

5 June 2019

Professor Arnold Schilder
Chair
International Auditing and Assurance Standards Board (IAASB)
529 5th Avenue
New York, New York 10017
UNITED STATES OF AMERICA

Dear Professor Schilder

Exposure Draft – Proposed International Standard on Auditing 220 (Revised) Quality Management for an Audit of Financial Statements (ED-220)

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on Exposure Draft Quality Management for an Audit of Financial Statements (ED-220). The views expressed in this submission represent those of all Australian members of ACAG.

Overall, ACAG agrees with the intent of ED-220 to modernise the standard by incorporating varying delivery models and auditing techniques, and explicitly articulating the engagement partner's responsibilities for managing and achieving audit quality. However, ACAG has raised some matters for the IAASB to consider so as to ensure the suite of quality management standards are coherent, the requirements are easily understood, and can be practically applied by firms of all sizes.

ACAG also notes that the revised standard appears to be more prescriptive in nature than the existing suite of quality management standards (extant ISQC 1 and ISA 220) and questions whether this was the intent of the IAASB.

The attachment to this letter addresses the IAASB's requests for comments outlined in ED-220.

ACAG appreciates the opportunity to comment and trusts the attached comments are useful.

Yours sincerely



Andrew Richardson
Chairman
ACAG Audit Standards Committee

IAASB Specific Matters for comment

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, ACAG supports the focus on the sufficient and appropriate involvement of the engagement partner. Although extant ISA 220 infers the engagement partner as being responsible for the overall quality of the audit, it was not explicitly stated.

ACAG notes that paragraph 29 requires the engagement partner to ‘review audit documentation at appropriate points in time...’ Whilst the guidance paragraphs A77 – A80 provides examples of what matters the engagement partner should review, it does not elaborate on ‘appropriate points in time’. ACAG suggests the IAASB incorporate wording from ISQM 2 paragraph A26 that calls out ‘planning, risk assessment, performance, completion, reporting’ as ‘appropriate points in time’. Although this refers to the engagement quality reviewer’s involvement, ACAG believes this is also relevant for the engagement partner’s role.

In relation to the question on other senior members of the engagement team, ED-220 does not specifically make reference to this but refers to ‘other members’. Notwithstanding this, ACAG believes that this is sufficient given that the focus is on the engagement partner having ultimate responsibility for the audit.

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?**

ACAG believes the linkages between ED-220 and ISQMs can be made more explicit to enhance clarity and understandability, with linkages to specific paragraph references.

ACAG supports the requirements to follow the firm’s policies and procedures and the requirement in paragraph 4(b) that the engagement team and engagement partner must consider the firm’s policies and procedures in the context of the nature and circumstances of the audit engagement. ACAG believes the onus should continue to be placed on the firm to ensure that it has an appropriate system of quality management in place as required in ISQM 1, to allow the engagement partner to fulfil their responsibilities in accordance with professional standards.

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)**

Yes, ACAG supports the material in ED-220 on professional scepticism.

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

ACAG does not believe ED-220 provides sufficient guidance to deal with the modern auditing environment, given the current and increasing use of different audit delivery models and techniques.

ACAG acknowledges the guidance in paragraphs A56 – A58 on the use of technological resources on engagements. This is high level and does not help the engagement partner ensure the quality of audit evidence generated through existing or upcoming technological resources.

ACAG recommends the IAASB provide additional practical guidance for engagement partners in the form of what they should consider / be mindful of, when:

- assessing the work/conclusion of specialists that use technological resources on the engagement (in cases where the engagement partner does not have the skills to do so)
- evaluating or analysing the output of technological resources.

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, ACAG supports these revised requirements.

As stated in our response to question 1, ACAG reiterates our recommendation to elaborate on 'appropriate points in time during the audit engagement' per paragraph 29 by adopting similar wording used for engagement quality reviewers in ISQM 2 paragraph A26.

ACAG believes this would help with the application of the 'stand back provision' in paragraph 37 ie for this to be performed at each critical point in the audit, rather than at the end of the audit when procedures have been finalised as highlighted by paragraph A101.

ACAG questions the intent of the second bullet point of paragraph A101 for the engagement partner to 'consult with firm personnel assigned operational responsibility for the relevant aspect of the firm's system of quality management'. ACAG recommends the IAASB clarify what the expected outcome should be once consultation has occurred.

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

ACAG believes that the documentation requirements are sufficient.

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