



For the attention of Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue, 6th Floor  
New York, New York, 10017  
USA

[Submitted via IAASB website]

1 July 2019

Dear Mr. Botha,

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

We<sup>1</sup> appreciate the opportunity to comment on the IAASB's Exposure Draft (ED).

We support the intent of the revisions to promote consideration of risks to quality at the engagement level and support many of the proposed revised requirements. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit and that they take overall responsibility for the quality of the engagement.

In building a framework that best supports audit quality, it is important that the requirements in proposed ISA 220 (Revised) are grounded in a risk-based approach, and be sufficiently principles-based so that they can be appropriately applied across a variety of engagement team structures in a scalable manner. While we agree with many of the proposed changes, we do not believe this has been achieved in all of the proposed revisions.

For example, we agree with the Board's intent of modernising the ISA to address evolving engagement structures and to clarify the engagement partner's responsibilities. However, we are concerned that the proposed standard may not be capable of being effectively implemented in light of the various audit delivery models that may exist today and how such models (and the technology that supports their functioning) are likely to evolve in the future. We believe that the ISA needs to better reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality, by establishing broader principle-based requirements that promote appropriate review and supervision.

Specifically, we believe that there are a number of potentially significant unintended consequences of aspects of the proposed changes, as described below.

*Engagement partner responsibilities*

We believe that the level of prescription in certain requirements is in conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. Specifically, we are concerned that the

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<sup>1</sup> This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to "PwC", "we" and "our" refer to the PwC network of member firms.

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proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that, in our view, are not in the best interests of audit quality.

While playing a vitally important role, an engagement partner cannot practically be expected to be able to effectively oversee every aspect of quality on a large and complex engagement. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design.

We support the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. In principle, we believe that responsibility for aspects of quality should be assigned by the engagement partner to those best placed to bring that to bear on the engagement. In our view, there is a distinction to be drawn between the engagement partner's overall responsibility for the engagement and how to best achieve execution of that responsibility, in a way that acknowledges how audit quality is best supported.

We believe that paragraph 13, which addresses when the partner assigns tasks, actions or procedures to others, needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what is practically achievable by the engagement partner. We provide a recommendation in our response to question 1 in appendix 1.

#### *Definition of engagement team and group audits*

Although not explicitly stated, we understand, based on paragraph A1, that in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in auditing components of the group (i.e., component auditor teams, which would include individuals from network and non-network component auditors). For the reasons stated above, we believe this has significant implications for the expectations of a group engagement partner that we do not believe have been sufficiently evaluated. We also suggest that this potential change in the application of this definition has several significant consequences for the application of proposed requirements addressing compliance with ethical requirements and the involvement of the engagement partner, in particular with respect to direction, supervision and review. We provide further details in our responses to question 1 and question 5 in appendix 1.

It is important that, in finalising the ISA, the Task Force works closely with the ISA 600 Task Force and the IESBA to fully assess the potential implications of the foundational principles being established in proposed ISA 220 (Revised) when applied in the context of a group audit.

#### *Firm policies and procedures*

We do not believe the proposed standard appropriately acknowledges that robust policies and procedures are expected to be established at the firm level and are often appropriately designed to support engagement partners in bringing quality to the engagement (including, for example, by specifying what audit documentation the engagement partner is expected to review or setting out responsibilities for interactions with component auditors or others in an audit delivery model).

Specifically, we do not support the guidance in paragraph A7-A8 that appears to call into question whether or not the engagement partner can rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of words "whether, and the



degree to which” the partner may depend on such policies and procedures implies a firm has not adequately complied with ISQM 1, including through its monitoring and remediation process, for establishing a system of quality management that achieves the objectives of that standard. We believe that any implication that the engagement partner is not entitled to rely on the firm’s processes related to independence monitoring and communication is particularly problematic, especially for large or complex engagement structures.

It is both unnecessary and impractical to require all engagement partners to make an independent judgement with respect to the firm’s policies and procedures that support quality. We are concerned about how an engagement partner would evidence their determination, in particular if suggesting a “degree” of dependence.

Engagement teams should be able to rely on the firm’s policies and procedures, e.g., its methodology and approved standard tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm’s system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered by clarifying that an engagement team can rely on the firm’s policies and procedures unless advised to the contrary.

We also believe there is a significant risk of confusion and inconsistent application of the requirements due to the use of the terms “determine” and “be satisfied” to differentiate the nature of the engagement partner’s responsibilities, based on whether or not a specific action is required by the engagement partner (“determine”) or an action has already been taken by the firm (“be satisfied”). Based on discussions in various fora, it is clear there are different and often opposing views as to what each of these terms mean. Consequently, expectations of the required work effort and documentation under each use case are unclear and likely to result in inconsistencies without further clarification.

**In conclusion**, we are supportive of the objective of the standard and intent of the proposed revisions. However, to be operable and to avoid imposing obligations that we believe may inadvertently introduce barriers to best addressing audit quality, we believe the matters outlined above need to be reconsidered.

We provide further context to the above points in our responses to the detailed questions posed in the explanatory memorandum in appendix 1 to this letter. In finalising the proposals, we encourage appropriate outreach with the GPPC to obtain feedback on the practical implications of the proposals.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Diana Hillier, at [diana.hillier@pwc.com](mailto:diana.hillier@pwc.com), or me, at [james.chalmers@pwc.com](mailto:james.chalmers@pwc.com).

Yours sincerely,

A handwritten signature in black ink that reads 'James Chalmers'. The signature is written in a cursive, flowing style.

James Chalmers  
Global Assurance Leader



## Appendix 1 - Responses to specific 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?**

We support the intent of the revisions to promote consideration of risks to quality at the engagement level. We agree the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that they take overall responsibility for the quality of the engagement. We also support the proposed “stand-back” determination by the engagement partner that they have been sufficiently and appropriately involved prior to dating the auditor’s report.

However, it is clear that *sufficiency* and *appropriateness* are subjective terms. We believe that additional implementation guidance will be needed to provide further illustration of sufficiency and appropriateness of involvement in different circumstances. Clarifying that compliance with the firm’s policies and procedures addressing the engagement partner’s responsibilities, together with the audit documentation that evidences the engagement partner’s involvement in the engagement, supports the engagement partner in making this determination. Paragraph 11 may be more useful if it directly reflected the matters set out in the bullets in paragraph A24.

We agree with the principle set out in the Explanatory Memorandum that the engagement partner takes overall responsibility for the nature, timing and extent of direction, supervision and review of the work performed. However, we have concerns about how certain requirements in proposed ISA 220 (Revised) have been articulated with respect to these leadership responsibilities. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. We provide further details below.

### *Others to whom supervisory roles are assigned*

We support the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. Responsibility for aspects of quality should be assigned to those best placed to bring that to bear on the engagement. We believe that there is a distinction to be drawn between the engagement partner’s overall responsibility for the engagement and how to best achieve execution of that responsibility, in a way that acknowledges how audit quality is best supported.

While playing a vitally important role, an engagement partner cannot practically be expected to be able to effectively oversee every aspect of quality on a large and complex engagement. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it interrelates with those of others.

Finding a balance between promoting accountability of both the engagement partner and others with responsibilities for direction, supervision and review is essential to ensure the ISA is fit for purpose and capable of being applied in a wide range of circumstances and in a complex environment, which is one of the public interest aims of the project. In that context, we are concerned that the proposed

requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others could be interpreted as imposing practical implications that may not be in the best interests of audit quality.

For example, requiring the partner to review selected documentation of all those to whom responsibility for aspects of quality have been assigned (paragraph 13(b)) is impractical in a large complex audit. In fact, doing so is likely to unduly divert the engagement partner's attention and time from aspects of the audit that most directly warrant their attention. Furthermore, we do not believe this takes account of a key reason why certain audit delivery models have been established - to drive higher quality through consistent performance - and the processes that firms will have put in place around those models with respect to direction, supervision and review of work, to support quality. In addition, when applied to group audits, we understand that paragraph 13(b) would require that the engagement partner monitor the work, and review selected documentation, of *all* component auditor partners across the group. On a large, complex group, which may involve hundreds of people in the audit of different components around the world, this is simply not practical. See also our comment on the revised definition of engagement team below, which we believe creates this significant practical impediment when applied to a group audit scenario.

It is also unclear whether the concept of assignment, as described in paragraph 13, can also be applied to the responsibilities in paragraph 13 itself. For example, recognising the impracticalities in a large complex audit, can the engagement partner assign responsibility for reviewing the work of others to whom the partner has assigned other procedures, tasks or actions (i.e., component auditor partners or other partners), in accordance with paragraph 13, to yet another individual? See also our response to question 7. Even if that is the intent of paragraph 13, we are concerned about a requirement being used to override another requirement. Particularly in jurisdictions where the ISA requirements are embedded in law, the legal interpretation of the requirements may not permit that interpretation. The wording of each requirement needs to be capable of being interpreted and understood independently.

We also question whether a focus on assigning "procedures, tasks or actions" is unduly narrow compared to a broader assignment of responsibilities for aspects of quality. Often there may be other partners or senior staff who have significant responsibilities for direction, supervision and review (characterised in the proposed ISA as "others to whom supervisory roles are assigned" (paragraph 12)). Further clarification of this concept would be helpful – for example, to explain this concept applies to component engagement partners or other partners or senior staff members (e.g., when an audit delivery model is used) with significant supervisory responsibilities and not simply any member of the engagement team that has a role in supervising more junior members of the team.

We therefore recommend that paragraph 13 be amended to:

- reflect the principle that the engagement partner retains overall responsibility for quality but may assign responsibility for aspects of quality to others; and
- in discharging that responsibility, require the partner to have a basis for being satisfied that they have done so by replacing the detailed prescription in actions required of the partner with outcome-based objectives.

We suggest the following edits to paragraph 13:

13. If the engagement partner assigns ~~procedures, tasks or actions~~ responsibility for aspects of engagement quality to other members of the engagement team to

assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement. When assigning ~~procedures, tasks or actions~~ such responsibility to other members of the engagement team the engagement partner shall determine that:

- (a) ~~Assignees have been~~ Appropriately informed ~~assignees~~ about the nature of their responsibilities and authority, the scope of the work being assigned, the objectives thereof and any other necessary instructions and relevant information; and
- (b) The scope of work, as assigned, has been performed. In doing so, the engagement partner shall apply professional judgement to determine the need to~~Monitor the performance of the work of assignees and review selected related documentation, taking into account the firm's policies and procedures in order to evaluate the conclusions reached.~~

We believe that the concept of accountability for quality on specific aspects of an engagement could also be made more prominent in the Introduction section of the ISA. This could be supplemented by a spectrum for the expected involvement of the engagement partner (e.g., in direction, supervision and review) as best fits different engagement circumstances, taking into account the need for a risk-based approach and appropriate consideration of the firm's policies and procedures. Additional application material could highlight various factors to be considered by the engagement partner in taking overall responsibility for managing and achieving quality (including involvement in the direction, supervision and review based on the engagement circumstances), for example:

- In a group audit, how the engagement partner considers the competence and accountability of the partners directing, supervising and reviewing work at the component level, with the special considerations for group audits laid out clearly in ISA 600. In this regard, it is unclear whether the Board's intent is to address how reliance on the system of quality management of other firms within a network may need to be taken into account, which is a matter that may need to be addressed as part of the proposed revisions to ISA 600.
- Where a large volume of work, supporting multiple audit engagements, is performed at a centralised delivery centre (or other function under an audit delivery model), how the engagement team would evaluate the overall outcomes of that work and the sufficiency of audit evidence obtained, recognising that determining that sufficient and appropriate resources are available, and establishing and monitoring the quality of that work, is likely best addressed through responsibility being assigned to an appropriate partner at the delivery centre.
- How the firm's policies and procedures relating to direction, supervision and review are taken into account (see also our response to question 2).

#### *Definition of engagement team*

Although not explicitly stated, based on paragraph A1, we understand that in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in auditing components of a group (i.e., component auditor teams, which would include individuals from

network and non-network component auditors). We believe that this potential change has several significant consequences:

- We are aware that there have been initial discussions between the IAASB's and the IESBA's staff on the independence requirements that apply to component auditors and that clarity on this will be sought in the revisions to ISA 600. The Code does not currently address the independence requirements applicable to component auditors from outside the network in the context of a group audit. While practice has developed to address this issue, we believe that it is very important to have clarity on this point and that proposed ISA 220 (Revised) will need to be consistent with the outcome of further deliberations between the two Boards on this issue. The definition and the application material may need revisiting.
- There are practical challenges in applying the foundational principles established in proposed ISA 220 (Revised) to group audits. For example, see the discussion of paragraph 13 above and our response to question 5 with respect to requirements addressing direction, supervision and review.

#### *Glossary*

We also note that there may be a perceived conflict between the principle being established in paragraph 13 and the Glossary to the International Standards, which states that when the term "the engagement partner shall" is used it is expressly intended that the requirement or responsibility be fulfilled by the engagement partner. It is not clear if the requirements of proposed ISA 220 (Revised), in particular paragraphs 12-13, seek to override this principle through the "assignment concept". To the extent there are specific responsibilities of the engagement partner that the Board envisages cannot be assigned in any circumstances, the requirements need to make this clear.

#### **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?**

We believe that the linkages with the ISQMs are sufficiently clear. However, we believe that further clarifications are needed in several areas, as explained in the following comments.

##### *Linkage to ISQM 1*

We support the principles set out in paragraphs 3 and 4 that explain that a system of quality management would be established by the firm, with engagement teams implementing the firm's responses to quality risks and considering if responses beyond what is required by the firm's policies and procedures may be necessary in the engagement circumstances.

However, while we agree that the engagement partner may need to consider additional responses to quality risks at the engagement level, based on the specific circumstances of the engagement (paragraphs A9-A10), we do not support the guidance in paragraph A8 that appears to call into question whether or not the engagement partner can in fact rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of words "whether, and the degree to which" the partner may depend on such policies and procedures implies a firm has not adequately complied with ISQM 1, including through its monitoring and remediation process, for establishing a system of quality management that achieves the objectives of that

standard.

We believe that it is both unnecessary and impractical to require all engagement partners to assess the adequacy of the firm's policies and procedures that support quality. Absent having been informed about information that is relevant to the engagement team's responsibilities from the firm's monitoring and remediation (per ISQM 1 para 53), engagement teams should be able to rely on the firm's policies and procedures, e.g., its methodology and approved tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm's system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered, by clarifying that an engagement team can rely on the firm's policies and procedures unless advised to the contrary. We understand, based on paragraph A10, that the consideration of the need for additional responses at the engagement level may most likely be in relation to the Engagement Performance section of the ISA. That seems reasonable but could be made clearer.

We also note that all of this guidance is attached to Introductory material to the proposed ISA and the linkage of these principles through to the underlying requirements is unclear.

*Determine versus Be Satisfied*

We believe that there is a significant risk of confusion and inconsistent application of the requirements due to the use of the terms "determine" and "be satisfied" to differentiate the nature of the engagement partner's responsibilities. Based on discussions in various fora we have been party to, it is clear there are different and often opposing views as to what each term means. Consequently, expectations of the required work effort and documentation under each use case are unclear and likely to result in inconsistencies without further clarification.

**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)**

We support the guidance provided in this area and do not believe that additional guidance is necessary. We believe that it may also be helpful to provide additional references to the application material in ISA 200 on how professional scepticism may be applied.

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

We support recognising evolving audit delivery models and providing guidance on how principles-based requirements may be applied in various engagement circumstances.

We have significant concerns the proposed standard may not be capable of being effectively implemented in light of the various audit delivery models that may exist today and how such models (and the technology that supports their functioning) are likely to evolve in the future. We believe that the ISA needs to better reflect the changing nature of audits and not introduce prescriptive requirements that may impede, rather than support, audit quality, by establishing broader principle-based requirements that promote appropriate review and supervision. In addition, the related application material is limited, which may give rise to inconsistent application.

We believe that it is important that the standard recognises various ways exist to direct, supervise and



review audit engagements, and encourage the use of professional judgement in making this determination. For example, paragraph A82 states that direction, supervision and review of individuals at service delivery centres may need to be 'more formalised and structured'. The interpretation of this guidance may lead to unreasonable conclusions. Firms will normally have specific policies and processes on review and supervision over service delivery centres, on which the engagement team typically will be able to rely, subject to the engagement team performing appropriate procedures pursuant to the firm's policies and procedures. Therefore, we suggest that this guidance needs to be clarified.

As a further example, we believe that further guidance is needed to clarify what is envisaged by the statement, in paragraph A23, that "more *formal* communications may be necessary" to reflect the firm's commitment to quality when different engagement team structures are used. We agree that more *structured* communications may be needed. We are not convinced the formality changes, based on the structure of the engagement team.

We also support recognising the role of technology in the audit. We believe that further application material would be useful, given the significant investment many firms are making in technology to enhance their existing processes and the benefits this is likely to have on audit quality.

We believe that more guidance is needed to recognise the potential impact of technology on the execution and review of audit work and the importance of the firm's system of quality management in supporting the use of approved technology. For example, if the firm has developed an artificial intelligence tool for identifying higher risk transactions, the engagement team should be able to place reliance on the firm's processes for developing and maintaining tools that are reliable and fit for purpose unless information from the firm's monitoring suggests otherwise. We think it would be helpful to specifically recognise this linkage with the firm's system of quality management in the application material in this section.

We believe that paragraph A58, in particular, could be clarified to provide additional factors that an engagement partner may take into account in determining whether a particular technological resource is appropriate for use in the audit (when not addressed by the firm's policies and procedures). For example, relevant factors may include experience of past use by the team or other teams - including testing that the technology operates as intended - and consideration of compliance with firm policies and procedures, including with respect to data handling and security.

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

As described in our cover letter and response to question 1, we believe that it is important that the revised requirements are principles-based and recognise that the way in which compliance with these requirements is achieved may vary depending on the structure of the engagement team. For example, the approach to direction, supervision and review may vary depending on whether an audit delivery model or a component auditor is being used.

In the context of a single entity audit, we consider the requirements addressing direction, supervision and review to be reasonable. However, we are concerned that certain principles established in this foundational standard may not be capable of appropriate application to various engagement circumstances that may arise, and in particular to group audits, which, as explained in our response to question 1, is a consequence of the potential expansion of the definition of engagement team to

include all staff of component auditors. We recommend that an assessment of all requirements be performed to determine whether they are capable of being applied in the context of a group audit.

For example, extending the illustration we described in our response to question 1, if a director on the group engagement team is assigned responsibility for monitoring the work of a component auditor partner, that individual may not be considered to be a “more experienced engagement team member” (paragraph 27(c) of the proposed ISA).

As a further example, we would not expect the group engagement partner to review all communications by component auditors to component management prior to their issuance, which is the literal interpretation of the application of paragraph 31 when applied to a group scenario.

#### *Role of firm’s policies and procedures*

Paragraph 29 requires the engagement partner to review certain elements of audit documentation. Paragraph A77 notes that the firm’s policies and procedures *may* specify the nature, timing and extent of the engagement partner’s review. We believe that this application material could further emphasise that a firm’s policies and procedures addressing the expected level of review of engagement documentation will often establish a baseline of matters that the engagement leader must always review (i.e., those matters that are expected to be significant judgements across engagements), while providing flexibility in relation to other matters for which review could be delegated to other partners or senior members of the engagement team. In addition to complying with the firm’s policies and procedures related to review, the engagement partner may also consider it necessary to review other aspects of audit documentation relating to matters described in paragraph A79, which may or may not constitute a significant judgement, depending on the engagement circumstances.

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

We support the requirements and guidance provided on documentation but suggest that more specific guidance, including examples, is needed to clarify and illustrate what is meant by “matters identified, relevant discussions with firm personnel, and conclusions reached” (paragraph 38(a)). For example, application material could address potential non-compliance with ethical requirements including independence and the engagement team’s discussion of potential safeguards.

We also suggest more guidance is needed to clarify what evidence would need to be documented to support the engagement partner’s determination in accordance with paragraph 37 that they have taken overall responsibility for the audit, including the sufficiency and appropriateness of their involvement. We recommend including a cross-reference to the application material in paragraph A102 that discusses how the involvement of the engagement partner may be evidenced in the audit file, and further explaining that their assessment may be based on their review of the evidence of their involvement as described in A102.

#### **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?**

See our responses to questions 1 and 5. In our view, the potential extent of direction, supervision and review needed by the engagement partner as contemplated by the ISA could inadvertently undermine the objective of the ISA – to achieve quality at the engagement level – by diverting the engagement



partner's attention away from the most significant judgements that need to be taken. Increased impractical supervisory responsibilities placed on the engagement partner may reduce the time the engagement partner can devote to areas of heightened risk. In particular, for larger and more complex group audits, there are challenges in articulating the nature and extent of the engagement partner's responsibilities for the day-to-day supervision and review of the work of the extended engagement team resulting from the potential change in definition to include all staff working on a group audit.

## **Appendix 2 - Detailed comments**

Section 1 presents our substantive comments, while Section 2 includes comments of an editorial nature.

### **Section 1 – Substantive comments**

#### **Paragraphs 1-7 Introduction:**

- **Paragraph 4(a) Implementing firm responses to quality risks at the engagement level** (refer to our response to question 2): It is unclear how the principles established in this paragraph flow through to the underlying requirements. In addition, we disagree with paragraph A8 (and also in A34, A52 & A61) that appears to call into question whether or not the engagement partner can in fact rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. We suggest that the standard needs to clarify that an engagement team can rely on the firm's policies and procedures unless advised to the contrary.
- **Concept of shared responsibility** (refer to our response to question 1): We recommend including the concept of shared responsibility/assignment within the Introduction to the standard, to demonstrate how the ISA is capable of scalable and appropriate application to engagements of varying circumstances and that there is a spectrum of expected engagement partner involvement based on the engagement circumstances.

#### **Paragraph 10(d) Engagement team** (refer to our response to question 1):

- We are concerned that the change in definition of engagement team to potentially include individuals involved in component audits presents significant challenges for the application of the ISA in the context of a group audit.

#### **Paragraph 12 & A30 Supervisory roles** (refer to our response to question 1):

- Further clarification of this concept is needed to explain that this applies to component engagement partners or other partners or senior staff members (e.g., when an audit delivery model is used) and not simply any member of the engagement team that has a role in supervising more junior members of the team.

#### **Paragraph 13 Assignment** (refer to our response to question 1):

- We are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that may not be in the best interests of audit quality. We suggest revisions to the requirement to address these issues.

#### **Paragraph 24 Resources:**

- We note that in the context of a group audit, the group engagement partner is unlikely to be able to make the determination required under this requirement for all members of component audit teams.

**Paragraph 27(c) Supervision and review** (refer to our response to question 5):

- Further to our comments in respect of paragraph 13, we note that, in the context of a group audit, there may be instances where a member of the group engagement team that has been designated a supervisory role may be less experienced than a component audit partner.

**Paragraph 29 Direction, supervision and review** (refer to our responses to questions 1 & 5):

- We believe that further clarification is needed on the potential interaction of paragraph 13 and this requirement with respect to the identification and review of areas involving significant judgement.

**Paragraph 31 Written communications** (refer to our response to question 5):

- We note that in the context of a group audit, the group engagement partner would not be expected to review all communications by component auditors to component management prior to their issuance.

**Paragraph 36 Monitoring and remediation** (refer to our response to question 2):

- We note that individual engagement teams should be able to rely on remedial actions put in place by the firm and suggest this be made clearer in the application material. We also note that ISA 600 (Revised) will need to provide further application material with respect to the monitoring and remediation of network firms that are component auditors.

**Paragraph 37 Engagement partner's stand-back** (refer to our response to question 6):

- We suggest that additional guidance is needed to clarify what evidence would need to be documented to support the engagement partner's determination in accordance with paragraph 37 that they have taken overall responsibility for the audit, including the sufficiency and appropriateness of their involvement.

**Paragraph 38 Documentation** (refer to our response to question 6):

- We suggest that additional examples would be useful to clarify and illustrate what is meant by "matters identified, relevant discussions with firm personnel, and conclusions reached" (paragraph 38(a)).

**Paragraph A7 & A33 Information systems:**

- We suggest clarifying that references to information systems that "monitor" compliance with ethical requirements or independence are not intended to mean "real-time" monitoring, which may be impractical. We also suggest that "recording and maintaining information about independence" needs to be clarified as to its intent i.e., was the intent to refer to policies and guidance on independence or information about clients and engagements that require independence?

**Paragraph A25 Communication:**

- We note that reference to component auditor in this paragraph appears inconsistent with our understanding that the definition of engagement team now includes component auditors.

**Paragraph A35 Significant ethical requirements:**

- We note that the Code makes no reference to ethical requirements that may be of particular significance in the context of a particular audit engagement. Compliance with all requirements, including independence, is important, so the inference here is unclear and may imply that some are more important than others. We suggest that discussion on this matter with the IESBA would be appropriate.

**Paragraphs A56-A58 Technological resources** (refer to our response to question 4):

- We suggest that further clarification is needed in relation to the use of technology in execution and review of audit work, and how to determine whether a particular technological resource is appropriate for use in the audit. We believe that paragraph A58, in particular, could be clarified to provide additional factors that an engagement partner may take into account in determining whether a particular technological resource is appropriate for use in the audit (when not addressed by the firm's policies and procedures).

**Other matters** (refer to our response to question 1):

- We believe that there is a significant risk of confusion and inconsistent application of the requirements due to the use of the terms "determine" and "be satisfied" to differentiate the nature of the engagement partner's responsibilities. Expectations of the required work effort and documentation under each use case are unclear and likely to result in inconsistencies without further clarification.
- We note that there may be a perceived conflict between paragraph 13 and the Glossary to the International Standards that indicates that when the term "the engagement partner shall" is used it is expressly intended that the requirement or responsibility be fulfilled by the engagement partner. It is not clear if the requirements of proposed ISA 220 (Revised), in particular paragraphs 12-13, seek to override this principle through the assignment concept.

**Section 2 - Other editorial comments**

**Paragraph 12** - Further to our substantive comment, we propose the following clarification: "*other engagement team members to whom supervisory roles are assigned*".

**Paragraph 26** - There is a typographical error: "*a4ppropriately*".

**Paragraph 29** - We suggest the following amendment to align with the term used in paragraph 11: "*In complying with the requirements of paragraph 28, the engagement partner shall review audit documentation at appropriate points in time during throughout the audit engagement*".

**Paragraph 36(a)** - We suggest a comma is needed after the word "*firm*" in the second line.

**Paragraph 38(a)** - We recommend the following practical amendment: *“Matters identified, details of relevant discussions with firm personnel, and....”*.

**Paragraph A3** - We propose the following amendments to align with the principle established in ISQM 1: *“A system of quality management is designed, implemented and operated by a firm in accordance with proposed ISQM 1 and ~~is organized into~~ addresses the following eight components:”*

**Paragraph A10** - The first sentence of this paragraph does not make a logical sentence when omitting the words included in parenthesis. We suggest revising as follows: *“In complying ~~The relative balance of the engagement partner’s efforts to comply with the requirements of this ISA, (i.e., the balance of the engagement partner’s efforts between implementing the firm’s responses and designing and implementing engagement-specific responses beyond those set forth in the firm’s policies or procedures)~~ may vary, based on the engagement’s circumstances”*.

**Paragraph A23** - We propose the following editorial amendment: *“The nature and extent of the actions of the engagement partner to reflect the firm’s commitment to quality may depend on a variety of factors including [...]”*.

**Paragraph A27** - We do not believe the bullet list flows as a continuing sentence following “such as”. We suggest starting a new sentence after “engagement level” beginning “For example:”. We further suggest the following amendment to the final bullet: *“While technology may help encourage the exercise of professional skepticism, overreliance on tools and templates may also undermine the exercise of professional skepticism by the engagement team”*.

**Paragraph A29** - We suggest the following addition: *“Possible actions that the engagement partner may take to deal with impediments to the exercise of professional skepticism at the engagement level may include:”*

**Paragraph A33** - A comma is needed after “and” in the third line.

**Paragraph A82 Bullet 1** - We suggest adding *“taking into account any perceived threat of confirmation or anchoring bias”* to the end of the last sentence.

**Paragraph A82 Bullet 5** - The term engagement “manager” is not defined within this standard. We suggest using *“or other senior engagement team member”*.

**Paragraph A84** - A comma is needed after “example” preceding the bullet list.

**Paragraph A86** - We suggest the following addition: *“The engagement team may take advantage of advisory services provided by other network firms, professional and regulatory bodies, or commercial organizations that provide relevant quality control services.”*

**Paragraph A96** - We propose the following additions and clarifications: *“Information provided by the firm may be relevant to the audit engagement when, for example, it deals with findings identified on other engagements about matters that are shared in common to the particular audit engagement, findings from another engagement done performed by the engagement partner or engagement team, or findings from the local firm office or previous inspection results of this particular engagement.”*

**Paragraph A101** - We propose that this paragraph be amended as follows: *“If the engagement’s partner’s involvement does not provide the basis for determining that the significant judgments made*



*and the conclusions reached are appropriate, the engagement partner will not be able to reach the determination required by paragraph 37. In addition to taking account of firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that may be taken by the engagement partner ~~may take~~, include, for example [...]"*