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International Auditing and Assurance Standards Board (IAASB)
529 Fifth Avenue, 6th Floor,
New York, NY 10017
United States of America

Submitted via website: www.iaasb.org

Dear Sir/Madam

PROPOSED QUALITY MANAGEMENT STANDARDS EXPOSURE DRAFTS

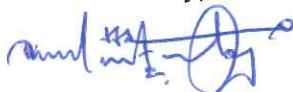
The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the Exposure Drafts of the Proposed Quality Management Standards.

We greatly thank the Board for the move to introduce and amend the approach to quality management both at the firm wide level and at the engagement level. We however note the fact that a number of firms particularly Small and Medium Practices (SMP) have been grappling with implementation of the extant ISQC 1. Before this standard has been fully appreciated, a suit of new changes has been introduced. We thus recommend that the Board considers developing guidance on how small and medium practices should effectively design their policies to best achieve compliance with the proposed quality management standards.

Our detailed comments are herein attached.

We hope you will find our comments helpful.

Yours sincerely,



CPA Charles Lutimba
MANAGER, STANDARDS AND TECHNICAL SUPPORT
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Appendix: Comments to the Exposure Drafts of the Proposed Quality Management Standards

EK/....

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

COMMENTS ON THE PROPOSED QUALITY MANAGEMENT STANDARDS

In December 2018, the IAASB approved proposed revisions to the quality management standards, for firms and audit engagement teams. The revisions will change how firms manage quality, and will likely require increased effort for most firms. The revisions will also require greater leadership by engagement partners in managing and achieving quality engagements. Below are the comments of the Institute of Certified Public Accountants of Uganda (ICPAU) in regards to these proposed standards.

A. INTERNATIONAL STANDARD ON QUALITY MANAGEMENT 1 (ISQM 1) -QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICE ENGAGEMENTS.

Question 1: Does ED- ISQM 1 substantively enhance firm's management of engagement quality, and at the same time improve the scalability of the standard? In particular:

- a) **Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?**

COMMENT:

ICPAU believes that ED- ISQM 1 substantively enhances the firm's management of engagement quality. This is because the ED is introducing quality management, a more proactive approach to the identification and response to risks to quality. This approach is more advantageous than the extant quality control approach because it requires a firm to customize the design, implementation and operation of its system of quality management based on the nature and circumstances of the firm and the engagements it performs. ICPAU supports this because firms will be in position to develop quality management systems that are relevant to the quality risks relevant to the circumstances of their firms.

ICPAU supports the new quality management approach because the approach requires a new mindset in which quality is an embedded and active aspect of a firm's culture. With this approach, quality will permeate the entire firms' norms and ethics, formal systems such as client acceptance and continuance systems, training programs, performance management systems as well as decision making processes and resource allocation.

- b) **In your view, will the proposals generate benefits for engagement quality as intended, including supporting the appropriate exercise of professional skepticism at the engagement level? If not, what further actions should the IAASB take to improve the standard?**

COMMENT:

Notwithstanding our comments in (a) above, ICPAU believes that a critical element to a system of quality control is flexibility to circumstances and risk environments. However, the

prescriptive approach adopted by the standard to each of the components of the ED-ISQM 1 may be detrimental to audit quality especially with the lack of weighting and proportionality to each of the requirements. There are some requirements within the standard that seem to provide for a mandatory benchmark application by all firms and only consider additional measures if those requirements prescribed by the ED-ISQM 1 seem ineffective based on the firm's assessment. This prescriptive approach may be less scalable than the current principles in extant ISQC 1 and may increase compliance costs and time at the firm level without necessarily achieving improved audit quality. ICPAU would thus propose for maintenance of the principles-based approach and keep any other prescriptive material in the guidance material. And whatever material is taken to the explanatory material should be enhanced to ensure consistent application of the standard by the firms.

- c) Are the requirements and application material of proposed ED-ISQM 1 scalable such that they can be applied by firms of varying size, complexity and circumstances? If not, what further actions should the IAASB take to improve the scalability of the standard?

COMMENT:

Except for the observations in (b) above, ICPAU believes that the requirements and application material of the proposed ED- ISQM 1 are scalable in regards to firms of varying size, complexity and circumstances.

Question 2: Are there any aspects of the standard that may create challenges for implementation? If so, are there particular enhancements to the standard or support materials that would assist in addressing these challenges?

COMMENT:

ICPAU believes that practitioners may have some challenges in the implementation of some aspects of the standard such as establishment of a risk management system as well as a monitoring and remediation system. These require firms to invest a lot of time and resources to continuously update their systems and this might be a challenge for some firms especially the smaller ones which may not have adequate resources to dedicate to these activities. We would thus recommend that the Board develops illustrative materials on how firms can effectively establish a risk management system as well as a monitoring and remediation system.

ICPAU raises concerns on the definition of the term 'Engagement Team' used across the set of Quality Management Standards. ICPAU notes that the definitions are not used consistently across the standards, thus they seem unclear and accordingly may not be capable of application in a consistent way, for example; whereas the definition provided under ED-ISQM 1 makes reference to an engagement team comprising of all partners and staff performing the engagement with the exception of external experts engaged by the firm.....(Para 19(f)), para A31 illustrates engagement teams to include human resources from service delivery centers who perform specific tasks that are repetitive or specialized in nature while Para 10(m) of ED-ISQM 1 defines staff to include 'any experts the firm employs.'

Relatedly ED-ISQM 2 requires discussions between the Engagement Quality Reviewer (EQR) with the engagement team throughout the engagement (para 21) and para A4 provides for

outsourcing in case a firm has no internal capacity for an EQR. All in all, the challenge then remains whether EQR, experts, specialists would form part of the engagement team as defined under para 19(f) or not.

ICPAU recommends that the IAASB applies a consistent definition for the term engagement team.

Question 3: Is the application material in ED- ISQM 1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional examples or explanations would be helpful or where the application material could be reduced?

COMMENT:

ICPAU believes that the application material in ED- ISQM 1 is helpful in supporting a consistent understanding of the requirements subject to our comments in question 1.

Question 4: Do you support the eight components and the structure of ED- ISQM 1?

COMMENT:

ICPAU is supportive of the eight components and the structure of ED- ISQM 1. The eight components are representative of aspects that are essential in the efforts to have good quality engagements. ICPAU is particularly supportive of the fact that firms may combine the components or have additional components, depending on their circumstances and that the components are highly integrated.

However we observe with concern that over time the IAASB standards have been considered to be principles-based and, as such, the ED-ISQM 1's intended approach is for the firms to apply professional judgement to the quality objectives, risks and associated responses for each component. However, ICPAU raises concerns on whether the current drafting of ED - ISQM 1 is too prescriptive and hence a divergence from the norm of a principles-based approach. We note that the objectives embedded in each component of the ED-ISQM 1 are more compliance based with a very prescriptive direction.

We would recommend that the Board maintains a principles-based approach and keep any prescriptive material in the guidance material.

Question 5: Do you support the objective of the standard, which includes the objective of the system of quality management? Furthermore, do you agree with how the standard explains the firm's role relating to the public interest and is it clear how achieving the objective of the standard relates to the firm's public interest role?

COMMENT:

ICPAU supports the objective of the standard, which includes the objective of the system of quality management. ICPAU agrees that firms should design, implement and operate systems of quality management designed to ensure that the firms' operations are conducted in accordance with professional standards and applicable legal and regulatory requirements and that the engagement reports issued are appropriate in the circumstances.

ICPAU agrees that the overall objective of quality management is clearly illustrated by the objective of the ED ISQM 1.

Question 6: Do you believe that application of a risk assessment process will drive firms to establish appropriate quality objectives, quality risks and responses, such that the objective of the standard is achieved? In particular:

a) Do you agree that the firm's risk assessment process should be applied to other components of the system of quality management?

COMMENT:

ICPAU agrees with the proposal to apply the risk management process to all components of the quality management system because it is the only way through which risks to quality in the other components will be quickly identified and addressed. This will also create the situation where all the components work together to ensure production of good quality engagements a trait that was lacking in the extant ISQC 1 whose components appeared rather disconnected.

b) Do you support the approach for establishing quality objectives? In particular:

i) Are the required quality objectives appropriate?

COMMENT:

ICPAU also supports the approach for firms to establish quality objectives. This is because these objectives will form parameters that the firms can use to evaluate whether their systems of quality management achieve the objectives for which they were set.

The above notwithstanding, as previously stated we observe with concern that over time the IAASB standards have been considered to be principles-based and, as such, the ED-ISQM 1's intended approach is for the firms to apply professional judgement to the quality objectives, risks and associated responses for each component. However, ICPAU raises for consideration whether the current drafting of ED - ISQM 1 is too prescriptive and hence a divergence from the principles based approach. We note that the objectives embedded in each component of the ED-ISQM 1 appear to be compliance-based with a very prescriptive direction.

ii) Is it clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances?

COMMENT:

Subject to our comments in (i) above, ICPAU believes there is sufficient clarity that firms are expected to establish quality objectives beyond those required by the standard in certain circumstances.

c) Do you support the process for identification and assessment of quality risks?

COMMENT:

Subject to our comments in (b) above, ICPAU supports the stated process for identification and assessment of quality risks.

d) Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks? In particular:

i) Do you believe that this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks?

COMMENT:

ICPAU supports the approach that requires the firm to design and implement responses to address the assessed quality risks. ICPAU also believes that subject to the comments in (a) and (b), this approach will result in firms designing and implementing responses that are tailored to and appropriately address the assessed quality risks.

ii) Is it clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard?

COMMENT:

ICPAU believes that there is clarity about the requirement for firms to design and implement responses in addition to those required by the standard in all circumstances.

Question 7: Do the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership? If not, what further enhancements are needed?

COMMENT:

ICPAU believes that the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership. However, as the Board notes in Para 45 of ED-ISQM 1 the concerns that small and medium practices may experience practical challenges in implementing certain proposals related to governance and leadership, ICPAU recommends for clear guidance by the Board on how small and medium practices largely in the developing world can implement an effective governance process to their single-person firms.

We also wish to draw the Board's attention to recent audit failures and governance issues identified at some firms and as such we invite the Board to think deeply whether the governance measures addressed in this ED-ISQM 1 will appropriately overcome and/or mitigate these failures.

Question 8: With respect to matters regarding relevant ethical requirements:

a) Should ED- ISQM 1 require firms to assign responsibility for relevant ethical requirements to an individual in the firm? If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual?

COMMENT:

ICPAU thinks that the ED- ISQM 1 should require firms to assign responsibility for relevant ethical requirements to an individual or individuals, depending on the size of the firm. This person should ensure that the firm and all the individuals assigned to the different engagements fulfil all their ethical requirements as per the Professional Accountants Code of Ethics and the professional standards.

b) Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network?

COMMENT:

The principles- based requirements to ethical aspects in ED- ISQM 1 appropriately addresses the responsibilities of the firm regarding the independence of other firms or persons within the network since they can be adapted to a variety of circumstances.

Question 9: Has ED- ISQM 1 been appropriately modernized to address the use of technology by firms in the system of quality management?

COMMENT:

ICPAU believes that the ED- ISQM 1 has been appropriately modernized to address the use of technology in quality management systems. Firms are now required to establish information systems to support both internal and external communication and interactions during the performance of engagements. The use of technology has been modernized by ED- ISQM 1 especially in the promotion of information systems in firms.

However, ICPAU believes that the Board should consider developing guidance on how firms should equip their human resources with the necessary skills in relation to emerging technologies in order to ensure quality management in performance of engagements.

Question 10: Do the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with the firm's stakeholders?

COMMENT:

ICPAU thinks that the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with its stakeholders.

However we would recommend that the ED-ISQM 1 requires firms to provide on timely basis valuable and transparent information about any developments within the firms to external parties particularly regulators.

Question 11: Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of engagements to be subject to an engagement quality review?

COMMENT:

ICPAU agrees with the proposals addressing the scope of engagements that should be subject to an engagement quality review. The requirements will make it easy to identify engagements to be subject for engagement quality review.

The above notwithstanding, ICPAU notes that the scope of engagements subject to EQR now includes audits of financial statements of entities that the firm determines are significant public

interest entities yet the term “significant public interest entity” is not defined anywhere in the standard. The challenge with this definition is that there is likely to be inconsistency in the application of the term across different firms. There is already an undeniable difficulty in providing a global definition of what constitutes public interest. As a result IAASB may need to draw more light on what and how one can ably reach the judgement that an entity is a significant public interest. The illustrations under explanatory material para A102 create more questions than answers. For example the guidance given in determining whether an entity is of “significant public interest” is whether the entity has a large number and wide range of stakeholders; what then is a large number? And for a wide range of stakeholders should this be measured based on geographical spread of multiplicity of stakeholdership?

We would thus recommend that the determination of what public interest is a jurisdictional question. In principle, this should be left to regulators in each jurisdiction. We note further that this approach has already been adopted by ISA 700 (revised).

Question 12: In your view, will the proposals for monitoring and remediation improve the robustness of firms’ monitoring and remediation? In particular:

- a) **Will the proposals improve firms’ monitoring of the system of quality management as a whole and promote more proactive and effective monitoring activities, including encouraging the development of innovative monitoring techniques?**

COMMENT:

ICPAU believes that the proposals for monitoring and remediation will greatly improve the firms’ systems of quality management. This is especially true because of the new proposals that require firms not only to identify risks to quality management in their systems but also perform root cause analysis to clearly understand how these risks have arisen. This makes the proposed remedial actions more plausible.

Notwithstanding the above we take note of the Board’s proposals in relation with designing and performing monitoring activities particularly with the requirement under para 45 (b) which permits firms to determine a cycle when to conduct an engagement inspection. Whereas we find this provision to be compatible with a principle based approach to application of the standards, we would recommend that the explanatory material includes guidance that for engagements that are public interest, the inspection should be done at least annually.

- b) **Do you agree with the IAASB’s conclusion to retain the requirement for the inspection of completed engagements for each engagement partner on a cyclical basis, with enhancements to improve the flexibility of the requirement and the focus on other types of reviews?**

COMMENT:

ICPAU agrees with the IAASB’s conclusion to retain the requirement for the inspection of completed engagements for each engagement partner as this will help the partner to make an assessment of the appropriateness of the procedures performed at particular engagements and identify any deficiencies in the work performed that need to be addressed before the engagement is signed off.

- c) Is the framework for evaluating findings and identifying deficiencies clear and do you support the definition of deficiencies?

COMMENT:

ICPAU believes that the framework for evaluating the findings and identifying deficiencies is clear. ICPAU is also supportive of the definition of deficiencies as laid out in Para 19 (a) of ED-ISQM 1.

- d) Do you agree with the new requirement for the firm to investigate the root cause of deficiencies? In particular:

- i) Is the nature, timing and extent of the procedures to investigate the root cause sufficiently flexible?

COMMENT:

ICPAU also agrees with the new requirement for the firm to investigate the root causes of deficiencies as this is the only way the firms will adopt lasting solutions to quality system deficiencies. Once a risk is dealt with using root cause analysis, the causes of the risks are also addressed and as such, the firms will not be merely dealing with symptoms of risks affecting the quality but with the whole problem.

ICPAU believes that the nature, timing and extent of the procedures to investigate the root cause of deficiencies in the systems of quality management is sufficiently flexible as the root cause analysis identified by the standard involves the use of professional judgement based on the evidence available.

- ii) Is the manner in which ED-ISQM 1 addresses positive findings, including addressing the root cause of positive findings, appropriate?

COMMENT:

ICPAU believes that ED-ISQM 1 should emphasize that positive findings can reveal opportunities for improvement and further enhancement of systems of quality management of firms. ICPAU therefore believes that the manner in which ED-ISQM 1 addressed positive findings is not appropriate. Since it is not a requirement, firms may not investigate positive findings and thus may lose out on opportunities for improvement or enhancement of systems of quality management.

- e) Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate at least annually whether the system of quality management provides reasonable assurance that the objectives of the system have been achieved?

COMMENT:

ICPAU doesn't believe that there are any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management especially if the monitoring of the systems is done more frequently.

Question 13: Do you support the proposals addressing networks? Will the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services?

COMMENT:

ICPAU supports the proposals addressing networks particularly the fact that firms in these cases remain responsible for the system of quality management, including the professional judgments made in their design, implementation and operation.

Question 14: Do you support the proposals addressing service providers?

COMMENT:

ICPAU believes that there are some inconsistencies in the proposals addressing service providers with the definition of the term engagement team. Para 19(f) excluded external experts from being part of the engagement team however, para A 205 gives an illustration of service providers to include 'a commercial IT application used to perform audit engagements.' There is then need to harmonize these two provisions.

Question 15: With respect to national standard setters and regulators, will the change to title to "ISQM" create significant difficulties in adopting the standard at a jurisdictional level?

COMMENT:

ICPAU does not think the change in title will create significant difficulties in adopting the standard. In fact the title is a quick way for national standard setters and regulators to easily understand that the standard has changed the approach of addressing risks to quality in engagements from quality control to quality management.

**B. INTERNATIONAL STANDARD ON QUALITY MANAGEMENT 2 (ISQM 2) -
ENGAGEMENT QUALITY REVIEWS**

Question 1: Do you support a separate standard for engagements quality reviews? In particular, do you agree that ED- ISQM 1 should deal with the engagements for which an engagement quality review is to be performed, and ED- ISQM 2 should deal with the remaining aspects of engagement quality reviews?

COMMENT:

ICPAU supports a separate standard for engagement quality reviews because the new standard clearly spells out the criteria of selection of engagements for review and continues to show the qualities of a good reviewer and how they should report their review findings. This will not only solve the confusion in regards to engagement quality reviews but also standardize the whole process.

ICPAU agrees that ISQM 1 should deal with engagements for which an engagement quality review is to be performed and ISQM 2 should deal with other aspects of engagement quality reviews.

Question 2: Are the linkages between the requirements for engagement quality reviews in ED- ISQM 1 and ED- ISQM 2 clear?

COMMENT:

ICPAU believes that the linkages between the requirements for engagement quality reviews in ED- ISQM 1 and ED- ISQM 2 are clear. ED- ISQM 1 aims to ensure firms have good quality management systems through among others aspects having a good risk management system to quality of engagements. Performance of engagement quality reviews as required by ED- ISQM 2 is one of the responses to the assessed risks in ED- ISQM 1.

The above notwithstanding we note that para 37(e) of ED-ISQM 1 forms a fundamental linkage between ED-ISQM 1 and ED-ISQM 2 as it specifies all engagements for which an Engagement Quality Review is required to be performed in accordance with proposed 220 (revised). We refer the Board to our responses as provided for under question 11 of ED ISQM 1 regarding the extended scope of engagements subject to EQR which now includes audits of financial statements of entities that the firm determines are significant public interest entities and the lack of a definition for the term “significant public interest entity.”

Question 3: Do you support the change from “engagement quality control review/ reviewer” to “engagement quality review/ reviewer”? Will there be any adverse consequences of changing the terminology in respondents’ jurisdictions?

COMMENT:

ICPAU supports the change from “engagement quality control review/ reviewer” to engagement quality review/ reviewer and believes that there will not be any adverse consequences of changing the terminology.

Question 4: Do you support the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer as described in paragraphs 16 and 17, respectively, of ED-ISQM 2?

COMMENT:

ICPAU supports the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer. The requirements in the ED ISQM 2 clarify on authority of the Engagement Quality Reviewer, actions to be taken when the Engagement Quality Reviewer's eligibility is impaired; and Engagement Quality Reviewers objectivity including, when applicable, limitations on the eligibility to be appointed as an Engagement Quality Reviewer. The requirements for individuals who would assist an EQR are equally timely.

a) What are your views on the need for the guidance in proposed ISQM 2 regarding a "cooling- off" period for that individual before being able to act as the engagement quality reviewer?

COMMENT:

ICPAU agrees with the "cooling- off" period requirement in the ED- ISQM 2 as it is in line with the requirements embedded in the Restructured and Revised Code for Professional Accountants and we would propose to have the same located within the ED ISQM 2.

b) If you support such guidance, do you agree that it should be located in proposed ISQM 2 as opposed to the IESBA Code?

COMMENT:

ICPAU agrees with the location of the guidance requirements regarding the engagement quality reviewer in ED- ISQM 2 as these requirements deal specifically with engagement quality reviews which the standard addresses.

Question 5: Do you agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures? Are the responsibilities of the engagement quality reviewer appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised)?

COMMENT:

ICPAU agrees with the ED- ISQM 2 requirements that require the engagement quality reviewer's procedures to be performed at appropriate times throughout all stages of the engagement such as at planning, risk assessment, performance, completion and reporting.

ICPAU also believes that the engagement quality reviewer's responsibilities are appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised).

Question 6: Do you agree that the engagement quality reviewer's evaluation of the engagement team's significant judgments includes evaluating the engagement team's exercise of professional skepticism?

ICPAU agrees that the engagement quality reviewer's evaluation of the engagement team's significant judgments should include the engagement team's exercise of professional skepticism.

Do you believe that ED- ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer? If so, what suggestions do you have in that regard?

COMMENT:

ICPAU doesn't believe that ED-ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer.

Question 7: Do you agree with the enhanced documentation requirements?

COMMENT:

ICPAU agrees with the enhanced documentation requirements since this will enhance public trust in the engagement quality reviews.

Question 8: Are the requirements for engagement quality reviews in ED- ISQM 2 scalable for firms of varying size and complexity? If not, what else can be done to improve scalability?

COMMENT:

ICPAU agrees that the requirements for engagement quality reviews in ED- ISQM 2 are scalable for firms of varying size and complexity through different aspects. These reviews will only be required for specified engagements in accordance with ED- ISQM 1. The relevance of some of the requirements also varies depending on the nature and circumstances of the engagement.

C. INTERNATIONAL STANDARD ON AUDITING 220 (REVISED) (ISA 220) -QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS.

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?

COMMENT:

ICPAU supports the focus on the sufficient and appropriate involvement of the engagement partner. This is necessary as it fulfils the requirements of ED- ISQM 1 which require the engagement partner to provide leadership and accountability for quality. This can only be achieved if the engagement partner is sufficiently and appropriately involved in the management of quality in the engagement.

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 material referring to when the engagement partner may depend on the firm’s policies or procedures?

COMMENT:

ICPAU believes that the ED-220 has appropriate linkages with the ISQMs. Concepts like professional skepticism, firm leadership and documentation are the main areas which make the ED- 220 stand out as similar requirements with the ISQMs.

However, we take note of the definition of Engagement Team as has been applied across the suite of quality management standards. Whilst the definition is consistent across each of the quality management standards, the application material which describes how to apply the definition is not. For example the application materials to ED-220 (para A17) outlines that a service delivery centre may be part of an engagement team and that an engagement quality reviewer is not (para A19). In ED-ISQM 1 seems not to be clear on this matter.

Question 3: Do you support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level?

COMMENT:

ICPAU supports the material on the appropriate exercise of professional skepticism in managing quality at the engagement level.

However, we observe the change in language used to emphasise the engagement partner’s responsibilities from using the phrase “shall be satisfied” to “shall determine”. This change appears to result in a higher bar for an engagement partner to meet.

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

COMMENT:

ED- 220 adequately deals with the modern auditing environment through requirements that emphasise systems of quality management that make it possible to appropriately direct, supervise and review work of engagement teams regardless of difference in geographic locations or organization of the activity being performed.

Question 5: Do you support the revised requirements and guidance on direction, supervision and review?

COMMENT:

ICPAU supports the revised requirements and guidance on direction, supervision and review especially the fact that the engagement partner shall take overall responsibility of supervision of the engagements.

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

COMMENT:

ICPAU feels the ED-220 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?

COMMENT:

ICPAU agrees that the ED- 220 is appropriately scalable to engagements of different sizes and complexity, including through the focus on the nature and circumstances of the engagements. This is appropriately shown in the appendix to the standard.