

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

01 July 2019

Dear Sirs

**Exposure Draft February 2019: Proposed International Standard on Auditing 220 (Revised),
Quality Management for an Audit of Financial Statements**

PKF South Africa Inc (“PKFSA”), administers the PKF network of legally independent member firms in South Africa. PKF in South Africa practise as separate incorporated entities in Eastern Cape, Free State, Gauteng, KwaZulu-Natal and Western Cape. PKFSA is a member firm of PKF International Limited, which is a member of the Forum of Firms and is dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide. This letter represents the observations of PKF South Africa Inc, but not necessarily the views of any specific member firm or individual.

We welcome the opportunity to comment on the International Auditing and Assurance Standards Board’s (IAASB’s) Exposure Draft on the Proposed International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements.

We are supportive of the IAASB’s efforts to drive improvements in quality at both a firm level and at the engagement level through its development of ED-ISQM 1 and the related exposure drafts ISQM 2 and ISA 220. We believe that this suite of proposed quality standards will ultimately help to address the objectives that the IAASB set for this project.

Our responses to the questions raised in the request for comments are contained in [Appendix 1](#) of this submission. In addition, we raise the following comment which is not in response to any particular question:

We believe that more guidance by way of application material is needed to clarify and expand on the requirements of par. 36(c). For example, illustrations of the type of information that may be relevant to the firm’s monitoring and remediation process.

If you would like to discuss any of our comments, do not hesitate to contact me.

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Yours sincerely

A handwritten signature in black ink, appearing to read 'Theo Vermaak', with a long horizontal flourish extending to the right.

Theo Vermaak

Chairman

PKF South Africa Inc.

Appendix 1

Request for comments

Question 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?

Response

We generally support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement.

However, we do have a concern that the scope of paragraph 36 (a) of ED-220 is too broad. While not specifically referred to in Question 1, paragraph 36 of ED-220 also covers partner involvement in context of their responsibilities for monitoring and remediation. The inclusion of “network firms” makes the overall scope of the paragraph too onerous for partners at firms which are part of a wide network of firms. We suggest that the partner’s responsibilities under paragraph 36 (a) of ED-220 be restricted to the results of monitoring and remediation communicated by the firm and, where applicable, by the network and that the reference to “network firms” be removed from the paragraph.

The ISA appropriately reflects the role of other senior members of the engagement team, including other partners.

Question 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?

Response

In its opening paragraph ED-220 states that ISA 220 should be read in conjunction with relevant ethical standards. Therefore, in order to provide an appropriate emphasis on ED-ISQMs, an equivalent statement should be made in the opening paragraph of ED-220 that the standard should also be read in conjunction with ED-ISQMs.

Question 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)

Response

We support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level

Question 4

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

Response

There is no explicit reference in the main body of ED-220 to the use of different audit delivery models or to technology. Given their relevance and importance to the modern auditing environment, we recommend that paragraph 23 of ED-220 be expanded to state that “Engagement Resources” includes human resources, audit delivery models and technology.

Question 5

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

Response

We support the revised requirements and guidance on direction, supervision and review.

Question 6

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

Response

ED-220, together with the overarching documentation requirements in ISA 230, includes sufficient requirements and guidance on documentation.

Question 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?

Response

ED-220 is appropriately scalable to engagements of different sizes and complexity.

Glossary of terms

ED-ISQM 1	Exposure draft February 2019: International Standards on Quality Management 1
ED-ISQM 2	Exposure draft February 2019: International Standards on Quality Management 2
ISQC 1	International Standards on Quality Control 1
IAASB	International Audit and Assurance Standards Board
ED-220	Proposed International Standard on Auditing 220 (Revised)
ISA	International Standards on Auditing