

 IAASB Exposure Draft

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

Request for public comment

28 June 2019



1.1.1 General Comments on Proposed ISA 220 (Revised)

Although we understand what the new “stand back” test in paragraph 37 is trying to achieve, in practice we fear this will simply lead to another question on a checklist for the engagement partner to tick. It is hard to imagine many engagement partners objectively assessing that their involvement has not been sufficient and appropriate. It is also hard to envisage what, practically, could be done about it at the very final stage of the audit.

1.1.2 Questions

- 1) Do you support the focus on the sufficient and appropriate involvement of the engagement partner (see particularly paragraphs 11-13 and 37 of ED-220), as part of taking overall responsibility for managing quality on the engagement? Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?

Response:

Yes, we support the focus on involvement.

The term “others to whom supervisory roles are assigned” is not defined and is not clear. We suggest that it is clarified whether it is meant to apply only to senior members of the engagement team or to anyone on the team who supervises another’s work (eg a second-year trainee supervising a first year)?

The language in paragraph 13(b) could be interpreted to mean that the engagement partner is required to review selected engagement documentation prepared by all people to whom work is assigned. We believe that the intention here should be clarified, either by changing the language or through the application guidance, as such a requirement would extend the scope of review considerably. In our view, it would be unnecessary to mandate such a level of review - this should be left to the engagement partner’s judgement.

- 2) Does ED-220 have appropriate linkages with the ISQMs? Do you support the requirements to follow the firm’s policies and procedures and the material referring to when the engagement partner may depend on the firm’s policies or procedures?

Response:

Yes, we believe that the linkages are appropriate.

Paragraph A8 as drafted seems to imply that the engagement partner doesn’t need to follow the firm’s policies or procedures. We understand the need to emphasise that the engagement partner cannot “hide” behind the firm’s policies if they’re inappropriate in the circumstances. However, we believe the IAASB should make it clear that deviations should only be in exceptional circumstances. We would also find it helpful if the IAASB clarified whether the example in the second bullet requires the communication of positive as well as negative outcomes from monitoring and remediation processes.

- 3) Do you support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level? (See paragraph 7 and A27-A29 of ED-220)

Response:

Yes, we support this material. We believe that the guidance in paragraph A38 on bias is particularly useful and could be expanded with practical examples.

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

Response:

Given the fast-changing nature of technology, and the different levels of usage by different sizes of firm, we understand the IAASB’s desire not to be too specific in this area. However,

if the IAASB's intention is to encourage the improvement of audit quality through greater use of technology, in our view the language in ED-220 is too general to achieve this.

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

Response:

Yes, we support the revisions.

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

Response:

Yes, we believe that there are sufficient requirements and guidance.

- 7) Is ED-220 appropriately scalable to engagements of different sizes and complexity, including through the focus on the nature and circumstances of the engagement in the requirements?

Response:

Yes, we believe that ED-220 is appropriately scalable.

1.1.3 Editorial Comments on Proposed ISA 220 (Revised)

We note that there is some apparent variability in what the engagement partner is required to do. In some cases, the engagement partner “shall determine that”, and in other cases “shall be satisfied that”. If these terms are meant to imply different levels of effort, we believe that this needs to be made clear; if not, one phrase should be used consistently. To take an example, paragraph 15 requires the engagement partner to “determine that other members of the engagement team have been made aware of relevant ethical requirements”, rather than being satisfied that they have been made aware.

In our view, the sort of guidance given in paragraph A15 is not needed. It is already obvious that requirements relating to the involvement of others in the engagement team are not relevant if there are no others in the team; to then provide an explanatory example is even more unnecessary.