



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

July 1, 2019

**Subject: Nordic Federation of Public Accountants' Response to the IAASB's Exposure Draft on the Proposed International Standard on Auditing 220 (revised)**

The Nordic Federation of Public Accountants (NRF) is pleased to provide you with its comments on the *Proposed International Standard on Auditing 220 (revised), Quality Management for an Audit of Financial Statements*.

**General comments**

Regarding our general views and comments on the Exposed Quality Management Standards, we refer to the general comments in NRF's comment letter related to ISQM 1.

Overall, we support the work that has been done in ED-220. As noted in our responses in the following appendix, there are however some areas where the responsibilities between the firm and the engagement partner need to be clarified.

The IAASB has proposed a change to the definition of engagement team. We question the appropriateness of this propose change, as it, for example, would mean that all component auditors were included in the engagement team definition. In order to avoid inconsistency in application, we would also recommend a closer coordination by the IAASB and IESBA Board on this definition.

NRF

Yours sincerely,

A handwritten signature in black ink that reads "Helene Agélie". The signature is written in a cursive style with a prominent flourish over the 'e' in "Agélie".

Helene Agélie  
Secretary General and CEO  
Nordic Federation of Public Accountants

**About NRF**

NRF is a separate legal institution, founded in 1932, acting on behalf of and under the direction of the recognized audit and accounting institutes in the Nordic region (DnR in Norway, FAR in Sweden, FLE in Iceland, FSR – danske revisorer in Denmark and Suomen Tilintarkastajat ry in Finland).

**APPENDIX 1 – NRF comments to IAASB’s specific questions on whether:**

- 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 quality risks at the engagement level. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that the engagement partner takes overall responsibility for the quality of the engagement.

However, an engagement partner can not practically be expected to be able to oversee every aspect of quality on a large and complex engagement, including when alternative deliver models are used. 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.

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 lead to audit quality in larger and more complex audits. Requiring the engagement partner to review documentation of all those to whom responsibility for aspects of quality have been assigned may be impractical and may, in fact, unduly divert the engagement partner’s attention and time from aspects of the audit that most directly warrant the engagement partner’s attention.

- 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?**

The proposed changes are intended to avoid the risk that the engagement partner blindly relies on the firm’s quality management policies and procedures. However, we believe that the way this is drafted in the application material (para. A7-A8), makes the responsibilities between the firm and the engagement partner unclear. It gives the impression that it is the engagement partner’s responsibility to evaluate and second-guess the firm’s quality control management. This is especially apparent in the proposed drafting of para. A8. We are concerned that the proposed approach will cause confusion and inefficiency in the organization.

In our view, a preferred approach would be that the engagement partner, as a starting point, should be able to rely on the firm’s policies and procedures, unless there are indications of the opposite. Such an approach would clarify the overall responsibilities of the firm in relation to the engagement partner’s and still include a requirement for the engagement partner to take action, when necessary.

- 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 material on the appropriate exercise of professional skepticism in managing quality at the engagement level. However, we believe that education and training are necessary factors to achieve enhanced focus on professional skepticism.

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

We appreciate the IAASB's effort to recognize evolving audit delivery models and the use of technology in ED-220. We also understand that an expanded focus on how to deal with these matters was not within the scope of this project. However, we believe that the related application material is limited, which may give rise to inconsistent application.

We believe that the interrelationship between the firm's and the engagement partner's responsibilities needs to be clarified. The same concerns we have about para. A7 and A8 (see our response to question 2) are, in our view, also relevant with regard to the approach taken in para. A52. The engagement partner should be entitled to rely on the firm's policy and procedures unless there are indications of the opposite and the engagement partner has reason to believe it is not appropriate to do so.

Only referring to the engagement partner's professional judgment in para. A58, when dealing with specific technological resources that are not covered by the firm's policies or procedures, could benefit from some additional guidance.

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

Yes, we support the revised requirements and guidance on direction, supervision and review.

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

Yes, we believe that ED-220 together with the overarching documentation requirements in ISA 230 include sufficient requirements and guidance on documentation.

- 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?**

The requirements regarding direction, supervision and review have extensive application material, which to a certain extent are not relevant for sole practitioners or very small audit teams. Just like in ISQM 1, the length of this section makes it hard to navigate, especially since the scalability options are not that visible. We would therefore suggest that the requirements should be redrafted in such a way that it is clear where they are conditional.

## NRF

For larger and more complex group audits, and audits of entities with cross border shared service centers, there are challenges in articulating the nature and extent of the engagement partner's responsibilities for the day-to-day supervisions and review of the work of the extended engagement team as a result of the change in definition.