

Working Draft of Proposed Amendments to ISA 220 Requirements

(Note: The proposed revisions presented below represent the ISA 220 Task Force's views that have been progressed since the December 2016 IAASB meeting. The proposed enhancements to the requirements will be subject to further changes as the ISA 220 Task Force continues to deliberate matters related to ISA 220, in particular as it relates to the Task Forces proposed 'four-step approach' described in paragraph 31 of Agenda Item 5-A, as well as revisions being made to ISQC 1)

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
Introduction			
Scope			
1	This International Standard on Auditing (ISA) deals with the specific responsibilities of the auditor regarding quality control procedures for an audit of financial statements. It also addresses, where applicable, the responsibilities of the engagement quality control reviewer. This ISA is to be read in conjunction with relevant ethical requirements.	This International Standard on Auditing (ISA) deals with the specific responsibilities of the auditor regarding <u>management of quality control procedures</u> for an audit of financial statements. [It also addresses, where applicable, the responsibilities of the engagement quality control reviewer.] ¹ This ISA is to be read in conjunction with relevant ethical requirements.	<i>Refer to paragraphs 11–16 within Issues Paper</i>
<u>System of Quality Control Management at the Firm and Engagement Level, and the Role of Engagement Teams and Interaction with other International Standards</u>			
2	Quality control systems, policies and procedures are the responsibility of the audit firm. Under ISQC 1, ² the firm has an obligation to establish and maintain a system of quality	Quality control systems, policies and procedures are <u>management is</u> the responsibility of the audit firm. Under ISQC	<i>Refer to paragraphs 11–16 within Issues Paper</i>

¹ Agenda Item 2–A, paragraphs 123-133, notes that the ISQC 1 Task Force (QCTF) is of the view that it would be beneficial at this time to determine whether or not the requirements relating to the EQC review should be incorporated into a separate standard. The ISA 220 Task Force will make changes to ISA 220 as appropriate once the Board views on this matter have been obtained.

² International Standards on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

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	<p>control to provide it with reasonable assurance that:</p> <p>(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and</p> <p>(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.</p> <p>This ISA is premised on the basis that the firm is subject to ISQC 1 or to national requirements that are at least as demanding. (Ref: Para. A1)</p>	<p>1³, the firm has an obligation to establish and maintain a <u>its</u> system of quality control <u>management</u> to provide it with reasonable assurance that:</p> <p>(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and</p> <p>(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.⁴</p> <p><u>This ISA addresses the application of quality management at the engagement level within the context of the firm’s system of quality management for an audit of financial statements.</u> This ISA is premised on the basis that the firm is subject to ISQC 1 or to national requirements that are at least as demanding. (Ref: Para. A1)</p>	<p>Further consideration to also be given to necessary changes to the application guidance in A1 to address the revision of ISQC 1 to incorporate a quality management approach.</p>
		<p>2A.[NEW] <u>Quality management at the firm-level addresses all engagements that the firm performs (including audits and reviews of financial statements, and other assurance and related services engagements) and encompasses a quality management process</u></p>	<p><i>Refer to paragraphs 11–16 within Issues Paper</i></p> <p>Application guidance to be considered to further explain how quality management at the engagement level builds on and includes executing on responses</p>

³ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

⁴ ~~International Standards on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraph 11~~

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		<p><u>that involves establishment of quality objectives, performance of quality risk assessment, design and implementation of responses to address quality risks and monitoring and remediation. Quality management for an audit of financial statements is integrated with and addressed in the context of the firm's system of quality management and includes executing on responses that are required to be performed at the engagement level and also determining additional responses necessary for the specific engagement.</u></p>	<p>established at the firm level by the firm's system of quality management which addresses the requirements of ISQC 1.</p>
		<p>2B. [NEW] <u>Quality management at the firm level requires that the firm obtain or generate, and communicate relevant information necessary to enable and support the proper functioning of the firm's system of quality management. This includes establishing policies and procedures to facilitate the communication of the relevant information with relevant parties that enables the firm and relevant parties to take appropriate and timely action in relation to such information.</u></p>	<p><i>Refer to paragraphs 11–16 within Issues Paper</i></p> <p>Application guidance to be added to refer to the relevant requirements of ISQC 1 (i.e., that address information and communication).</p>
3	<p>Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the audit</p>	<p>3. Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the audit</p>	<p><i>Refer to paragraphs 11– 16 within Issues Paper</i></p> <p>Application guidance to be added that explains what the "core elements" are in</p>

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	<p>engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence.</p>	<p>engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence. <u>For an audit of financial statements, the engagement partner has responsibility for managing quality at the engagement level within the context of the firm's system of quality management. The requirements of this ISA address managing quality for an audit of financial statements. In addressing the requirements of this ISA, the engagement partner has responsibility for:</u></p> <ul style="list-style-type: none"> • <u>Implementing actions or procedures designed or established at the firm-level to address quality risks that are applicable to the audit engagement</u> • <u>Communicating relevant information to the firm to enable the effective functioning of the firm's system of quality management.</u> 	<p>this context. e.g., aspects of quality control that are required to be addressed in an audit including:</p> <ul style="list-style-type: none"> • Relevant Ethical Requirements, • Acceptance and Continuance of Client Relationships and Audit Engagements. • Assignment of Engagement Teams. • Engagement Performance (including direction, supervision and performance; reviews; consultation; engagement quality control review and differences of opinion). • Monitoring.
		<p>3A [NEW] <u>Although the engagement partner has responsibility for managing quality at the engagement level for an audit of financial statements, it is not expected, and in many cases not practical, that all of the requirements of this ISA are addressed solely by actions, tasks or procedures performed by the engagement partner. The engagement</u></p>	<p><i>Refer to paragraph 15 within Issues Paper</i></p> <p>Consideration to be given to highlight activities that are likely not appropriate for the EP to assign. Also to highlight situations that might result in the EP not being sufficiently involved in order to</p>

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		<p><u>partner may therefore assign actions, tasks or procedures to others to assist the engagement partner. However, regardless of who performs required actions, tasks or procedures, the engagement partner remains responsible overall for determining that the requirements are appropriately addressed. The engagement partner is therefore responsible for being sufficiently involved in the engagement in order to have an appropriate basis for demonstrating how the requirements of this ISA have been addressed. In some cases, the ISAs or firms may specify that certain actions, tasks or procedures be performed by the engagement partner personally; accordingly, the assignment of such actions, tasks or other procedures to other members of the engagement team would not be appropriate.</u></p>	<p>have a basis for taking responsibility for managing quality at the engagement level (including for example, audits of letterbox companies where the EP is not sufficiently involved in the direction, supervision and performance of the engagement). See also changes to paragraphs 15 and 16 below.</p>
		<p>3B [NEW] <u>Information obtained from addressing requirements of other ISAs will also be relevant to managing quality at the engagement level. In addition to the information used as the basis for the decision to accept or continue the engagement in accordance with the firm's policies and procedures, certain other information will be available to the engagement partner and</u></p>	<p><i>Refer to paragraphs 17–18 within Issues Paper</i></p> <ul style="list-style-type: none"> • Additional application material to highlight and explain the need for interaction of the engagement level quality management policies and procedures with other activities at the engagement level, including those performed at the beginning of

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		<p><u>engagement team at the beginning of the audit engagement and as the planning and risk assessment activities commence. For example:</u></p> <ul style="list-style-type: none"> • <u>ISA 210,⁵ which deals with the auditor's responsibilities in agreeing the terms of an audit engagement.</u> • <u>ISA 315 (Revised),⁶ which deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements through understanding the entity and its environment, including the entity's internal control.</u> <p><u>All relevant information available to the engagement partner and engagement team may therefore assist in designing the planned responses to address the requirements of this ISA.</u></p>	<p>the engagement (client acceptance/continuance, ISA 210, ISA 315 (Revised)), the design of the audit plan (ISA 300) and also highlighting the need to consider additional information learned as the audit progresses (recognizing that the performance of an audit is not linear and that many activities are inter-related).</p> <ul style="list-style-type: none"> • Additional application material to be considered to provide further examples of the types of information that may be relevant to more than one standard.
		<p>3C [NEW] <u>Information obtained from addressing the requirements of this ISA may also be relevant when dealing with the requirements of ISA 300 that relate to</u></p>	<p><i>Refer to paragraphs 17–18 within Issues Paper</i></p> <p>Application guidance to be developed that will reference paragraphs 2, 6 and 13 of ISA 300⁷ which describe aspects</p>

⁵ ISA 210, *Agreeing the Terms of Audit Engagements*

⁶ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁷ ISA 300, *Planning an Audit of Financial Statements*

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		<p><u>establishing the overall audit strategy for the engagement and developing the audit plan.</u></p>	<p>of quality management that impact planning the audit (including when considering the role and timing of planning, and preliminary engagement activities). Additional consideration to also be given to the need for any conforming amendments to ISA 300.</p>
		<p>3D [NEW] <u>In addressing the requirements of ISA 315 (Revised), the auditor is required to revise the assessment of the risks of material misstatement and modify further planned audit procedures accordingly if new information is obtained, or audit evidence from performing further audit procedures is inconsistent with audit evidence on which the auditor originally based the assessment.⁸ Such information or audit evidence may also be relevant to managing quality at the engagement level, and accordingly, it may be necessary for the engagement partner to modify planned responses or implement new responses to address the requirements of this ISA. Similarly, the engagement partner may need to communicate relevant information to the members of the engagement team or the</u></p>	<p><i>Refer to paragraphs 17–18 within Issues Paper</i></p> <p>Further consideration to be given to application guidance with more specific references to ISA 315 (Revised), including the requirement to revise risk assessment as new audit evidence is obtained (paragraph 31), and examples of how these revisions might affect quality management at the engagement level.</p> <p>In addition, additional application guidance to be considered to provide further examples of the types of information that may be relevant to more</p>

⁸ ISA 315 (Revised), paragraph 31, states that the auditor’s assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where the auditor obtains audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly. (Ref: Para. A152).

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		<u>firm (in the context of supporting the effective functioning of the firm's system of quality management.)</u>	than one standard, and how it should be addressed by the auditor.
4	Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. (Ref: Para. A2)	TBD	Consideration of firm and network-level policies and procedures at the engagement level is addressed separately in Agenda Item 4-A . Changes to paragraph 4 of extant ISA 220 and related application guidance will be considered by the Task Force based on the outcome of the IAASB's discussion.
Effective Date			
5	This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.	TBD	N/A
Objective			
6	The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that: (a) The audit complies with professional standards and applicable legal and regulatory requirements; and (b) The auditor's report issued is appropriate in the circumstances.	The objective of the auditor is to implement quality control procedures <u>manage and achieve quality</u> at the engagement level that in order to provide the auditor with reasonable assurance that: (a) The audit complies with professional standards and applicable legal and regulatory requirements; and	<i>Refer to paragraph 20 within Issues Paper</i>

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		(b) The auditor's report issued is appropriate in the circumstances.	
Definitions			
7	<p>For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>(a) Engagement partner⁹ – The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p> <p>(b) Engagement quality control review – A process designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgments the engagement team made and the conclusions it reached in formulating the auditor's report. The engagement quality control review process is for audits of financial statements of listed entities and those other audit engagements, if any, for which</p>		<i>Refer to paragraphs 84–88 within Issues Paper</i>

⁹ "Engagement partner," "partner," and "firm" should be read as referring to their public sector equivalents where relevant.

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	<p>the firm has determined an engagement quality control review is required.</p> <p>(c) Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the auditor’s report.</p> <p>(d) Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor’s external expert engaged by the firm or a network firm.¹⁰ The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the</p>		

¹⁰ ISA 620, *Using the Work of an Auditor’s Expert*, paragraph 6(a), defines the term “auditor’s expert.”

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	<p>requirements of ISA 610 (Revised 2013)¹¹.</p> <p>(e) Firm – A sole practitioner, partnership or corporation or other entity of professional accountants.</p> <p>(f) Inspection – In relation to completed audit engagements, procedures designed to provide evidence of compliance by engagement teams with the firm’s quality control policies and procedures.</p> <p>(g) Listed entity – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.</p> <p>(h) Monitoring – A process comprising an ongoing consideration and evaluation of the firm’s system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.</p>		

¹¹ ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

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	<p>(i) Network Firm – A firm or entity that belongs to a network.</p> <p>(j) Network – A larger structure:</p> <ul style="list-style-type: none"> i. That is aimed at cooperation, and ii. That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources. <p>(k) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.</p> <p>(l) Personnel – Partners and staff.</p> <p>(m) Professional standards – International Standards on Auditing (ISAs) and relevant ethical requirements.</p> <p>(n) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' <i>Code of Ethics for</i></p>		

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	<p><i>Professional Accountants</i> (IESBA Code) related to an audit of financial statements together with national requirements that are more restrictive.</p> <p>(o) Staff – Professionals, other than partners, including any experts the firm employs.</p> <p>(p) Suitably qualified external person – An individual outside the firm with the competence and capabilities to act as an engagement partner, for example, a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits of historical financial information or of an organization that provides relevant quality control services.</p>		
Requirements			
Leadership Responsibilities for Quality on Audits			
8	The engagement partner shall take responsibility for the overall quality on each audit engagement to which that partner is assigned. (Ref: Para. A3)	8. The engagement partner shall take responsibility for the overall <u>managing and achieving</u> quality on each audit engagement to which that partner is assigned. <u>In doing so, through addressing the requirements of this ISA, the engagement partner shall:</u>	<p><i>Refer to paragraphs 37–40 within Issues Paper</i></p> <p>Application Material to be developed to:</p> <ul style="list-style-type: none"> • Emphasize that the engagement partner needs to have an understanding of the entity and its

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		<p>(a) <u>Understand the firm’s policies or procedures that are relevant to the engagement;</u></p> <p>(b) <u>Determine whether such policies or procedures are sufficient and effective, and whether other actions are necessary;</u></p> <p>(c) <u>Identify actions to respond to risks to quality for the engagement; and</u></p> <p>(d) <u>Communicate matters related to quality with the firm, engagement team or others as appropriate</u></p>	<p>environment to be able to address responsibilities for managing quality for the engagement (cross references to ISA 315 (Revised)).</p> <ul style="list-style-type: none"> • Remind auditors about the importance of information and communication between the engagement partner and the: <ul style="list-style-type: none"> ○ Firm relevant to the firm’s system of quality management. ○ Engagement team in order that the engagement team has the information necessary to perform the audit. • Revise the extant application material in A3 to explicitly state that the engagement partner’s actions include appropriate messaging to the engagement team to “emphasize all members of the engagement team have a responsibility to deliver a quality audit,” i.e., emphasize “tone at the top” • Emphasize the importance of appropriate involvement by the engagement partner at all stages of the audit (planning, performance, completion).

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			<ul style="list-style-type: none"> • Explain what is meant by policies or procedures 'operating effectively.'
		<p>8A. [NEW] <u>In order to have the appropriate basis for planning and implementing the approach to managing quality at the engagement level, the engagement partner shall obtain a preliminary understanding of the nature and circumstances of the engagement.</u></p>	<p>To support the new requirement in proposed paragraph 8A, new application material to explain the types of matters the EP would need to understand to be able to apply the requirements in this standard, for example:</p> <ul style="list-style-type: none"> • The nature of the entity (e.g., whether it is a business enterprise, a public sector entity or a not-for-profit organization) and the industry in which it operates (some industry's require expertise); • The relevant applicable financial reporting framework; • Organization and structure; and • Laws and regulations. <p>In addition, the application guidance would need to explain that the understanding referred to in paragraph 8A forms the basis for applying the 4-step approach (set out in paragraph 8 above) to the requirements of this ISA.</p>

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Information and Communication			
8B [NEW]	<p>NOT EXTANT – This is what was presented at the Dec 2016 Board Meeting; Extant ISA 220 has no requirements that explicitly address communication</p> <p>NEW requirement:</p> <p><u>In addition to the specific communication requirements of the ISAs, when performing audit procedures to comply with the ISAs the engagement partner and engagement team (and any others involved in the engagement) shall have ongoing, frequent and comprehensive two-way communication.</u></p>	<p>8B [NEW] <u>In addition to the specific requirements for communication, including the information that shall be communicated in the ISAs (including this ISA) and ISQC 1, the engagement partner shall, on a timely basis, communicate relevant information pertaining to quality management at the engagement level to:</u></p> <p>(a) <u>Members of the engagement team or others involved in the audit; and</u></p> <p>(b) <u>As necessary or as appropriate, to members of management of the firm for whom the information is relevant, including as appropriate, the firm, personnel performing functions in relation to the firm’s system of quality management, or, parties external to the firm.</u></p> <p><u>The engagement partner shall also direct the other members of the engagement team and any others involved in the audit to communicate information that may be relevant to management of quality at the engagement level to the engagement partner on a timely basis.</u></p>	<p><i>Refer to paragraphs 42–51 within Issues Paper</i></p> <p>Additional application guidance to be considered to:</p> <ul style="list-style-type: none"> • Address what ‘on a timely basis’ means – including that it will depend on the circumstances of the engagement, but also on the nature of the matter being communicated. • Explain that the firm may require communication of certain information by the engagement partner; however in some cases, it may be necessary or appropriate for the engagement partner to make communications to appropriate firm management. • Address when communications to external parties may be expected or appropriate. • Provides examples of “relevant information” pertaining to quality management that may be communicated from the firm to the engagement team and the types of

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			things that would need to be communicated back to the firm from the engagement team (building off the examples provided in ISQC 1). Similarly – add examples of what might be relevant matters for engagement team members to communicate to the EP on a timely basis
Relevant Ethical Requirements			
9	Throughout the audit engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team. (Ref: Para. A4–A5)	Discussions and proposed changes still under consideration by the Task Force	<i>Refer to paragraphs 52–58 within Issues Paper</i> <i>Further changes to be considered as necessary arising from revisions to ISQC 1.</i>
10	If matters come to the engagement partner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A5)	If matters come to the engagement partner’s attention through the firm’s system of quality control-management, through the requirement in paragraph 9, or from other sources or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A5)	<i>Refer to paragraphs 52–58 within Issues Paper</i> Task Force considering need for changes and additional application guidance, taking account of revisions to ISQC 1, and including: <ul style="list-style-type: none"> • Additional guidance on where relevant information may come from (the output of the firm’s systems,

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			<p>from members of the engagement team, from external sources)</p> <ul style="list-style-type: none"> • Additional guidance to address who the others might be that the engagement partner would consult with and what “appropriate action” might entail at the engagement level, including communications within the engagement team, to management and those charged with governance of the audited entity, to appropriate members of management of the firm (including those charged with responsibility for quality management), possibly to the network or to external parties (subject to legal or regulatory prohibitions).
<i>Independence</i>			
11	<p>The engagement partner shall form a conclusion on compliance with independence requirements that apply to the audit engagement. In doing so, the engagement partner shall: (Ref: Para. A5)</p> <p>(a) Obtain relevant information from the firm and, where applicable, network firms, to identify and evaluate circumstances and</p>	Discussions and proposed changes still under consideration by the Task Force	<i>Further changes to be considered as necessary arising from revisions to ISQC 1.</i>

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	<p>relationships that create threats to independence;</p> <p>(b) Evaluate information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for the audit engagement; and</p> <p>(c) Take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or, if considered appropriate, to withdraw from the audit engagement, where withdrawal is possible under applicable law or regulation. The engagement partner shall promptly report to the firm any inability to resolve the matter for appropriate action. (Ref: Para. A6–A7)</p>		
Acceptance and Continuance of Client Relationships and Audit Engagements			
12	<p>The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and shall determine that conclusions reached in this regard are appropriate. (Ref: Para. A8–A9)</p>	<p>The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed, and shall. <u>In doing so and in order to determine that the conclusions reached in this regard are appropriate: for the audit, the engagement partner shall:</u></p>	<p><i>Refer to paragraphs 59–61 within Issues Paper</i></p> <p>Application material to be revised or developed to:</p> <ul style="list-style-type: none"> • Distinguish between the acceptance and continuation of an audit engagement (i.e., to acknowledge

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		<p>(a) <u>Understand the firm’s policies and procedures related to the acceptance and continuance of engagements, and how they have been applied for the audit engagement for which the engagement partner is responsible (including understanding important considerations relevant to the final conclusions reached);</u></p> <p>(b) <u>Determine whether the firm’s policies and procedures have resulted in the appropriate conclusion being reached for the audit engagement, or a different conclusion regarding acceptance or continuance of the client relationship and audit engagement should have been reached (including whether the engagement should have been accepted on different terms) and therefore whether further action is necessary at either the engagement level or firm level;</u></p> <p>(c) <u>Respond to the need for further action by taking appropriate action at the engagement level, or communicate as necessary with the firm to determine the appropriate action to take; and</u></p> <p>(d) <u>Communicate any other matters of relevance related to the acceptance or continuance of the client and audit</u></p>	<p>that there might be more information available for a continuance decision, but regardless, the acceptance decision should be made on the most informed basis possible).</p> <ul style="list-style-type: none"> • Include application guidance to reinforce that the acceptance/continuance decision should be made on the most informed basis possible, including consideration of the nature of the entity, the industry within which it operates, likely complexities arising from the application of the requirements of the applicable financial reporting framework. Highlight the importance of consideration of any other issues that will be relevant to how the other elements of this ISA will need to be addressed – including for example issues regarding access to management information, members of the engagement team or others involved in the audit. An understanding of all of these matters forms the foundation for applying quality management principles when

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		<p><u>engagement to the firm and engagement team as appropriate.</u></p>	<p>addressing the other requirements of ISA 220.</p> <ul style="list-style-type: none"> • Cross reference to ISA 315 (Revised), paragraph 7 to reinforce that matters relevant to the acceptance/continuance decision will also likely be relevant to identifying and assessing risks of material misstatement, including information considered by the firm in making the conclusions and communicated the to the engagement partner. • Illustrate the application of the requirements to specific situations, potentially including examples of a situation where subsequent information indicates that the engagement should not have been accepted. This application guidance would also include highlighting the requirements of other ISAs as applicable.
13	<p>If the engagement partner obtains information that would have caused the firm to decline the audit engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the</p>	<p>If the engagement partner obtains information that would have caused the firm to decline, <u>or not to continue,</u> the audit engagement had that information been available earlier, the engagement partner shall, <u>in a timely manner.</u></p>	<p><i>Refer to paragraphs 59–61 within Issues Paper</i></p> <p>Application guidance to highlight how additional information may come to the</p>

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
	firm, so that the firm and the engagement partner can take the necessary action. (Ref: Para. A9)	communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action. (Ref: Para. A9)	auditor's attention throughout the course of the engagement.
Determination of Necessary Engagement Resources, Including Assignment Engagement Teams			
14	<p>The engagement partner shall be satisfied that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to:</p> <p>(a) Perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements; and</p> <p>(b) Enable an auditor's report that is appropriate in the circumstances to be issued. (Ref: Para. A10–A12)</p>	<p>14. The engagement partner shall be satisfied that the <u>audit engagement has adequate and appropriate resources necessary to perform the audit. In doing so, and in order to determine that the conclusions reached in this regard are appropriate for the audit, the engagement partner shall:</u></p> <p>(a) <u>Understand the firm's policies and procedures related to establishing, obtaining or maintaining sufficient and appropriate resources in order for the engagement team to effectively undertake the engagement, including any specific requirements related to the assignment of the engagement team and particular resources that are to be used or involved in performing the audit.</u></p> <p>(b) <u>Determine whether the firm's resources are sufficient and effective for the particular audit, or whether further risks to quality exist such that additional resources are required;</u></p>	<p><i>Refer to paragraphs 62–64 within Issues Paper</i></p> <ul style="list-style-type: none"> • Application guidance to explain that resources is broader than just the personnel that will be involved, i.e., also include things like the audit methodologies, tools, templates and software. • Consider application material to explain further that the engagement partner needs to be satisfied that the resources are available from the firm, understand the expectation of the firm relative to the use of the resources (including what might need to be done at the engagement level), and confirm the suitability of the resources for the engagement. • Consider application guidance to specifically address ADMs and use of data analytics.

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		<p>(c) <u>Respond to any further risks to quality by undertaking further actions as appropriate to obtain the necessary resources; and</u></p> <p>(d) <u>Communicate matters of relevance related to the resources for the engagement to the firm and engagement team as appropriate.</u></p>	
		<p><u>14A. In applying the requirement in paragraph 14, the engagement partner shall be satisfied that:</u></p> <p>(a) <u>The engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to:</u></p> <p style="margin-left: 20px;">(i) Perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements; and</p> <p style="margin-left: 20px;">(ii) Enable an auditor's report that is appropriate in the circumstances to be issued. (Ref: Para. A10–A12)</p> <p>(b) <u>Any relevant or required firm methodologies, or technologies, are available and appropriate for the engagement, and that the engagement team members have the appropriate</u></p>	<p><i>Refer to paragraphs 64 within Issues Paper</i></p> <p>Application material to be developed to provide examples of different engagement team structures, such as when members of the engagement team are situated at ADMs, and how relevant individuals will need to collectively have the appropriate competence and capabilities. In addition, examples of relevant methodologies or technologies could include situations where data analytics are used to perform audit procedures.</p> <p>The Task Force also continues to consider issues around experts or individuals with specialized skills who are considered part of the engagement team, and whether external experts engaged by the auditor should be part of</p>

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
		<u>skills and experience to use them as intended</u>	the engagement team (see paragraph 96 of the Issues Paper)
Engagement Performance			
<i>Direction, Supervision, and Performance and Reviews</i>			
15	<p>The engagement partner shall take responsibility for:</p> <p>(a) The direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements; and (Ref: Para. A13–A15, A20)</p> <p>(b) The auditor's report being appropriate in the circumstances.</p>	<p>15. <u>In managing and achieving quality for the engagement, the engagement partner shall take responsibility is responsible for the performance of the engagement in compliance with professional standards and applicable legal and regulatory requirements, and the auditor's report being appropriate in the circumstances. In order to have an appropriate basis for demonstrating how the requirements of this ISA have been met, the engagement partner shall be sufficiently involved in the audit engagement, through appropriate:</u></p> <p>(a) <u>The dDirection; and supervision of the engagement team and others involved in the audit and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements; and (Ref: Para. A13–A15, A20)</u></p> <p>(b) <u>The auditor's report being appropriate in the circumstances. Reviews of the audit</u></p>	<p><i>Refer to paragraphs 65–74 within Issues Paper</i></p> <p>Application guidance to be considered as discussed in Agenda Item 5-A, including factors that influence the nature, timing and extent of the EP's involvement and illustrative examples about how to apply them as described in paragraph 68.</p>

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
		<p><u>documentation. (Ref: Para. A16–A17, A20)</u></p> <p><u>15A [NEW]. In determining the nature, timing and extent of appropriate direction, supervision and review by the engagement partner, other members of the engagement team and others involved in the audit, the engagement partner shall :</u></p> <p><u>(a) Understand the firm’s policies or procedures related to the direction, supervision and review of an audit engagement, including any policies and procedures applicable to the engagement;</u></p> <p><u>(b) Determine whether the firm’s policies and procedures are sufficient and effective for the audit engagement, or whether further risks to quality exist;</u></p> <p><u>(c) Respond to the risks to quality by planning further direction, supervision and review for the engagement, including implementing the firm’s policies and procedures relating to direction, supervision and review; and</u></p> <p><u>(d) Communicate matters of relevance related to the direction, supervision or review of the engagement to the firm and engagement team and others involved in the audit as appropriate.</u></p>	

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ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
<i>Reviews</i>			
16	The engagement partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures. (Ref: Para. A16–A17, A20)	The engagement partner shall take responsibility for reviews being performed in accordance with the firm's review policies and procedures. (Ref: Para. A16–A17, A20)	<i>Refer to paragraphs 65–74 within Issues Paper</i> Note: See above, paragraph 16 has been combined with paragraph 15.
17	On or before the date of the auditor's report, the engagement partner shall, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. (Ref: Para. A18–A20).	<u>In applying the requirement in paragraph [15], the engagement partner shall, on or before the date of the auditor's report, the engagement partner shall, and through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. (Ref: Para. A18–A20)</u> <u>To allow significant matters to be resolved on a timely basis to the engagement partner's satisfaction, the engagement partner shall review audit documentation that includes:</u> (a) <u>Critical areas of judgment, especially those relating to difficult or contentious matters identified during the course of the engagement;</u> (b) <u>Significant risks; and</u> (c) <u>Other areas the engagement partner considers important.</u>	<i>Refer to paragraphs 65–74 within Issues Paper</i> Application guidance to be considered as discussed in paragraph 70 of Agenda Item 5-A.

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
<i>Consultation</i>			
18	<p>The engagement partner shall:</p> <p>(a) Take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters;</p> <p>(b) Be satisfied that members of the engagement team have undertaken appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;</p> <p>(c) Be satisfied that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and</p> <p>(d) Determine that conclusions resulting from such consultations have been implemented. (Ref: Para. A21–A22)</p>	<p>The engagement partner shall: (a) Take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters; <u>In doing so, and in order to determine that the conclusions reached in this regard are appropriate, the engagement partner shall:</u></p> <p>(a) <u>Understand the firm’s policies and procedures related to consultation on difficult and contentious matters;</u></p> <p>(b) <u>Determine whether the firm’s policies and procedures result in appropriate consultation being undertaken for the audit engagement, or whether further risks to quality exist such that additional consultation is necessary;</u></p> <p>(c) <u>Respond to any further risks to quality by undertaking further consultations as appropriate; and</u></p> <p>(d) <u>Communicate matters of relevance related to consultation on difficult or contentious matters to the firm and engagement team as appropriate, in particular, where relevant that:</u></p> <ul style="list-style-type: none"> • Be satisfied that mMembers of the engagement team have undertaken 	<p><i>Refer to paragraphs 75–76 within Issues Paper</i></p> <p><i>Further changes to be considered as necessary arising from revisions to ISQC 1.</i></p>

ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
		<p>appropriate consultation during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm;</p> <ul style="list-style-type: none"> • Be satisfied that The nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and • Determine that the cConclusions resulting from such consultations have been implemented. (Ref: Para. A21–A22) 	
<i>Engagement Quality Control Reviews</i>			
19	<p>For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement quality control review is required, the engagement partner shall:</p> <p>(a) Determine that an engagement quality control reviewer has been appointed;</p> <p>(b) Discuss significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and</p>	Discussions and proposed changes still under consideration by the Task Force	<p><i>Refer to paragraph 77 within Issues Paper</i></p> <p>Further discussion on engagement quality control reviews to be progressed before changes to ISA 220 are considered in this regard. The Task Force is, however, of the view that regardless of whether the requirements relating to the selection of the EQCR and the performance of the review are set forth in a separate standard, the responsibilities of the engagement</p>

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ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
	(c) Not date the auditor's report until the completion of the engagement quality control review. (Ref: Para. A23–A25)		partner (as set forth in extant ISA 220, paragraph 19 and amended as necessary) should remain in ISA 220.
20	<p>The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:</p> <ul style="list-style-type: none"> (a) Discussion of significant matters with the engagement partner; (b) Review of the financial statements and the proposed auditor's report; (c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and (d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26–A27, A29–A31) 	Discussions and proposed changes still under consideration by the Task Force	See comment above. Further discussion on engagement quality control reviews to be progressed before changes to ISA 220 are considered in this regard.
21	For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an engagement quality control review, shall also consider the following:	Discussions and proposed changes still under consideration by the Task Force	See comment above. Further discussion on engagement quality control reviews to be progressed before changes to ISA 220 are considered in this regard.

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ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
	<p>(a) The engagement team’s evaluation of the firm’s independence in relation to the audit engagement;</p> <p>(b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and</p> <p>(c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A28–A31)</p>		
<i>Differences of Opinion</i>			
22	<p>If differences of opinion arise within the engagement team, with those consulted or, where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm’s policies and procedures for dealing with and resolving differences of opinion.</p>	<p><u>The engagement partner shall take responsibility for determining that if differences of opinion arise within the engagement team, with those consulted or, where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm’s policies or procedures for dealing with and resolving differences of opinion—have been complied with. In doing so, and to determine that the conclusions reached in this regard are appropriate, the engagement partner shall:</u></p>	<p><i>Refer to paragraphs 75–76 within Issues Paper</i></p> <p>Consider the need for additional application guidance as changes to ISQC 1 are progressed.</p>

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ISA 220 Para ref.	ISA 220 Current Requirements	Proposed Enhancements to Requirements	Matters for Further Consideration / Reference to Relevant Paragraph in the Issues Paper (Agenda Item 5-A)
		<p>(a) <u>Understand the firm's policies and procedures related to dealing with and resolving differences of opinion:</u></p> <p>(b) <u>Determine whether the firm's policies and procedures result in appropriate resolution of differences of opinion that have arisen during the audit engagement, or whether further risks to quality exist such that additional action is necessary:</u></p> <p>(c) <u>Respond to any further risks to quality by undertaking further actions as appropriate:</u> <u>and:</u></p> <p>(d) <u>Communicate matters of relevance related to dealing with and resolving differences of opinion to the firm and engagement team as appropriate.</u></p>	
Monitoring			
23	An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The engagement partner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether	To be progressed as the revision to ISQC 1 is progressed.	<p><i>Refer to paragraphs 78–79 within Issues Paper</i></p> <p>Consider the need for additional application guidance as changes to ISQC 1 are progressed.</p>

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	deficiencies noted in that information may affect the audit engagement. (Ref: Para A32–A34)		
Overall Stand-back Before Concluding that Quality has been Effectively Managed at the Engagement Level [NEW]			
23A [NEW]	N/A	23A [NEW] <u>Prior to forming an opinion on the financial statements, the engagement partner shall conclude that quality has been effectively managed for the engagement. In forming this conclusion, the engagement partner shall evaluate whether all risks to quality have been appropriately identified, and addressed including as they relate to the core elements of this ISA. Additionally, the EP shall evaluate whether there are any additional quality risks relevant to the audit engagement and if so, plan and perform additional responses to address such risks.</u>	<i>Refer to paragraphs 80–83 within Issues Paper</i>
Documentation			
24	The auditor shall include in the audit documentation: (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved. (b) Conclusions on compliance with independence requirements that apply to the audit engagement, and any relevant	Discussions and proposed changes still under consideration by the Task Force	Documentation requirements to be discussed once other principles in the standard are agreed. Refer to paragraph 35 within the Issues Paper.

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	<p>discussions with the firm that support these conclusions.</p> <p>(c) Conclusions reached regarding the acceptance and continuance of client relationships and audit engagements.</p> <p>(d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the audit engagement. (Ref: Para. A35)</p>		
25	<p>The engagement quality control reviewer shall document, for the audit engagement reviewed, that:</p> <p>(a) The procedures required by the firm's policies on engagement quality control review have been performed;</p> <p>(b) The engagement quality control review has been completed on or before the date of the auditor's report; and</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</p>	Discussions and proposed changes still under consideration by the Task Force	Further discussion on engagement quality control reviews to be progressed before changes to ISA 220 are considered in this regard.