

Response Template: Proposed ISA 220 (Revised)

Note to Respondents:

- The questions below are from the exposure draft of proposed International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*, which is available at www.iaasb.org/quality-management.
- Respondents are asked to respond separately to each of the exposure drafts and the overall explanatory memorandum.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents' comments.

General Comments on Proposed ISA 220 (Revised)

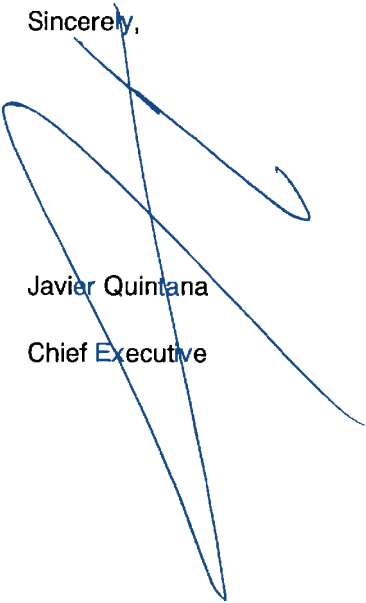
The Instituto de Censores Jurados de Cuentas de España (hereinafter ICJCE) is pleased to provide its comments to the IAASB proposed International Standard on ISA 220 (Revised) Quality Control for an Audit of financial Statements

In general terms we support the review and enhancement of the requirements included in the ED although we do not see it as scaled to favour its applicability to smaller audit firms.

We would also like to share with you the following specific issue that are currently in force in Spain: the Spanish law provides that any expert, others than audit professionals, that may influence the audit engagement should be considered as a member of the engagement team

Should you have any question, please contact Adela Vila at avila@icjce, we will be very pleased to clarify any issue regarding the content of this letter

Sincerely,



Javier Quintana

Chief Executive

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?

We have no comments on that issue. The proposal is in line with Para 36 a) of ED ISQM1 concerning the overall responsibility of the engagement partner for the management and achievement of the quality of the engagement; and the need for the involvement of the engagement partner throughout all the engagement process.

According to ED ISA 220 the term engagement team does not include external experts engaged by the firm or by a network firm. This is in line with ED ISQM1. In Spain, Article 67.9 of BRAC¹ states that “if outsourced activities consist of the performance of some parts of the audit work, those individuals carrying out these activities will be part of the audit engagement teams”.

- 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?

Similarly to what happened in ISQC1 and ISA 220, there are some redundant aspects related to quality. We are of the opinion that requirements are adequately linked but they are repetitive.

- 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)

Yes. If we make a search of the term “professional skepticism” in ISA 220 in force, it returns only 1 match in the application material section. ED ISA 220, according to ISA 200, provides as a requirement to plan and perform the audit with skepticism and using professional judgment. Professional skepticism may become evident via actions and communications with the partner and other members of the engagement team. The application material includes circumstances that may influence professional skepticism together with steps to take when circumstances preventing the application of professional skepticism arise.

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

Use of technology is included in the standard as one of the resources that the auditor will consider. Precautions to consider regarding undue use of technological resources and evaluation of the capabilities needed in some specific situations, are also addressed. Unlike in ISA 220 in force, in ED ISA 220, this matter is addressed more extensively but with not enough detail, as it were a principle or resource which use is desirable.

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

The addition of some novel requirements addressed to the engagement partner such as:

¹ BRAC: Draft regulation developing the Law 22/2015 of 20 July on Auditing

- Reviewing the financial statements, the auditor's report to issue and, if appropriate, key audit matters in the auditor's report together with related audit documentation.
- Reviewing any formal written communication to the management or administrative body of the company or to regulatory authorities.

We consider it is useful to specify these procedures.

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

No additional documentation is required, but documentation included in ISA 230 is required by reference to other ISAs. This duplication is especially evident in Para A79.

- 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?

We do not see further scalability of this standard beyond some requirements that become not applicable because of firm's quality policies; because of being non-PIE or high-risk engagements or because there is a lack of personnel within the firm.

Editorial Comments on Proposed ISA 220 (Revised)

[Please include here comments of an editorial nature.]