

Professor Arnold Schilder
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Dear Professor Schilder,

IAASB Proposed International Standards on Quality Management (ED- ISQM1 and ED-ISQM 2) and ED-ISA 220 Quality Management for an Audit of Financial Statements ('ED- ISA 220')

RSM International Limited, a worldwide network of independent audit, tax and consulting firms, appreciates the opportunity to comment on the IAASB's Proposed Standards on Quality Management.

We welcome the proposals in ED-ISQM1, ED-ISQM 2 and ED-ISA 220 and believe they provide the basis to achieve a step change in audit quality. We see this combined suite of standards as essential for continued improvement in audit quality. We have a number of comments on the Exposure Drafts and our responses to the specific questions posed in ED-ISA 220 are attached.

Due to the comprehensive nature of the changes, significant practical implementation guidance and training will be required. Assistance with implementation through a comprehensive example or guidance will be particularly critical for smaller firms and will assist in setting a framework for regulators when they inspect firms for compliance.

We would be pleased to discuss our views further with you or your staff. If you have any questions regarding our comments, please contact Steve Whitcher (steve.whitcher@rsm.global) or me at (marion.hannon@rsm.global).

Yours sincerely,



Marion Hannon
Global Leader, Quality & Risk

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Response Template: Proposed ISA 220 (Revised)

General Comments on Proposed ISA 220 (Revised)

We are generally supportive of the revisions to extant ISA 220 and believe that, together with ISQM 1 and ISQM 2, it is an important element in the drive to improve audit quality.

We have concerns over the Objective paragraph where the auditor is required to “manage” quality. We would prefer more precise language such as that used in the extant ISA 220 eg “implement quality control procedures”.

We recommend adding definitions in respect of “shall be satisfied” and “shall determine”. These phrases are used in various places and therefore the inclusion of definitions would promote consistency and clarification. The definition of “shall determine” should be consistent with paragraph A30 to allow appropriate delegation of activities to other members of the engagement team whilst being clear that ultimate responsibility remains with the engagement partner.

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 agree that the focus on the engagement partner is appropriate. We agree that the engagement partner is ultimately responsible for the quality of their engagements, even though some tasks may be delegated to others.

- 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: We believe there could be improved clarification regarding the linkage to the requirements in ED-ISQM 1 and ED-ISQM 2 related to the scope of ISA 220. This would improve the clarity between the responsibilities of the network, the individual firm, the engagement partner and the engagement quality reviewer.

In addition, paragraph 37(e)(iii)(b) of ED-ISQM 1 includes the consideration that an engagement quality review may be required for “audits or other engagements for which...The firm determines that an engagement quality review is an appropriate response to assessed quality risks, based on the reasons for the assessment given to those risks” but paragraph 33 simply states that the procedures in the paragraph are applicable for engagements in which an engagement quality review is required by ED-ISQM 1.

We therefore have concerns that some practitioners reading the standards without cross-referencing back may fail to realise that engagements which are subject to engagement quality review in accordance with the firm’s determination of their risks are also included in the concept of engagement quality reviews that are required by ED-ISQM 1. We believe that the guidance in paragraph A88 provides a helpful explanation of the interrelationship among the standards, but could be further clarified. We recommend adding the following language to paragraph A88 to clarify the scope of applicability of the procedures in paragraph 33:

A88. Proposed ISQM 1 requires that the firm establish policies or procedures that require an engagement quality review for certain types of engagements, **including in response to firm assessed quality risks.**

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 consider that the appropriate exercise of professional skepticism is critical to achieving audit quality and we welcome the material in ED-220.

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

Response: Yes, in particular we welcome the application guidance on the use of 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: Yes, we consider these paragraphs to be very clear.

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

Response: yes, we consider that the documentation requirements are sufficient.

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

Editorial Comments on Proposed ISA 220 (Revised)

We have nothing further to add.

