

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: Virtual Zoom Meeting
Meeting Date: March 8–9, 2021

Agenda Item E.3

ISA 220 (Revised)¹ Report Back

Objective of Agenda Item

1. The objective of this Agenda Item is to provide a report back to the CAG on comments of the CAG Representatives at the September 2020 CAG meeting.

Project Status and Timeline

2. The Board approved [ISA 220 \(Revised\)](#) as a final standard at the September 2020 IAASB meeting. After receiving the confirmation by the Public Interest Oversight Board in December 2020 that due process was followed, the final standard, Basis for Conclusions and fact sheet were released in December 2020.
3. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

Feedback

4. Extracts from the draft September 2020 IAASB CAG meeting minutes, as well as an indication of how the IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force / IAASB Response
THE PUBLIC INTEREST AND THE OBJECTIVE OF PROPOSED ISA 220 (REVISED)	
<ul style="list-style-type: none"> Ms. Zietsman and Mr. De Tullio expressed support for relocating the material on the public interest to follow the "Objective" to better accentuate the importance of achieving quality on the engagement on the public interest. 	Mrs. Provost noted that the embedding the public interest concept was important in the QM standards ² and that the Board would consider how to address it in future projects as those projects are developed.

¹ International Standard on Auditing (ISA) 220, *Quality Management for an Audit of Financial Statements*

² The quality management standards comprise: Proposed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, proposed ISQM 2, *Engagement Quality Reviews* and proposed ISA 220 (Revised).

Representatives' Comments	Task Force / IAASB Response
<ul style="list-style-type: none"> Mr. Hirai expressed a preference for retaining the material on the public interest in the introductory section as it was too long for the objectives section. He also questioned whether the Board's plans to consider the public interest in future projects for new or revised ISAs. 	<p>At the September 2020 IAASB meeting, the IAASB agreed to return the material on the public interest to its previous location in the introduction.</p>
ENGAGEMENT RESOURCES	
<ul style="list-style-type: none"> Ms. Zietsman and Mr. De Tullio expressed support for the principles-based approach to addressing engagement resources that provides a framework focusing on having the right resources to do the right work at the right time. In particular, it was noted that the principles allowed for the current environment to continue to evolve as the firm's policies or procedures may allow for different actions depending on whether the engagement resources are from the firm, the network or outside the network. Ms. Robert and Mr. Thompson expressed concerns that proposed ISA 220 (Revised) and proposed ISA 600 (Revised)³ might create an inadvertent impact on the usage of smaller firms as component auditors. Mr. Thompson noted that the Board could consider performing an impact assessment on effect on the audit market in relation to component auditors, and that this could be considered by the ISA 600 Task Force. 	<p>Mrs. Provost noted that proposed ISA 220 (Revised) provides a framework for determining that sufficient and appropriate resources are available for the engagement under different engagement team structures now in use and those that will continue to evolve.</p> <p>The focus on the new approach in ISA 220 (Revised) is on making sure that the engagement partner is in a position to direct, supervise, and review the engagement team, regardless of the audit delivery model used. The intention is not to inhibit the market but to provide a framework for the use of different audit delivery models.</p>

³ Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Appendix A

Project History

Project: [ISA 220 Project Page](#)

Summary

	IAASB CAG Meeting	IAASB Meeting
Project Commencement (Enhancing Audit Quality – encompassing Professional Skepticism, Quality Control and Group Audits)	March 2015 September 2015 September 2016	December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project proposal approval (combined project proposal addressing Quality Control and Group Audits)	November 2016 Teleconference	December 2016
Discussion of issues and recommendations for proposed changes to ISA 220	September 2017 (update only) March 2018 (update only)	December 2016 June 2017 August 2017 December 2017

Draft Exposure Draft of Proposed ISA 220 (Revised)	September 2018	June 2018 (first read) September 2018 (second read) December 2018 (approval of ED)
Development of Final Standard	March 2019 (update only) September 2019 March 2020 September 2020	September 2019 December 2019 March 2020 September 2020

IAASB CAG Discussions: Detailed References

Information Gathering: Responding to Calls to Enhance Audit Quality	<p><u>March 2015</u> See IAASB CAG meeting materials and meeting minutes (Agenda Item B and C). http://www.ifac.org/meetings/new-york-usa-5</p> <p><u>September 2015</u> See IAASB CAG meeting materials and meeting minutes (Agenda Item F). http://www.iaasb.org/cag/meetings/new-york-usa-0</p>
Information Gathering: Overview of Responses to the ITC, Group Audits and Engagement Quality Control Reviews	<p><u>September 2016</u> See IAASB CAG meeting materials and meeting minutes (Agenda Item G). http://www.iaasb.org/cag/meetings/new-york-usa</p>
Project Proposal	<p><u>November 2016</u> See IAASB CAG meeting materials and meeting minutes (Agenda Item B). http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</p>
ISA 220 Issues Discussion, Including Engagement Quality Reviews	<p><u>September 2017 (update only)</u> See IAASB CAG meeting materials (Agenda Item G). http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</p> <p><u>March 2018 (update only)</u></p> <p><u>September 2018</u> See IAASB CAG meeting materials (Agenda Item G). http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</p>

<p>ISA 220 (Revised) Development of Final Standard</p>	<p><u>September 2019</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item G) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2</p> <p><u>March 2020</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item D) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3</p> <p><u>September 2020</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B3) https://www.iaasb.org/cag/meetings /iaasb-cag-meeting-new-york</p>
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