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**Subject: IAASB invitation to comment on proposed International Standard on Auditing 220 (ED-220)**

Referent: Mag. Gerhard Prachner

Dear Sir or Madam,

KSW<sup>1</sup> is pleased to provide you with its comments on the IAASB invitation to comment on ED-220.

Overall, we support the work that has been done in ED-220. We recommend however that some changes are considered to both this and ISQM1 and ISQM2 in order to provide better clarity between the responsibilities of the different actors within the internal quality chain, being the engagement partner, the EQR and the audit firm and network

For further information on this KSW letter, please contact.

Yours sincerely,

Mag. Philipp Rath e.h.  
(stv. Vorsitzender des Fachsenats für  
Unternehmensrecht und Revision)

  
Mag. Gregor Benesch  
(stv. Kammerdirektor)

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<sup>1</sup> Kammer der Steuerberater und Wirtschaftsprüfer

## Appendix

### Comments on the clarity, understandability and practicality of application of the requirements and related application material of ED-220.

- 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?**

**Answer:** In general, we support the work that has been done in ED-220. Nevertheless, we think there is still some work to be done in providing better clarity on the responsibility of the different actors within the quality chain. We refer to our response to Question 2.

We want to draw your attention to the definition of the engagement team. The definition, as drafted, may lead to confusion and inconsistencies with the provisions of ISA 600 regarding the component auditors. As it reads now, we believe that the component auditors would be part of the engagement team. Considering the requirements of interactions with the engagement team it is impossible in practice that the required interactions can be performed with component auditors. It must be clearly stated in the final definition that component auditors are not part of the engagement team.

- 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?**

**Answer:** The linkages between ED-220 and the ISQMs are not easy to be dealt with and this is linked to the overall tension between capability, resources and competences. It is difficult to get a clear picture of what the network should do, what the firm should do, what the engagement partner should do, and what the engagement quality reviewer should do.

ED-220 seems to put a lot of responsibility back to the engagement partner and the team and this could be seen as undermining and contradicting what is currently proposed in ISQM 1.

We can identify an overlap between ED-220, ISQM 1 and ISQM 2 and wonder if this overlap is necessary. If the IAASB has not already done so, we think that it would be useful to analyse the different overlaps in detail and assess whether they are necessary or if, in contrary, they might give rise to uncertainties on who should do what.

- 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)**

**Answer:** Yes, we support the material, also A27-A29 are helpful.

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

**Answer:** What has been included in ED-220 about the use of different audit delivery models and technology is not properly addressed. These are increasingly important aspects of delivering audits and will become even more widespread in the years to come. If these suite of standards are going to be fit for tomorrow then these aspect need to be more fully considered by the IAASB. Although ED-220 is not necessary the only, or indeed possibly right, place to develop these, we believe it is at least a good place to emphasize whether service centers should be part of the engagement team or not.

We believe service centers should not be considered to be part of the engagement team. ED-220 must therefore clearly state to which extend the work of the service centers should be supervised, monitored and reviewed. If, on the other hand, service centers are supporting the process of the audit as an internal service, they should be dealt with at the firm level and in ED-ISQM 1.

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

**Answer:** Yes, we support.

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

**Answer:** When taking the requirements from ED-220 and ISA 230, we agree that the requirements and guidance on documentation are sufficient, but there is a need to properly address the interaction with ISA 230. As an example, the requirement included in paragraph 37 is part of a general requirement of ISA 230. We think the IAASB should review the consistency of the documentation requirements in a holistic manner and avoid quick fixes that would impair understandability.

**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?**

**Answer:** We do not think there is any overall issue linked to scalability in ED-220. In the case of a sole practitioner or a very small audit team, the requirements with regard to guidance on direction, supervision and review are not, or only partly relevant. As smaller firms or very small audit teams will not easily navigate the standard, it would be preferable if the requirements in question would be reworded in such a way that it is clear that they are conditional.