

27 June 2019

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

Global Office
New Bridge Street House
30-34 New Bridge Street
London, EC4V 6BJ
United Kingdom

T: +44 (0)20 3882 2000

info@bakertilly.global
www.bakertilly.global

Dear Sirs,

Proposed International Standard on Auditing 220 (Revised)

We are pleased to have the opportunity to respond to the proposals laid out in the IAASB Group Consultation on the proposed International Standard on Auditing 220 (Revised). We set out below our responses to each question raised. In so doing, we are keen to distinguish between where we have comments or concerns in relation to the proposals and our suggestions that you may wish to consider.

Questions

- 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: It is imperative that Engagement Partners are fully involved throughout an audit engagement and clearly take lead responsibility for audit quality. Therefore, we support the focus on the role of the engagement partner, their responsibility for overall quality on the engagement and their appropriate involvement “throughout the engagement” (ED-220.11).

Whilst we understand the rationale behind additional requirements in ED-220.11-12 around “creating an environment” and “emphasizing the firm’s culture”, these are somewhat nebulous concepts. In our view, compliance with such requirements will be difficult to demonstrate in practice, especially to the satisfaction of, for example, an external regulator. It may be more appropriate that such cultural and behavioral issues be covered in application material with requirements retained for matters which can be more clearly demonstrated.

- 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: The linkages to the ISQMs via reference to following the firm’s policies and procedures, for example as regards acceptance and continuance procedures and consultation, are appropriate. We note, however, that there is inconsistency in whether the firm’s policies and procedures are referred to in requirements or only in the application material (e.g. relating to EQCR).

Further, we find references to situations in which the engagement partner may depend on the firm’s policies and procedures to be helpful, e.g. para A61 highlights that the engagement partner may be able to depend on the firm’s policies and procedures when using the firm’s approved technology.

- 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 that is included in relation to Professional Skepticism and its links with professional judgement. Further, the material in the application material relating to impediments to skepticism and auditor bias are helpful.

However, we are not clear on the benefits of including Professional Skepticism in the Introduction to the standard (ED-220.7) and then including only a brief reference to the application of professional Skepticism in ED-220.12e. Most auditors focus on the requirements of a standard rather than the verbiage of the introduction and therefore would suggest that any references to Skepticism be included in requirements along with associated Application Material rather than the Introduction (subject to our comments in the next paragraph).

However, given that the requirement to plan and perform an audit with Professional Skepticism is already incorporated in ISA220.15, and notwithstanding that Skepticism is important in achieving audit quality, we would urge the IAASB to incorporate the proposed additional material in ED-220 (including impediments and auditor bias) in a revision to ISA200 rather than having requirements around skepticism in two different standards.

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

Response: We do not believe that the revised standard addresses the requirements around delivery models and technology sufficiently. For example, paragraph 13 may be difficult to implement in audit delivery models involving remote teams. Furthermore, the IAASB continues to find it difficult to address the changes relating to technology in its standards. Whilst this is more acutely obvious in audit evidence and risk assessment standards, the impact of technology on engagement quality is not really addressed in the ED-220.

- 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 regarding direction, supervision and review. We agree that the onus should be on the engagement partner. The requirements in ED-220.29-31 are clear and represent significant enhancement over the extant standard.

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

Response: We believe that the requirements and guidance on documentation are reasonable.

- 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: There is more limited scope for scalability in ED-ISA220 than there is in ISQM1 and ISQM2. As a result, subject to our comments set out above in response to other questions, we are satisfied that the proposals in ED-ISA220 are suitable for engagements of differing size and complexity. However, it is not always clear how the engagement partner will demonstrate their involvement in meeting the requirements of the standard without resorting to a checklist approach. For example, without simply signing off a checklist, how will the engagement partner demonstrate that the leadership and cultural elements of ED-220.11-12 have been met (see response to Question 1 above), that they have “determined whether relevant ethical requirements have been fulfilled (ED-220.19) and that they have determined that they have taken overall responsibility for quality as required by ED-220.37. It is not clear that a checklist approach to matters such as these would necessarily lead to improvements in engagement quality.

Yours faithfully,

Paul Winrow

Dr Paul Winrow

Director of Professional Standards