

1 July 2019

Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017
USA

Dear Willie,

IAASB Exposure Draft –Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*


Thank you for the opportunity to comment on the above referenced exposure draft. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) to the specific questions raised in the explanatory memorandum in the attachment.

The External Reporting Board (XRB) is a Crown Entity responsible for developing and issuing accounting and auditing and assurance standards in New Zealand. The XRB's outcome goal is to contribute to the creation of dynamic and trusted markets through the establishment of an accounting and assurance framework that engenders confidence in New Zealand financial reporting, assists entities to compete internationally and enhances entities' accountability to stakeholders. The NZAuASB has been delegated responsibility by the XRB for developing and issuing auditing and assurance standards.

The NZAuASB supports the IAASB's proposals to revise ISA 220.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,



Robert Buchanan
Chairman

Email: robert@buchananlaw.co.nz

Submission of the New Zealand Auditing and Assurance Standards Board

IAASB Exposure Draft – ISA 220 (Revised)

I Schedule of Responses to the IAASB’s 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?**

Response:

The NZAuASB supports the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement, including the stand-back provision of paragraph 37. However, the following alternate wording may help clarify the requirement, (deleted text shown with strike-through, added text shown with bold underline),

Prior to dating the auditor’s report, the engagement partner shall determine that ~~the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement~~ **the requirement in paragraph 11 has been met.** In doing so, the engagement partner shall determine that...

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, the NZAuASB considers that the linkages are clear.

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:

The NZAuASB supports the material on the appropriate exercise of professional scepticism in management quality at the engagement level.

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

Response:

The NZAuASB considers that the guidance in paragraphs A56-A58 adequately addresses different audit delivery models and technology.

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:

The NZAuASB supports the revised requirements and guidance on direction, supervision and review. The requirements are more specific as to the meaning of direction, supervision and review, more specific as to the audit documentation that the engagement partner is required to review. This is appropriate and consistent with what we believe is being performed in quality engagements, and

appropriate for a risk-based audit approach. The NZAuASB agrees the onus is on the engagement partner.

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

Response:

The NZAuASB considers that ED-220, together with the overarching documentation requirements in ISA 230, includes sufficient requirements and guidance on documentation. It is important that the documentation requirements of ED-220 remain high level, principles-based, avoiding a checklist approach.

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:

While the concepts in the ED appear scalable, it is not clear how compliance with the requirements would be demonstrated in the audit documentation. For example, how would the engagement partner document their direct involvement throughout the firm's acceptance and continuance process, as evidence of the engagement partner being aware of the information obtained, or used by the firm, in reaching the related conclusions? The examples of scalability would be significantly enhanced by including suggestions as to how such procedures might be documented.