



Proposed ISA 220, *Quality Management for an Audit of Financial Statements* (ED-220)

Lyn Provost, IAASB Member and Task Force Chair

IAASB CAG Meeting

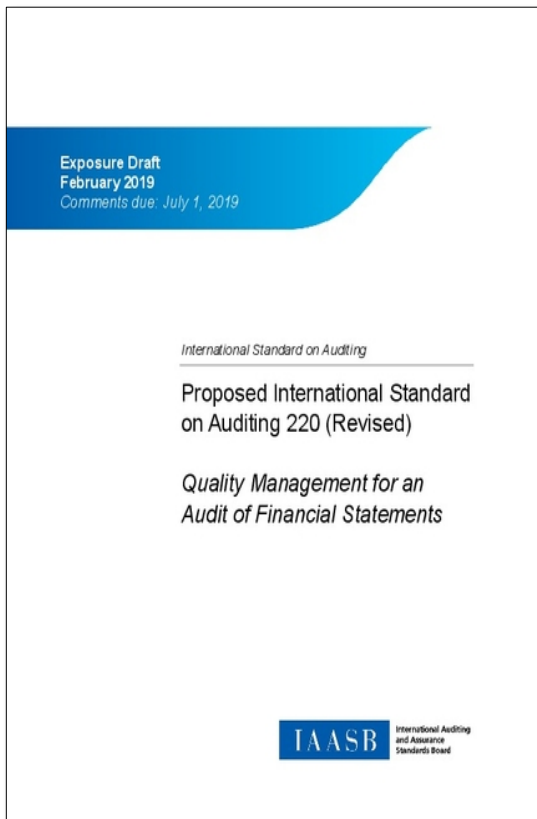
September 10, 2019

Agenda Item G.1

IAASB

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Introduction



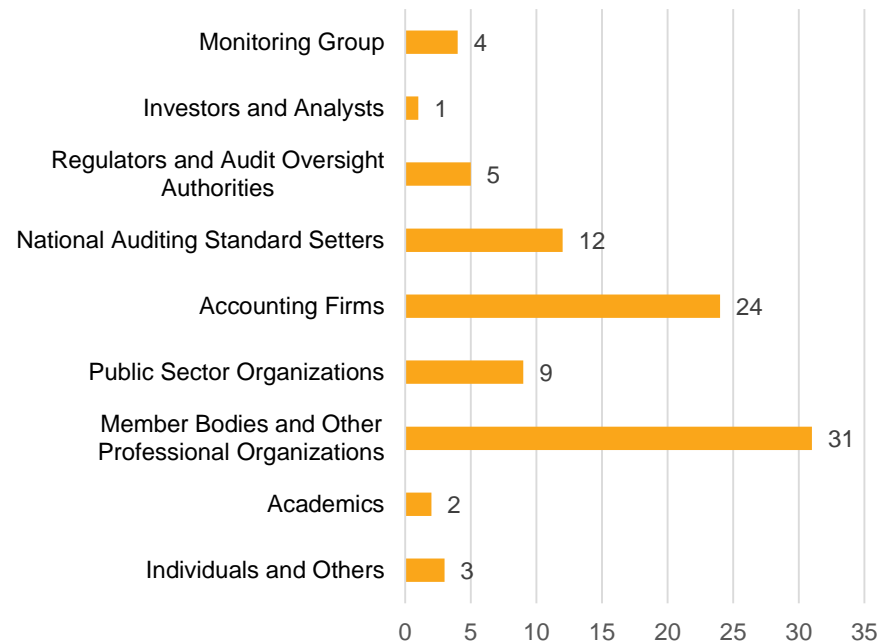
- The comment period closed on July 1, 2019
- Objectives of this session are to:
 - Provide an overview of the feedback received on ED-220
 - Obtain views on three key issues

Overview of Responses on ED-220

Respondents by Region



Respondents by Stakeholder Groups



Analysis of Key Issues to be Discussed at this Meeting

**1. Engagement
partner's
responsibility for
managing and
achieving audit
quality**

**2. Engagement
team definition**

3. Scalability

Engagement Partner's Responsibility for Audit Quality

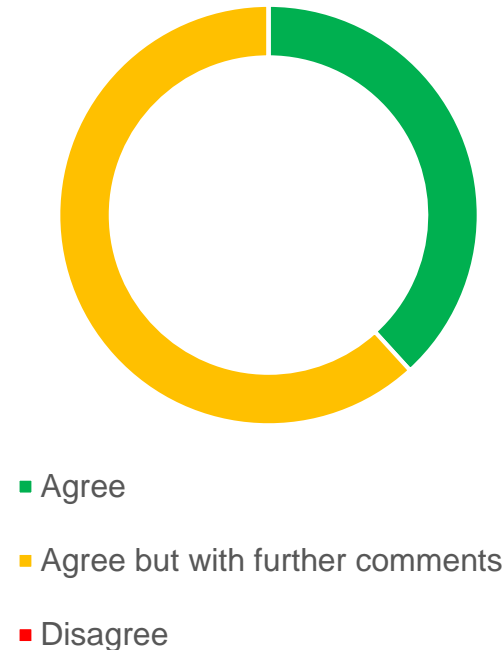
Question 1 of the Explanatory Memorandum (EM) to ED-220 asked:

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). Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?

Engagement Partner's Responsibility for Audit Quality (Cont.)

What We Heard in Responses to ED-220 (Q1)

- Overall support across stakeholder groups
- Challenges in fulfilling the requirements – “upward scalability” and whether it was feasible for the EP to perform all the requirements
- Paragraph 13 is neither clear nor feasible



Engagement Partner's Responsibility for Audit Quality (Cont.)

Task Force's Preliminary Views

- Amend requirements on “leadership responsibilities”
- Clarify which requirements the engagement partner may assign to other engagement team members (Appendix 6 of issues paper)

Engagement Partner's Responsibility for Audit Quality (Cont.)

Matters for IAASB CAG Consideration

Q1. What views do Representatives have on the Task Force's proposed actions to clarify the engagement partner's leadership responsibilities?

Engagement Team Definition

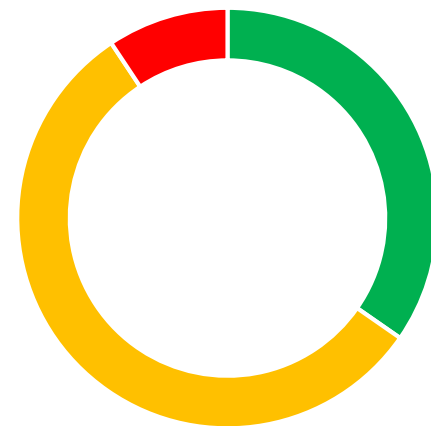
Question 4 of the EM to ED-220 asked:

Does ED-220 deal adequately with the modern auditing environment, including the use of different audit delivery models and technology? (Note: This discussion will focus on the engagement team definition in addressing ADMs.)

Engagement Team Definition (Cont.)

What We Heard in Responses to ED-220 on the Engagement Team Definition (ADM part of Q4)

- Consistency with the IESBA code
- Clarity of the definition
- Practical implications of the definition



- Agree
- Agree but with further comments
- Disagree

Engagement Team Definition (Cont.)

Task Force's Preliminary Views

- Retain the component auditors in the revised definition in ED-220
- Address the practical issues
- Coordinate with IESBA on the engagement team definition
- Coordinate with the ISA 600 task force

Engagement Team Definition (Cont.)

Matters for IAASB CAG Consideration

Q2. What views do Representatives have on the Task Force's proposal to continue to include anyone who performs audit procedures in the engagement team, including individuals from the firm and network and non-network component auditors?

Please note the importance of coordination as noted above.

Scalability

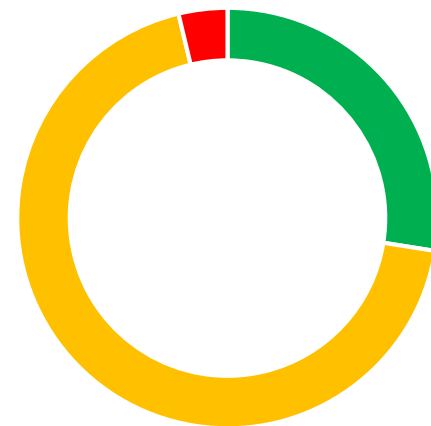
Question 7 of the EM to ED-220 asked:

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?

Scalability (Cont.)

What We Heard in Responses to ED-220 (Q7)

- Positive responses overall
- Questions about whether the engagement partner can personally fulfil all requirements (“upward scalability”)
- Closely linked to other key issues
- Desire for appendix on LCE scalability to be in the ISA



- Agree
- Agree but with further comments
- Disagree

Scalability (Cont.)

Task Force's Preliminary Views

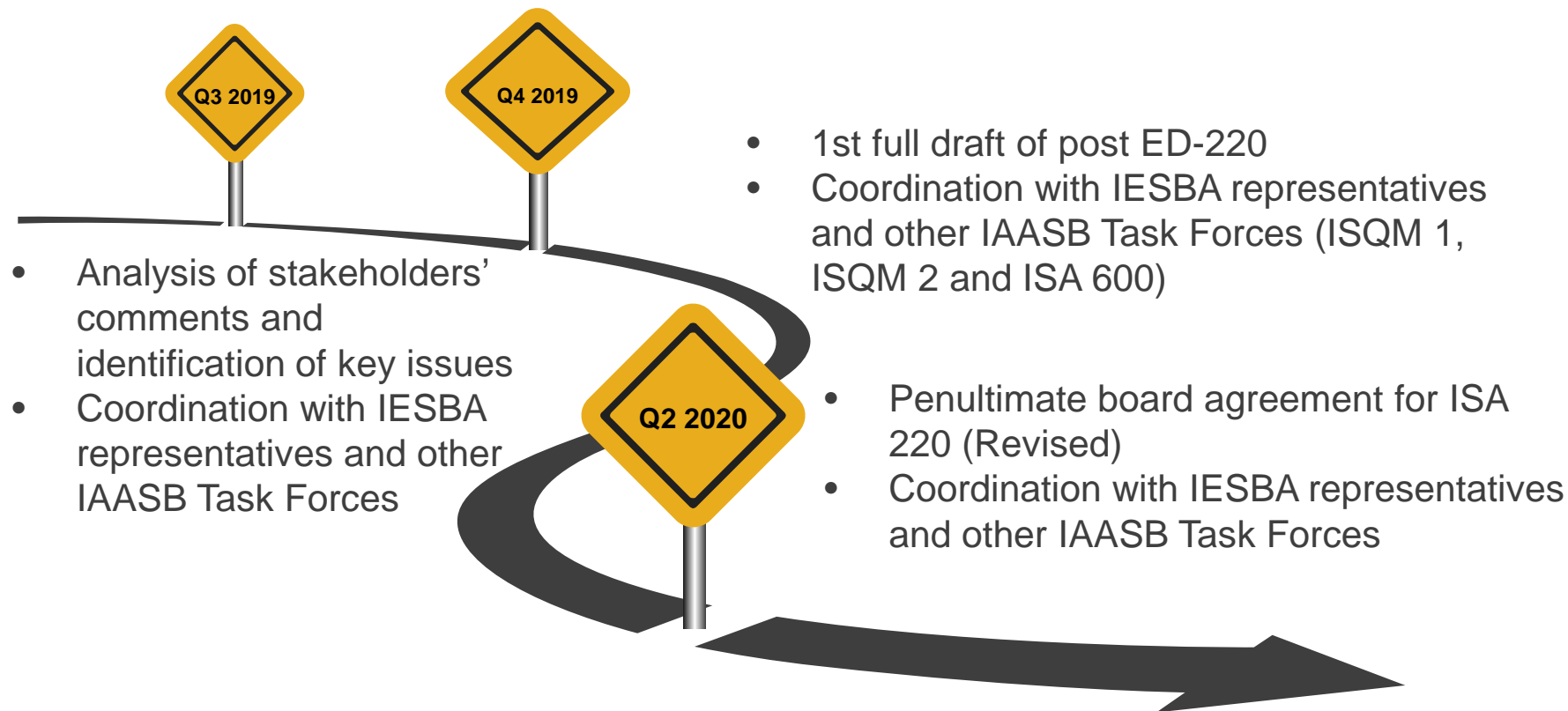
- Clarify responsibilities the engagement partner may assign to other engagement team members
- For audits of less complex entities (LCEs), put current guidance in a prominent and accessible place

Scalability (Cont.)

Matters for IAASB CAG Consideration

Q3. What views do Representatives have on the Task Force's preliminary views on addressing scalability, both for audits of larger, more complex entities and LCEs?

The Way Forward





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