi-totalité des cabinets au Québec sera assujettie à cette norme et de ce nombre, une proportion très importante de cabinets aura à appliquer pour la première fois une norme de qualité.

Tel que précisé ci-dessus, il n'a pas été possible d'obtenir les commentaires de cabinets directement visés par ce champ d'application élargi (cabinets ne réalisant que des missions de compilation).

Les membres présents représentent des cabinets qui réalisent à la fois des missions de certification et des missions de services connexes. Ces derniers ne prévoient pas d'incidence significative liée à cet élargissement étant donné que selon eux, les missions de compilation ne rencontreront possiblement pas les critères qui seraient développés en réponse au paragraphe .37 e) iii) de la NCGQ 1.

Nouvelle approche fondée sur les risques :

Les membres sont d'avis que la mise en œuvre des nouvelles exigences de la gestion de la qualité demandera un effort et un investissement de temps pour se conformer aux exigences, et ce, pour l'ensemble des cabinets.

Les cabinets ou les professionnels exerçants seuls qui ne réalisent pas de missions de certification (audit ou examen), auront encore plus de difficultés à répondre aux exigences de la norme NCGQ 1. Ne réalisant que des missions de compilation, ils ne sont pas familiers avec une approche fondée sur les risques. La principale difficulté pour eux sera l'intégration et l'application de cette approche fondée sur les risques, particulièrement pour l'identification et l'évaluation des risques liés à la qualité du cabinet. Par exemple, l'application des paragraphes .28 et .29 du projet de norme semble à première vue trop complexe pour des cabinets n'ayant jamais réalisé de missions basées une approche de risques. De plus, la description de cette analyse en deux étapes pour l'identification des risques liés à la qualité, soit une analyse préliminaire de la possibilité que les risques liés à la qualité se concrétisent et une analyse plus détaillée du degré de probabilité que ces risques se concrétisent et de l'importance de leur incidence sur l'atteinte des objectifs en matière de qualité, est difficilement compréhensible et réalisable même aux yeux de certains membres présents qui ont une bonne connaissance de l'approche fondée sur les risques.

Adaptabilité pour les cabinets :

Question du CNAC: Les propositions de l'IAASB sont-elles suffisamment adaptables pour pouvoir être appliquées par tous les cabinets, compte tenu de leur taille, de leur complexité et de leur situation?

Les membres croient que les propositions sont suffisamment adaptables pour les cabinets effectuant des missions de certification, mais représentera un réel enjeu pour les cabinets effectuant que des missions de compilation. Toutefois, ils mentionnent que ces propositions demanderont beaucoup de personnalisation des exigences par les cabinets et particulièrement par ceux n'exécutant aucun audit ou examen.

Malgré la présence d'exigences prescrites dans la norme NCGQ 1 en projet, il n'y a pas d'exigence prescrite au niveau des risques liés à la qualité. Ainsi, la NCGQ 1 force le cabinet à procéder à une analyse pour bien identifier ses risques (ce qui est bien en soi). Les membres se questionnent toutefois sur la capacité de l'ensemble des cabinets de procéder à cette analyse. Certains cabinets pourraient ne pas disposer de ressources disponibles et des compétences pour effectuer cette analyse. Ainsi, il est possible que certains ne réussissent pas à implanter ces propositions correctement.

Les paragraphes de modalités d'application de la norme NCGQ 1 en projet sont nombreux et essentiels pour les cabinets. Les membres ne pensent pas que des modalités d'application additionnelles soient nécessaires. Toutefois, il y a présence d'un consensus entre les membres présents pour que des ressources ne faisant pas autorité soient plutôt développées par CPA Canada : publications gratuites comme des guides ou des alertes aux risques, exemples de Manuel d'assurance qualité (possiblement appuyés d'un groupe de travail et des ordres provinciaux comme ce fut le cas avec la Norme sur les missions d'examen). De telles ressources sont indispensables pour aider les cabinets à assimiler et appliquer adéquatement cette nouvelle norme.

De plus, il est essentiel de coordonner le développement de ces outils et ressources par CPA Canada avec la publication de la norme NCGQ 1 dans le Manuel de CPA Canada – Certification pour soutenir les professionnels.

Les documents en version préliminaire d'exemples et de questions fréquentes publiés par l'IAASB sont très utiles pour comprendre et illustrer le projet de norme. Il serait bien de les conserver et même de les adapter à la réalité du Canada. Les membres ont mentionné que ces documents sont très aidants pour tous les cabinets, car ils peuvent s'en inspirer comme point de départ pour structurer la documentation du système de gestion de la qualité et ainsi voir les liens entre les objectifs en matière de qualité, les risques liés à la qualité, les réponses à ces risques et les différentes composantes.

Date d'entrée en vigueur :

Le texte accompagnant le projet de norme internationale propose une date d'entrée en vigueur de 18 mois **après la date d'approbation** de la norme. Unanimement, les membres consultés ainsi que les représentants de l'Ordre estiment que cette période est trop courte pour s'assurer d'une implantation de qualité au Canada.

Il est important de prévoir une période suffisante pour que tous les cabinets puissent ajuster leur Manuel d'assurance qualité ou en développer un, former leurs employés et procéder à son implantation. Les membres recommandent un délai minimum de 18 mois **après la date de publication** dans le *Manuel de CPA Canada* pour l'entrée en vigueur de la norme. Le délai entre l'approbation d'une norme internationale et sa publication dans le Manuel est tributaire d'un processus qui peut être assez long. L'obligation de publier les Normes dans les deux langues officielles doit faire partie des considérations du CNAC dans le choix d'une date d'entrée en vigueur pour le Canada.

De plus, il est très important de considérer l'ampleur du travail pour un très grand nombre de petits cabinets, tel que mentionné précédemment à propos de la nouvelle approche fondée sur les risques, et aussi, pour les plus grands cabinets qui doivent uniformiser leurs façons de faire dans plusieurs places d'affaires.

Les membres soulignent que les efforts soutenus par le CNAC et CPA Canada lors de l'implantation de la norme canadienne de mission d'examen (NCME) 2400 ont porté fruit et que sur le terrain, les inspecteurs professionnels ont souligné le succès du plan d'implantation préparé par les parties prenantes. Pour cette norme, le délai de 18 mois pour l'application de la norme **après la date de publication** dans le *Manuel de CPA Canada* fut respecté. Ce délai a ainsi permis une planification et coordination de la préparation des outils d'aide, des publications et des activités de formation. Il semble difficile de justifier de ne pas reconduire un modèle d'implantation qui a si bien fonctionné.

Dans un plan d'implantation optimal, il faut considérer que :

- pour la plupart des cabinets, certaines périodes de pointe ne peuvent être considérées dans le délai d'implantation, car, durant ces périodes, la quasi-totalité des ressources du cabinet se consacre aux opérations de services aux clients;
- le développement des activités de formation de qualité demande un temps considérable et la fenêtre de diffusion de ces activités ne s'échelonne pas sur 12 mois, mais sur une période de quelques mois ciblés dans l'année;
- la réalité canadienne diffère probablement de la réalité de plusieurs pays par le nombre très considérable de cabinets qui n'appliquent pas la norme présentement, car ces cabinets réalisent uniquement des missions de compilation. Le délai d'implantation dans ces cas est crucial.

De plus, certains membres suggèrent de considérer une date d'entrée en vigueur différente pour les praticiens qui ne font que des missions de compilation. Ainsi, ils pourraient bénéficier de l'expérience gagnée par d'autres cabinets et avoir plus de temps pour bien implanter ces normes.

Un membre suggère de profiter de la publication de la nouvelle norme de compilation pour arrimer les dates d'entrée en vigueur des exigences de la norme de gestion de la qualité en projet et celle sur les missions de compilation. Cela pourrait améliorer la mise en œuvre de ces 2 normes majeures. Cette coordination permettrait de mieux sensibiliser l'ensemble des cabinets.

Norme NCGQ 1

Question du CNAC : Y a-t-il des circonstances (c'est-à-dire des types de missions) dans lesquelles le risque lié à la qualité serait jugé trop faible pour nécessiter la mise en place d'un système de gestion de la qualité?

Les membres mentionnent que les missions de compilation ne se qualifieront pas aux critères que les cabinets vont instaurer selon le paragraphe .37 e) iii), même si elles sont dorénavant considérées dans le champ d'application de la norme en projet.

Norme NCGQ 2

Question du CNAC : Êtes-vous favorable à l'élaboration d'une norme distincte sur les revues de la qualité des missions?

Oui, les membres sont favorables à l'élaboration d'une norme distincte sur les revues de la qualité des missions. Ils mentionnent que cela permet d'alléger la norme NCGQ 1 et de faciliter la recherche des éléments de la revue qualité s'ils se retrouvent dans une norme séparée.

En général, les membres sont en accord avec les critères énoncés pour la revue de la qualité au paragraphe .37 e) de la NCGQ 1.

Toutefois, les auditeurs du secteur public auront beaucoup plus de missions qui exigeront une revue de la qualité, car plusieurs répondent au critère du paragraphe .37 e) ii) et représentent des audits d'états financiers d'entités qui sont importantes du point de vue de l'intérêt public.

Les membres affirment qu'il serait pertinent d'inclure d'autres exemples d'entités qui, selon le cabinet, sont importantes du point de vue de l'intérêt public autre que ceux énumérés au paragraphe .A102, car ce n'est pas le genre de clientèle (banques, sociétés d'assurance et caisses de retraite) que les petits et moyens cabinets ont et ils ne se sentiront pas visés par les exemples présentés. Il faut des exemples plus parlants pour eux.

De plus, certains membres ont souligné que la différence entre le recours à la consultation sur les points délicats ou litigieux (paragraphe .37 c)) et la revue de qualité des missions (paragraphe .37 e)) n'est pas très claire et ainsi ces 2 éléments sont souvent confondus en pratique. Les membres suggèrent d'énumérer des exemples pour chacun des concepts afin de les clarifier. Plusieurs cabinets croient que quand ils consultent une ressource externe sur une question délicate (par exemple, lors d'une réorganisation comptabilisée dans les états financiers du client), cette personne est automatiquement considérée comme son responsable de la revue de la qualité.

Autres éléments :

Définition :

Les membres trouvent que la définition d'objectifs en matière de qualité au paragraphe .19 p) de la NCGQ 1 est trop vague et n'aide pas les membres à bien comprendre ce que signifie cette expression.

Composante du système de gestion de la qualité – Ressources – Fournisseurs de services :

Les membres mentionnent que les professionnels exerçants seuls et les petits et moyens cabinets font actuellement affaire avec plusieurs fournisseurs de services (fiscalistes, contrôleur qualité, fournisseurs de logiciels, consultants TI, etc.). Ces cabinets devront établir des objectifs en matière de qualité et élaborer des réponses aux risques identifiés pour ces ressources afin de répondre aux exigences des paragraphes .38 et .64 de la norme en projet. Cet exercice pour les petits et moyens cabinets pourrait être ardu, car ils devront acquérir une compréhension du fournisseur de services, notamment au sujet de leur réputation, leurs compétences et leurs capacités. Au Québec, les contrôleurs qualité ne sont pas assujettis à l'inspection professionnelle, alors comment les cabinets pourront statuer sur leurs compétences?

De plus, les membres se questionnent à savoir jusqu'où les exigences relatives aux applications informatiques selon le paragraphe .A205 s'appliquent. Les cabinets ont de nombreux logiciels pour la gestion de leur cabinet et aussi pour les diverses missions qu'ils effectuent. Il n'est pas clair si les logiciels de feuille de temps, les logiciels d'impôt comme Taxprep, les logiciels pour réaliser une mission de certification comme Caseware ou Jazz It, les logiciels d'analyse de données comme IDEA, les questionnaires de certification qui sont automatisés et intégrés dans un logiciel de missions comme Caseware sont assujettis à l'exigence de la norme en projet.

Exigences du réseau ou services du réseau :

Les membres ont identifié des enjeux d'application au sujet des places d'affaires d'un même cabinet (établi dans diverses villes) à savoir si elles correspondent à la définition d'un réseau ou de cabinets indépendants.

Norme NCA 220 révisée :

Les membres se questionnent sur la notion de prise de recul mentionnée au paragraphe .37 a) de la NCA 220 révisée. Le principe est pertinent, mais ils se demandent comment cela sera appliqué en pratique et reflété dans la documentation du dossier de la mission.

June 7, 2019

Eric Turner, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2
Sent via email: info@asbcanada.ca

Re: Exposure Draft (ED): Quality Management at the Firm and Engagement Level, Including Engagement Quality Review

Thank you for the opportunity to comment on the three Exposure Drafts (“ED’s”).

MNP LLP (“MNP”) is one of Canada’s largest chartered professional accountancy and business advisory firms. Our clients include a sizable contingent of publicly traded entities. In addition, our client base includes small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. Our engagements for such entities include audits, reviews and other assurance and related services engagements. As such we believe that we are positioned well to provide commentary on the content of the three ED’s.

We have reviewed the ED’s and have provided our responses to the specific questions below. Overall, we support the Auditing and Assurance Standards Board’s (the “AASB”) project to adopt, subject to the proposed Canadian amendments:

- Proposed International Standard on Quality Management 1 (“ISQM 1”);
- Proposed International Standard on Quality Management 2 (“ISQM 2”); and
- Proposed International Standard on Auditing 220 (Revised) (“ISA 220”).

We agree that it is important to continue to align with the International Standards on Auditing, preserving quality of Canadian Auditing Standards as well as meeting the needs of investors. Overall, we agree with the proposed changes as set out in the ED’s and we have set out, in the responses below, areas where we believe additional guidance is required.

AASB Questions

1) Do you agree with the proposed Canadian amendment?

Yes, we agree with the proposed Canadian amendment.

2) Do you believe the AASB should make any additional Canadian amendments? If so, please include your reasoning and describe their nature and extent. Any proposed amendments would need to meet the criteria set out in the Appendix.

We do not believe the AASB should make any additional Canadian amendments.

- 3) **Recognizing the proposals are intended to apply to a wide variety of circumstances, do you believe that examples in how the proposals apply to SMPs are appropriate? If not, why not?**

Yes, we believe the examples included are appropriate.

- 4) **Are there any circumstances (i.e., types of engagements) where the risk to quality would be considered too low to require a system of quality management? Alternately, are you aware of circumstances where some of the components of the system of quality management would not apply? If so, please explain the circumstances and which components you believe would not apply.**

Due to the scalability of the standards and the ability (and requirement) to customize the design of the system of quality management, we do not believe that specific circumstances where the risk to quality would be considered too low could not be managed by individual firms in the way they either design the system, or have those circumstances dealt with through the risk assessment process. We do not believe changes are required within the standards.

- 5) **Do you believe any of the proposals could create implementation challenges? If so, please explain why, and where additional implementation guidance may be needed.**

We believe that the Quality Assurance Manual currently published by CPA Canada should be updated to reflect the proposed changes to the Quality Management standards. In the Canadian environment, an updated Quality Assurance Manual accompanied by a “plain language” implementation guide would be useful to assist SMP’s in applying the requirements of the proposed standards.

We are also aware of certain provincial accounting bodies within Canada offering professional consulting services to their members related to technical accounting and assurance issues. This program provides CPA members and firms with confidential advice and assistance on challenging issues. We are unsure of whether the provincial accounting bodies will be able to assist SMP’s in applying the requirements of ED-ISQM 2 with respect to certain requirements such as in resolving differences of opinion and finding external individuals to assist them in performing EQR’s. Therefore, we believe that an implementation guide (as referred above) will be useful in assisting SMP’s in applying such requirements.

International Auditing and Assurance Standards Board (“IAASB”) General Questions

Overall Questions

- 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?**

Yes, we 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.

- 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?**

In our view it would be helpful if additional practical examples could be made available, further to the draft examples in the document “Draft Examples: How the nature and circumstances of the Firm and the engagements it performs affect the implementation of proposed ISQM 1.” Specifically, practical examples to further assist with the risk assessment process would be beneficial as this aspect of the

standard is most subjective and most difficult to apply. Guidance or information on how “likelihood” and “effect” could be measured / defined (e.g. rating scales, ranges, definitions, etc.) would be helpful.

In our view the standard is limited with respect to recommendations or guidance in support of the development of innovative monitoring techniques and we would welcome further guidance and practical examples.

General Questions

In addition, the IAASB is also seeking comments on the general matters set out below for all three EDs:

- (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.

This question is not applicable to our firm.

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

We do not have any potential 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.

We do not foresee any potential translation issues.

Proposed ISQM 1 Questions

Overall Questions

- 1) Does ED-ISQM1 substantially enhance firms’ management of engagement quality, and at the same time, improve the scalability of the standard? In particular:
Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?

Yes, we support the new quality approach as employing a risk-based approach to quality management will assist firms in articulating their objectives with respect to quality as well as what the specific risks are that require mitigation.

- a) 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?

In our view the approach as outlined in ED-ISQM1 will generate benefits for firms in understanding what their objectives and associated risks are with respect to overall quality. However, it remains to be seen how this will translate to engagement quality. We believe that by implementing a

consistent approach to quality that is embedded and supported by the appropriate culture and tone at the top of the firm, this would have a positive impact on engagement quality.

b) Are the requirements and application material of proposed ED-ISQM1 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 further improve the scalability of the standard?

Yes, in our view the standard is scalable. It will be difficult however to determine at this point, how the scalability can be applied in practice and to what level of detail objectives, risks and responses need to be developed in order to be most impactful (and satisfy the requirements of the standard). It will also be difficult to determine the number of resources required to implement the standard within 18 months from approval date as firms may not understand and / or appreciate the full extent of implementation effort required (e.g. how many quality objectives, risks and responses will be identified). It is our view that firms may underestimate the effort needed. To support firms and provide them with a level of comfort that they are doing the correct things, more specific and practical examples would be helpful.

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?

The biggest challenge we see is that it will be difficult to determine when the firm has identified “all” quality objectives and “all” associated risks. The examples in the standard are helpful and we appreciate that the standard would not be able to include all potential quality objectives and risks, however, additional examples of common objectives and risks as they apply to the seven components would be helpful. The standard indicates that additional objectives, beyond those outlined in the standard, are required. Firms however, may not have full knowledge or an appreciation of what “additional” entails. The identification process may result in a further 1, 5, 10 or perhaps even more objectives, associated risks and responses. To fully grasp the effort, the level of detail to which firms need to identify quality objectives, risks and responses and the expected look and feel of the finished product is challenging.

As indicated earlier, additional guidance on the practical application of the risk assessment process would also be helpful.

In our view the standard is limited with respect to recommendations or guidance in support of the development of innovative monitoring techniques and we would welcome further guidance and practical examples.

3) Is the application material in ED-ISQM1 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?

Yes, the application material is helpful. The standard would be difficult to implement without the application material as presented. As mentioned in 2) above, more practical examples of quality objectives, quality risks and how to practically apply the risk assessment process would be beneficial.

In our view the standard is limited with respect to recommendations or guidance in support of the development of innovative monitoring techniques and we would welcome further guidance and practical examples.

Specific Questions

4) Do you support the eight components and the structure of ED-ISQM1?

Yes, we support the eight components and the structure of ED-ISQM1.

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?

Yes, we support the objective of the standard.

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? 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?

We agree that the firm's risk assessment process should be applied to most of the components. However, in our view, the "Resources" and "Information and Communication" and even "Monitoring and Remediation" components are supporting activities to the other four components and the required actions required will flow from the objectives and risks identified during the "Governance and Leadership", "Relevant Ethical Requirements", "Acceptance and Continuance" and "Engagement Performance" assessments. As such, in our view, it is not necessarily required to undertake a risk assessment on the supporting components.

b) Do you support the approach for establishing quality objectives? In particular:

i. Are the required quality objectives appropriate?

Yes, the required quality objectives are appropriate.

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

Yes, this is clear.

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

Yes, we support the process for the identification and assessment of quality risk. However, more guidance would be helpful to assist with the practical application of the risk assessment process.

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 this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks?

We believe the approach to developing quality objectives and identifying and assessing quality risks, should theoretically result in firms designing tailored responses and

appropriately addressing assessed quality risks. . However, there is a risk that the process and the sheer volume of quality objectives, risks and responses is of such magnitude that the firm may find it challenging to manage this amount of information. As a result, firms may be at risk of losing sight of the overall objective of the standard, which is to improve overall engagement quality.

- 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?**

Yes, this is clear.

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

Yes, the standard appropriately addresses firm governance.

- 8) **With respect to matters regarding relevant ethical requirements:**

- a) **Should ED-ISQM1 require firms to assign responsibility for 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?**

Yes, we agree that the responsibility for both ethical requirements as well as independence should be assigned to an individual in the firm.

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

Not applicable for our firm.

- 9) **Has ED-ISQM1 been appropriately modernized to address the use of technology by firms in the system of quality management?**

Yes, in our view, this is sufficiently addressed.

- 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?**

Based on the wording in the standard it does not appear that there is an explicit requirement for firms to communicate with external parties, in a transparency report or otherwise. Similarly, we do not believe that the standard will necessarily encourage firms to do so.

- 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?**

Yes, we agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review and we also believe that it will result in the proper identification of engagements to be subject to an engagement quality review.

- 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?**

The proposals will improve the firms' monitoring of the system of quality management as a whole. In our view the standard is limited with respect to recommendations or guidance in support of the development of innovative monitoring techniques and we would welcome further guidance and practical examples.

- 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?**

Yes, we agree.

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

The overall framework for evaluating findings and deficiencies is clear however in practice it might be difficult to distinguish between a finding and deficiency. In addition, if the framework is to be applied to each finding resulting from all internal and external monitoring activities, then we are concerned that the overall process will potentially become too complex to manage as the volume of information would be too large and onerous and the firm may lose sight of the overall objective of quality management.

- 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?**

In our view there is limited guidance to the nature, timing and extent of the procedures to investigate the root causes however, we are not sure there is a need to address this further as this may be where individual firms' customize their approach in a way that is most practical and beneficial.

- ii. **Is the manner in which ED-ISQM1 addresses positive findings, including addressing the root cause of positive findings, appropriate?**

In our view the practice of identifying positive findings and their associated root causes is an important one. However, given the nature of quality management and the focus on deficiencies and generally negative findings and the robustness by which this is to take place, we believe this will be very limited in actual practice. It is unlikely that firms will have the time and resources to get this accomplished.

- iii. **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?**

We acknowledge that it would be good practice to have this requirement, but in our view it is too early to determine what challenges may exist. It may also not be feasible to be able to provide reasonable assurance in the first year following implementation as it may take more than one year to implement the full requirements of the standard.

13) Do you support the proposals addressing networks?

This is not applicable to our firm.

14) Do you support the proposals addressing service providers?

In our view the term “service provider” is broad and to apply the requirements of the standard to all service providers may be too onerous. We agree that in the case that engagement quality reviews are performed by a service provider, that the requirements of the standard would apply. However, if the firm is, for example, using a fairly standard and “off the shelf” software solution, then we are not confident that applying the requirements of the standard would be that informative as the initial decision to select the particular software would have addressed most, if not all, qualitative requirements and if there were any concerns, they would have been addressed prior to implementation.

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?

Not applicable.

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?

Yes, we support a separate standard for engagement quality reviews. As ED-ISQM 1 deals with all aspects of a firm’s quality management approach, and an engagement quality review is one of the responses that is designed and implemented by a firm to address assessed quality risks, ED-ISQM 1 should deal with the engagements for which an engagement quality review is to be performed. The development of a separate standard for engagement quality reviews emphasizes the importance of the engagement quality review, and the value placed on a robust and independent engagement quality review by stakeholders. We therefore agree that ED-ISQM 2 should deal with the remaining aspects of engagement quality reviews and we also agree with the basis for developing a separate standard for engagement quality reviews, as set out in the explanatory memorandum for ED-ISQM 2.

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

Yes, the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 are 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?

Yes, the change supports the overall changes proposed in ED-ISQM 1 to promote the proactive management of audit quality at the firm level, and of audit quality being embedded within a firm’s culture versus a control process at a point in time. We do not anticipate that there will be any adverse consequences of changing the terminology.

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 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?

We generally support the requirements for the eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer. In certain jurisdictions there may be many smaller listed, or public interest, entities who engage the services of SMP’s. While proposed ISQM 2 does allow these practitioners to appoint external individuals to perform an engagement quality review, this may be onerous or difficult to achieve in practice because of inter-firm competition, insurance restrictions, remote communities, etc. Therefore, the requirements with respect to the eligibility to be appointed as an engagement quality reviewer may have the effect of limiting the audits of listed and public interest entities to larger firms and networks.

“Cooling-off” periods

We believe there is a need for guidance in proposed ISQM 2 regarding “cooling-off” periods. The contemplated threats to an engagement quality reviewer’s objectivity, specifically the self-review and self-interest threats, may not be addressed by the relevant ethical and independence requirements in specific jurisdictions. Therefore, including guidance in the proposed ISQM 2 regarding “cooling-off” periods with respect to the audit of financial statements of a listed entity will assist in achieving consistent application in practice. We believe that continuity of knowledge can contribute to the overall quality of an audit engagement. Proposed ISQM 2 should include guidance regarding the appropriate level of involvement of an individual who previously served as the engagement partner on future engagements, recognizing that there may be unforeseen circumstances where the previous engagement partner serves as the only level of continuity on an audit engagement.

Further guidance regarding the eligibility of “key audit partners” to perform the role of the engagement quality reviewer immediately after serving as a key audit partner on an engagement may be useful in implementing the proposed standards. We believe that providing such guidance is necessary to ensure there is clarity on the eligibility of key audit partners to perform the role of the engagement quality reviewer in such circumstances and to achieve consistency in practice.

We agree that the guidance regarding a cooling off period should be located in proposed ISQM 2. We also support continued efforts to ensure consistency between the requirements of proposed ISQM 2

and the IESBA Code, including the incorporation of additional guidance in the IESBA Code relating to cooling off periods.

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)?

We generally agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures. Paragraph 22(a)(ii) of ED-ISQM 2 requires the engagement quality reviewer to read and understand information provided by the firm about the results of its monitoring and remediation. Paragraph 27 of the application guidance states that the nature and extent of the engagement quality reviewer's procedures may depend on factors such as the findings from the firm's monitoring activities. We agree that an understanding of such findings can provide useful information in assisting the engagement quality reviewer in determining the nature and extent of their procedures, but we do not believe that the engagement quality reviewer should be required to read and understand such information. A high-quality review can be performed by an engagement quality reviewer based on current accounting and auditing standards without prior knowledge of the firm's specific history or current monitoring and remediation plans. By introducing a "shall" statement to paragraph 22(a)(ii), proposed ISQM-2 would treat the failure to know the firm's specific remediation plans as a deficiency across all engagements for which the engagement quality reviewer performed a review, notwithstanding the fact that the engagement quality reviewer has knowledge of audit quality issues in their relevant jurisdiction and beyond. This recommendation is consistent with the application guidance noting that the results of inspections undertaken by an external oversight authority may affect the nature and extent of the engagement quality reviewer's procedures but does not require the engagement quality reviewer to obtain this understanding.

Proposed ISQM 2 does not address circumstances where the engagement quality reviewer changes during an audit. Paragraph 26 of the application guidance states that a timely review of engagement documentation should be performed by the engagement quality reviewer at appropriate points in time throughout all stages of the engagement. In circumstances where the engagement quality reviewer changes, the timing of the review may only occur near the end of the engagement. The guidance should clarify whether, in such circumstances, the engagement quality reviewer still complies with the requirements of ED-ISQM 2.

The responsibilities of the engagement quality reviewer are appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised). As noted below, additional guidance should be included in ED-ISQM 2 regarding the exercise of professional skepticism by the engagement partner.

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?

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. Professional skepticism supports the quality of judgements made, is necessary to the critical

assessment of audit evidence and includes consideration of the sufficiency and appropriateness of audit evidence obtained in the circumstances of the audit engagement. The engagement quality reviewer will inherently apply professional skepticism in evaluating whether this has been applied by the engagement team. The engagement quality reviewer will also need to apply professional skepticism in critically assessing the audit evidence the engagement team has obtained to support the conclusions made regarding significant judgments, and whether these are appropriate (Ref: ED-ISQM 2 Par 22(d) (i)-(iii)). Therefore, ED-ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer. The procedures required to be performed by the engagement quality reviewer in paragraph 22 of ED-ISQM 2 should be expanded to require that the engagement quality reviewer apply professional skepticism in order to critically assess the audit evidence obtained, including the sufficiency and appropriateness thereof, by the engagement team to support the conclusions reached regarding significant judgements. We note that ED-220 contains significant guidance regarding the exercise of professional skepticism by the engagement team and that it would be beneficial to include similar guidance in ED-ISQM 2, as well as appropriate linkages between these two standards.

If ED-ISQM 2 further addresses the exercise of professional skepticism by the engagement quality reviewer, additional guidance should also be included, outlining how the engagement quality reviewer documents how they have applied professional skepticism. We believe that there should be a requirement for the engagement quality reviewer to determine that there is adequate documentation to evidence how he or she applied professional skepticism, but the form of this documentation can be determined based on the nature and circumstances of the engagement.

7) Do you agree with the enhanced documentation requirements?

We generally agree with the enhanced documentation requirements. Paragraph 22(b) of ED-ISQM 2 requires the engagement quality reviewer to discuss significant matters with the engagement partner and, if applicable, other members of the engagement team. Paragraph 27 of ED-ISQM 2 sets out the minimum required documentation related to the performance of the engagement quality review but does not include a specific requirement to document discussions held with the engagement partner and or engagement team. Similarly, paragraph 22(f) requires the engagement quality reviewer to evaluate the basis for the engagement partner's conclusion that the engagement partner has taken overall responsibility for managing and achieving audit quality, but there is no requirement to specifically document this conclusion in paragraph 27.

To meet the overall objective of the documentation to be sufficient to enable an experienced practitioner, having no previous connection to the engagement, to understand the nature, timing and extent of the engagement quality review procedures performed, and the conclusions reached, the minimum documentation required in paragraph 27 of ED-ISQM 2 should include documentation of discussions with the engagement team, as well as the conclusions reached with respect to the requirements of paragraph 22(f). Including these as part of the minimum documentation requirements will also assist in achieving consistency in the documentation of the procedures performed by the engagement quality reviewer.

We note that paragraph A39 of the application guidance states that the documentation of the engagement quality review may be completed after the date of the engagement report. This appears to be inconsistent with the requirements in paragraph A22 of the application guidance which notes that the engagement partner may not date the auditor's report until the completion of the engagement quality review. The proposed ED-ISQM 2 does not define when the engagement quality review is complete.

We believe that the proposed ED-ISQM 2 should define when an engagement quality review is complete and should require the documentation of the engagement quality review to be performed on a timely basis, as documentation prepared after the date of the engagement report is likely to be less precise than documentation prepared concurrently with the review.

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 requirements for engagement quality reviews in ED-ISQM 2 are generally scalable for firms of varying size and complexity. It may be more onerous for small- and medium-sized practices (“SMP’s”) to establish policies or procedures to address differences of opinion that arise between the engagement team and the engagement quality reviewer, as required by paragraph 22(e) and A32 of the application guidance in ED-ISQM 2. To comply with the “cooling off”, and other eligibility, requirements in ED-ISQM 2, SMP’s may have to obtain the services of external individuals to perform the engagement quality review as well as consult on differences in opinions that arise. In such circumstances, SMP’s may find it difficult to find suitable individuals and they may have to incur additional costs, making the requirements more onerous.

Proposed ISA 220 (Revised) Questions

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?

Overall, we support the increased focus on the sufficiency and appropriateness of the involvement of the engagement partner throughout the audit engagement, as part of them taking overall responsibility for managing quality on the engagement. Whether an audit engagement is being performed by a small, mid-size or large firm, every engagement should have a key individual responsible for the overall quality of the engagement throughout the planning, execution and concluding phases of the engagement. We agree that the engagement partner, supported by their firm’s quality management policies and procedures, is the most appropriate team member to assume these responsibilities given that the firm cannot identify, design and implement responses to address all quality risks at the engagement level. The engagement partner is in an appropriate position to take overall responsibility for managing quality on the audit engagement as they may communicate the firm’s responses to the engagement team and lead the engagement team in implementing the firm’s quality risk responses that are applicable to the audit engagement. Although a firm level quality management approach is essential in establishing a foundation for quality engagements, policies and procedures must also be executed at the engagement level in order to ensure overall quality management is achieved.

We also agree with the guidance in paragraph 37 which requires the engagement partner to perform a self-assessment to determine whether their involvement has been sufficient and appropriate throughout the audit engagement to achieve quality. However, this new “stand- back” requirement is subjective, and therefore, we believe additional clarification or guidance on minimum factors to be considered by the engagement partner is necessary in order to identify how this requirement can be met in an objective manner and it is not simply an exercise of completing a checklist or signing off a checkbox.

The proposed ISA 220 focuses on the role of an engagement partner, and does not discuss specific roles and responsibilities of other senior members of the engagement team (e.g., the component audit engagement partner, internal expert partner, audit manager, etc.) in managing quality on the engagement, except to require each team member, under the leadership of the engagement partner, to adhere to the firm's policies and procedures in response to the ISQMs and to apply a sufficient level of professional skepticism. We agree that the proposed ISA 220 appropriately reflects the role of other senior members of the engagement team as the onus of ensuring quality at the engagement level resides with the engagement partner, no matter the composition of the engagement team.

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?

Yes, the linkages between ED-220, ED-ISQM 1 and ED-ISQM 2 are clear.

Proposed ISA 220 requires that the engagement partner assess the degree to which they may rely on the firm's policies or procedures in the application of risk management at the engagement level. We agree with this requirement as it provides flexibility to tailor the audit approach to achieve quality based on the nature and circumstances of each individual engagement.

Paragraph 36 of ED-220 requires the engagement partner to ensure the results of the firm's monitoring and remediation process have been communicated to the engagement team and determine the relevance of the results and effect on the audit engagement. As commented above in our response to ISQM 2, we agree that an understanding of such findings can provide useful information in assisting the engagement partner and the engagement team to determine the nature and extent of their procedures, but we do not believe this should be one of the procedures the engagement partner is required to perform.

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)

The audit environment is one where sometimes heavy staff workloads, fee constraints, and tight financial reporting deadlines may have an impact on the audit engagement team members' ability to consistently apply professional skepticism throughout the course of the audit engagement. In addition to the comments on professional skepticism in our response to the proposed ISQM 2, we feel that professional skepticism is a mindset or behaviour that cannot be prescribed through a checklist of specific items. As such, we support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level. However, we believe additional guidance on what constitutes appropriate evidence of the application of professional skepticism would be helpful in documenting professional skepticism within the audit engagement file.

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

Yes, the proposed ED-220 adequately addresses the importance of dynamic audit teams and the growing use of technology as a resource tool to perform more effective audits.

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

Yes, we support the revised requirements and guidance on the direction, supervision and review at the engagement level.

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

Yes, we believe the overarching documentation requirements in the proposed ISA-220 and in ISA 230 include sufficient requirements and guidance on documentation with one exception. We recommend the addition of guidance on the documentation required to evidence the completion of the stand-back requirement.

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?

Yes, the requirements in proposed ISA 220 are scalable to engagements of varying size and complexity.

Other Matters

We believe that paragraph 32's requirements should be expanded to include that the engagement partner shall not date the auditor's report until the completion of any outstanding consultation, similar to the requirement in paragraphs 33(d) and 35(c) relating to the completion of the engagement quality review and resolution of differences of opinion, respectively. Furthermore, in paragraph 33, we believe the requirements relating to the engagement partner's responsibility where an engagement quality review is required should be expanded to include discussion with the engagement quality reviewer on all matters on which a consultation was deemed required.

We would be pleased to offer assistance to the AASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

MNP LLP



Maggie Kiel, MBA, CA(Aust), CIA, ABCP, CRMA, ICD.D
Vice President, Quality Management



June 7, 2019

Mr. Eric Turner, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
TORONTO, ON M5V 3H2

Dear Mr. Turner:

Re: Quality Management at the Firm and Engagement Level, Including Engagement Quality Review

We support the proposed standards as outlined in the exposure draft Quality Management at the Firm and Engagement Level, Including Engagement Quality Review. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Attachment

	Question	Response
1	Do you agree with the proposed Canadian amendment?	Yes, we agree with the proposed Canadian amendment.
2	Do you believe the AASB should make any additional Canadian amendments? If so, please include your reasoning and describe their nature and extent. Any proposed amendments would need to meet the criteria set out in the Appendix.	No, we have not identified any suggested additional Canadian amendments.
3	Recognizing the proposals are intended to apply to a wide variety of circumstances, do you believe that examples in how the proposals apply to SMPs are appropriate? If not, why not?	Yes, we find the examples in how the proposals apply to SMPs seem appropriate.
4	Are there any circumstances (i.e., types of engagements) where the risk to quality would be considered too low to require a system of quality management? Alternately, are you aware of circumstances where some of the components of the system of quality management would not apply? If so, please explain the circumstances and which components you believe would not apply.	No, we are not aware of any circumstances where the risk to quality would be considered too low to require a system of quality management, or where some of the components of the system of quality management would not apply.
5	Do you believe any of the proposals could create implementation challenges? If so, please explain why, and where additional implementation guidance may be needed.	We feel that more guidance would be helpful in how to define agencies that may be of significant public interest, as set out in ISQM 1 section 37 (e)(ii). Section A107 provides an example that an engagement quality review may be required for engagements where law or regulations establish additional reporting requirements. <i>The Provincial Auditor Act (Saskatchewan)</i> expects the Provincial Auditor to report to the Legislative Assembly on public agencies' compliance with related legislative authorities. We do not feel that this legislative requirement on its own would increase engagement risk to an extent that triggers requiring an engagement quality review. We would consider other factors when determining whether to assign an engagement quality review, such as financial magnitude, public sensitivity, and impact.