

July 19, 2019
Ref.: SEC 040/2019 - DN

International Assurance and Auditing Standards Board for Accountants (IAASB)

529 Fifth Avenue
New York, NY 10017
US

Dear Sirs,

We, Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft: Proposed International Standard on Auditing 220 (Revised) – Quality Management for an Audit of Financial Statements. See our comments below.

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?

Yes, considering that the extant version already mentioned the overall responsibility of the engagement partner and ISA 200 revised is just emphasizing the necessity of the involvement of the engagement partner to manage quality on the engagement.

With respect to large and complex engagements, we believe that the revised standard should clarify what will be expected for an engagement partner, since it will be no practical for him to oversee every aspect of quality – monitor the work and review documentation. In line with this, we also suggest clarify the concept of “supervisory roles” now addressed in the ISA, and how it can be applicable in large and complex engagements.

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?

Yes. We appreciate the consistency in formatting with similar structure of ISQM 1 in relation to the elements of quality control/management.

We are only concerned about paragraph A8, since it appears to question if the engagement partner in fact rely on the firm’s policies according to ISQM1. It is not clear if the intention of ED-220 was that all audit partners are required to question the adequacy of the firm’s that support quality. This needs to be made 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)

Yes. We support the inclusion of the material on the appropriate exercise of professional skepticism and believe a linkage to ISA 200 could be beneficial, where there is an application guidance on how can it be applied.

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

Yes. We support that the engagement team itself can be structured in different ways, including service delivery centers or individuals who may not be employed directly by the firm. However, the related application guidance seems limited. We suggest include examples of the use of technology in the audit, and linking this to the relevant firm's policies – for instance, if the firm has developed internally or has acquired some resource or tool and its impact in the audit process.

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

Yes. Overall, the revised requirements provide more clarity about the engagement partner role in managing quality during the audit.

But in line with our answer in question 1, we are also concerned about the application of paragraphs 27-31 in large and complex engagements. It seems to be not practical that the engagement partner would review all documentation and communication listed in these paragraphs. There are other audit members in different levels of experience, who have supervisory responsibilities and interactions with the audit partner, based on the risk approach of each engagement.

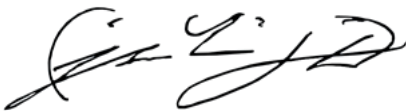
6) Does ED-220, together with the overarching documentation requirements in ISA 230, include sufficient requirements and guidance on documentation?

Yes. We agree that in conjunction with ISA 230, there are sufficient requirements and guidance on documentation in ED-220.

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?

Yes. The Appendix to the Explanatory Memorandum should be included as an Implementation Material.

Best Regards,



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President



Rogério Hernandez Garcia
Technical Director