



13 February 2019

To: **Members of the Hong Kong Institute of CPAs**  
**All other interested parties**

**INVITATION TO COMMENT ON INTERNATIONAL AUDITING AND ASSURANCE  
STANDARDS BOARD'S (IAASB)  
EXPOSURE DRAFTS**

**Overall Explanatory Memorandum, *The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews***

**Proposed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements***

**Proposed International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews***

**Proposed International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements***

***Comments to be received by 24 May 2019***

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee is seeking comments on the IAASB's three interrelated exposure drafts that address quality management, Proposed ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (previously ISQC 1), Proposed ISQM 2, *Engagement Quality Reviews* and Proposed ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*. The IAASB has also issued an Overall Explanatory Memorandum, *The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews* to explain the significant issues common to the three exposure drafts. It also gives details about the proposed effective dates and implementation periods. All the three exposure drafts and the Overall Explanatory Memorandum (EDs) have been posted on the Institute's website at: <https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/Auditing-and-Assurance>

The proposals bring important changes to the way professional accountancy firms are expected to manage quality—for audits, reviews, and other assurance and related services engagements.

The proposed standards include a new proactive risk-based approach to effective quality management systems within firms that establish the foundation for consistent engagement quality. The new approach improves the scalability of the standards because it promotes a system tailored to the nature and circumstances of the firm and its engagements.

The IAASB proposals are intended to improve engagement quality through:

- Modernizing the standards for an evolving and increasingly complex environment, including addressing the impact of technology, networks, and use of external service providers;



- Increasing firm leadership responsibilities and accountability, and improving firm governance;
- More rigorous monitoring of quality management systems and remediating deficiencies;
- Enhancing the engagement partner's responsibility for audit engagement leadership and audit quality; and
- Addressing the robustness of engagement quality reviews, including engagement selection, documentation, and performance.

Given the significance of the changes and the need for firms to adjust how they manage quality, the IAASB has also developed draft guidance and tools, such as [examples](#) and [frequently asked questions](#). These materials will help firms understand the proposals, including how to apply them in different circumstances.

Questions for respondents have been included in Section 7 "Request for Comments" of Overall Explanatory Memorandum, Section 4 "Request for Comments" of Proposed ISQM 1 and 2, and Section 3 "Request for Comments" of Proposed ISA 220 (Revised) to solicit specific feedback on the proposed standards.

In accordance with the Institute's due process, comments are invited from any interested party and the Institute would like to hear from both those who do agree and those who do not agree with the contents of the EDs.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the EDs to be considered, comments are requested by the due date shown above.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department  
Hong Kong Institute of Certified Public Accountants  
37/F., Wu Chung House  
213 Queen's Road East  
Hong Kong

Fax number (+852) 2865 6776  
E-mail: [commentletters@hkipa.org.hk](mailto:commentletters@hkipa.org.hk)

Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

13 February 2019  
Invitation to Comment

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Response Due Date  
24 May 2019

*Exposure Drafts*

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***Overall Explanatory Memorandum, The IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews***

***Proposed ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements***

***Proposed ISQM 2, Engagement Quality Reviews***

***Proposed ISA 220 (Revised), Quality Management for an Audit of Financial Statements***



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

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IAASB Press release

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