

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

01 July 2019

Dear Sirs

Request for comments - Exposure Draft February 2019: Proposed International Standard on Auditing 220 (Revised)

PKF International Limited ("PKFI"), administers the PKF network of legally independent member firms. The PKF International network consists of member firms operating in over 100 countries providing assurance, taxation and business advisory services. PKF International Limited is a member of the Forum of Firms and is dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide. This letter represents the observations of PKF International Limited, but not necessarily the views of any specific member firm or individual.

We would like to thank the IAASB for the efforts and consultations that went into producing the exposure draft. With this in mind, we appreciate that you have acknowledged that this professional standard and the corresponding amended pronouncements will create challenges for firms.

We welcome the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB's) Exposure Draft on the Exposure Draft February 2019: Proposed International Standard on Auditing 220 (Revised). Our detailed responses are set out in [Appendix 1](#) of this submission.

Yours faithfully



Jamie Drummond

Director of Assurance
PKF International Limited

Appendix 1

Request for comments

Question 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

We generally support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement.

However, we do have a concern that the scope of paragraph 36 (a) of ED-220 is too broad. While not specifically referred to in Question 1, paragraph 36 of ED-220 also covers partner involvement in context of their responsibilities for monitoring and remediation. We agree that the requirements of paragraph 36 (a) of ED-220 are generally appropriate, but the inclusion of “network firms” makes the overall scope of the paragraph too onerous for partners at firms which are part of a wide network of firms. We suggest that the partner’s responsibilities under paragraph 36 (a) of ED-220 be restricted to the results of monitoring and remediation communicated by the firm and, where applicable, by the network and that the reference to “network firms” be removed from the paragraph.

In our view, the ISA appropriately reflects the role of other senior members of the engagement team, including other partners.

Question 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

Our two key observations on the linkages are as follows:

- In its opening paragraph ED-220 states that ISA 220 should be read in conjunction with relevant ethical standards. In our view, in order to provide an appropriate emphasis on ED-ISQMs, an equivalent statement should be made in the opening paragraph of ED-220 that the standard should also be read in conjunction with ED-ISQMs.
- Under ED-220, given the linkages between the proposed standard and ED-ISQM 1, it is unclear how a group auditor, performing a group audit under ISA 600, could use a component auditor from another firm in any circumstance where the component auditor firm does not comply with the requirements of ED-ISQM 1. In other words, if any firm, including a component audit firm, does not comply with the requirements of ED-ISQM 1, then it will not be in a position to issue an audit opinion that is fully compliant with the ISAs.

This will have a significant impact on a group audit engagement team which may otherwise intend to use a component auditor from a firm that does not operate a firm-wide system of quality management which is compliant with ED-ISQM 1. Given the unique system of quality management

proposed by ED-ISQM 1, including its risk assessment component, it may be unlikely that any other system of quality management would be "at least as demanding" as ED-ISQM 1.

We are aware that ISA 600 is currently being revised and the final version may address our concern. In the interim we recommend the IAASB issues guidance alongside ED-220 and ED-ISQMs to clarify the implications to group auditors of using a component audit firm which does not comply with ED-ISQMs.

We 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.

Question 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

We support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level.

Question 4

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

Response

There is no explicit reference in the main body of ED-220 to the use of different audit delivery models or to technology. Given their relevance and importance to the modern auditing environment, we recommend that paragraph 23 of ED-220 be expanded to state that "Engagement Resources" includes human resources, audit delivery models and technology.

Otherwise, in our view, through its application guidance, ED-220 adequately deals with the modern auditing environment.

Question 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

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

Question 6

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

Response

In our view, ED-220 together with the overarching documentation requirements in ISA 230, includes sufficient requirements and guidance on documentation.

Question 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

In our view, ED-220 is appropriately scalable to engagements of different sizes and complexity.

Glossary of terms

ED-ISQM 1	Exposure draft February 2019: International Standards on Quality Management 1
ED-ISQM 2	Exposure draft February 2019: International Standards on Quality Management 2
ISQC 1	International Standards on Quality Control 1
IAASB	International Audit and Assurance Standards Board
ED-220	Proposed International Standard on Auditing 220 (Revised)
ISA	International Standards on Auditing