

Mexico City June 28, 2019.

Mr. Thomas R. Seidenstein  
Chairman  
International Auditing and Assurance Standards Board

Dear Mr. Seidenstein

**Invitation letter to comment: Quality Management.**

The Mexican Institute of Public Accountants, “Instituto Mexicano de Contadores Públicos”, A.C. (IMCP), association founded in 1923, grouping 60 professional colleges and more than 24 thousand of public accountants associated in Mexico, is thankful about the opportunity to give comments about the three new standards approved in December 2018, as exposure draft by the International Auditing and Assurance Standards Board (IAASB) as follows:

- a) Proposed International Standard on Quality Management 1 (Previously International Standard on Quality Control (ISQC) 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ED-ISQM 1).
- b) Proposed International Standard on Quality Management 2, *Engagement Quality Reviews* (ED-ISQM 2).
- c) Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements* (ED-220).

Additionally, in the same date, another explanatory document was submitted including background and provides guidance to the group of standards requiring comments.

The three standards will generate improvements in quality of the engagements, and we agree that these standards, group public interest topics that were identified by the own IAASB, when they required comments in 2016 to the topic Improving Audit Quality completed in 2016.

The public interest topics identified and covered by the group of three standards are:

- a) Fostering an appropriately independent and challenging skeptical mindset of the auditor.
- b) Encouraging proactive quality management at the firm and engagement level.
- c) Exploring transparency and its role in audit quality.
- d) Focusing more on firms’ (including networks’) structures and communication processes and their internal and external monitoring and remediation activities.

- e) Reinforcing the need for robust communication and interactions during the audit engagement.

It is important to mention that one of the recurrent facts that have been considered is the use of the term “scalability”, term that was translated by us as “adaptability”. We consider necessary to describe the term, include additional material as needed, related to how the small and medium firms could apply appropriately these standards.

As required to provide answer to the applicable questions of each of the standards, we have prepared documents that provide answer to the general questions and specific matters related to the ones that the IAASB is asking for feedback and for the ones we have comments, see appendix 1-4 to this letter.

For those question in which we agree and support the approach, we did not include them in the appendixes mentioned before.

We are open to discuss, clarify or widen our comments in this letter per your request.

Very truly yours,

Florentino Bautista Hernández  
Chairman  
Instituto Mexicano de Contadores Públicos, A.C. (IMCP)

EXPLANATORY MEMORANDUM TO ED-220

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?

**Yes, we support the focus on the sufficient and appropriate involvement of the engagement partner as responsible for the quality of the engagement and we do believe that ISA reflect properly the role of the other senior members of the engagements.**

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?

**In our perspective the referred exposure draft reflects a proper linkage with the ISQMs and we support the requirements to follow the firm’s policies and procedures and the material.**

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)

**We support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level, however, we suggest that paragraph A29 includes alternative actions for small and medium firms different from changes in the engagement team members.**

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

**We consider that ED deal properly with the current auditing environment, nevertheless, we propose that the standard includes a clear definition of the term “delivery models”**

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

**We support the requirements and guidance included into the ED related to direction, supervision and review**

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

**We consider that the documentation required by ED 220 as well as the guidance provided on it is appropriate.**

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?

**We believe that ED is properly scalable to engagements to all sizes and complexity, however we consider that would be helpful to include additional guidance in order to make it clear how scalability would apply for small engagements**