



1 July 2019

Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
545 Fifth Avenue
New York
10017 USA

Dear Arnold

Comments on the IAASB's Proposed International Standards on Auditing 220 (ISA 220 - ED)

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

We appreciate this opportunity to comment on the proposed International Standards on Auditing 220 (ISA 220 - ED), developed by the International Auditing and Assurance Standards Board (IAASB).

Our response has been prepared by the Audit Research and Development Business Unit of the Auditor General of South Africa's office. Our comments are presented under the following sections:

1. General comments; and
2. Request for specific comments and responses

If further clarity is required on any of our comments, kindly e-mail us at

ardsupport@agsa.co.za. Alternatively, phone us directly on +27 12 422 9819.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Alice Muller', with a large, stylized loop at the end.

Alice Muller (CA) SA

Acting National Leader: Audit

General Comments

1. The Auditor General South Africa (AGSA) welcomes and supports the IAASB'S revision of the International Standard on Auditing 220 (ISA 220) to address public interest considerations by encouraging proactive management of quality at the engagement level, emphasising the importance of professional scepticism and enhancing the documentation of auditor's judgements. We believe that these enhanced and new requirements will improve quality management.
2. The new stand back approach that requires the engagement partner to "stand-back" prior to forming an opinion, to determine that the engagement partner has taken overall responsibility for managing and achieving quality of the audit will assist in ensuring that the engagement manager has fulfilled his/her role and improve compliance with the standard in managing quality of the audits.

Request for specific comments and responses

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?

3. Yes, we 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. This will assist in ensuring that the engagement partner has a basis for determining whether the significant judgements made and conclusions reached are appropriate.
4. The ED clearly states that the engagement partner shall continue to take overall responsibility for managing and achieving quality even on engagements where the engagement partner has assigned procedures, tasks or actions to other engagement team members to assist the engagement partner in complying with the requirements of ED-220.

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?

5. Yes, ISQM 1 deals with the firm's responsibility on quality management where the firm establishes quality objectives, identifies and assess quality risks and design responses to those risks. ISQM 2 deals with responding to the quality risks through the engagement quality reviews. ISQM 2 is focused on the

responsibilities of the engagement partner on interactions with the engagement quality reviewer and operates as part of the broader system of quality management. Appropriate linkages are drawn between ED-220 and these standards.

6. We support replacing the material that stated that “the engagement teams are entitled to rely on the firm’s system of quality control, unless information provided by the firms or other parties suggest otherwise” with application material that explains that in certain circumstances, the engagement partner “may depend on the firms’ policies or procedures in complying with the requirements of ED-220” as this will ensure that the engagement partners do not blindly rely on firm policies and procedures and will prompt the engagement partners to scrutinise the policies and procedures to determine whether they are appropriate.

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)

7. Yes, we do support the material on the appropriate exercise of professional scepticism in managing quality at the engagement level. This will ensure that the engagement partner makes informed decisions about the courses of action that are appropriate to achieve quality.

Question 4

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

8. No, although the standard mentioned the use of technology, more material is required on the impact thereof on the engagement manager's responsibility. In most cases the engagement partner will use the technology provided by the firm and would not be able to evaluate adequacy thereof.
9. Furthermore, guidance should be provided in relation to other types of audit delivery models to expand on the use of integration.

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)

10. Yes, we support the revised requirements and guidance on direction, supervision and review. The new requirement that requires the engagement partner to review

financial statements and the auditor's report prior to the auditor's report date and issuance will assist in achieving quality by ensuring that the conclusions in the auditor's report are supported by sufficient appropriate evidence.

Question 6

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

11. ED 220 requires the auditor to include documentation of matters identified with respect to fulfilment of ethical responsibilities relating to relevant ethical requirements including independence, acceptance and continuance of client relationships and the nature and scope of, and conclusions reached from the consultations undertaken. The ED-220 requires the auditor to document this information in accordance with the requirements of ISA 230, therefore, ED-220 together with the requirements in ISA 230 include sufficient 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?

12. The ED-220 is appropriately scalable to engagements of different sizes and complexity. For example, this is illustrated by the material indicating that in smaller engagements where the engagement team consists of a few team members, the engagement partner's actions can influence the desired culture through direct interactions whereas in larger engagements, there may be a need for more formal communication between the engagement partner and the team.