

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)

THE IAASB'S EXPOSURE DRAFTS FOR QUALITY MANAGEMENT AT THE FIRM AND ENGAGEMENT LEVEL, INCLUDING ENGAGEMENT QUALITY REVIEWS

**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?

**Considering the process of submission of the standards established by the IMCP, for the application of new standards in Mexico, we do suggest a period of 24 months.**

- 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?

**Practical experiences; frequent asked questions; examples of documentation for the identification and responses to the quality risks, recorded videos. Additionally, it would be a good practice providing more detail about the description, meaning and documentation of the term "scalability".**

**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.

**One of the proposed changes, is the identification of the quality risks and the associated answers to them, because as a new incorporated topic, and due to the fact of not having prior experiences, implementation will be challenging.**

- (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.

**Specific requirements asked for by the government, related to the engagement execution and the short period for conclusion and the issuance of the related opinions including the terms and conditions of the agreement (engagement letter).**

*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.

**Depending on the place where the translation may be completed, it may be possible to include a list of the most common terms in Spanish used in Mexico.**