

Supplement to Agenda Item 2

Summary of Responses to the ITC

(A list of respondent names and acronyms can be found in Appendix A)

A. Quality Control at Firm Level (relevant to Agenda Item 2)

Governance and Leadership

1. Investors¹ were supportive of actions to address firm governance, with one² suggesting the promulgation of an international governance code, and another³ expressing the view that there should be a metric measuring governance (e.g., an assessment of compliance with generally accepted best practice, or an explanation as to why this is not the case). Investors⁴ highlighted the importance of culture and strategy and tone at the top, while another investor⁵ stressed the importance of “tone in the middle”, since staff at this level have the most significant impact on audit quality at the engagement level.
2. Members of the Monitoring Group (MG)⁶ emphasized the importance of tone at the top and the firm’s culture and extending that culture throughout the firm. One member of the MG⁷ indicated that governance of an audit firm includes the responsibility to establish policies and procedures designed to support the performance of quality audits, monitoring compliance with the established policies and procedures, and instilling a culture of accountability for audit quality throughout the audit firm. Another member of the MG⁸ suggested that the IAASB define clear responsibilities regarding firms’ leadership being ‘in control’ of audit quality, including promoting a culture which supports appropriate professional skepticism, and related firm governance matters. There were also views that the linkage between firm governance and the quality management approach (QMA) needs to be clear.⁹
3. Similar to the response from an investor (refer above), a member of the MG¹⁰ was also of the view that the “tone in the middle” requires attention, since it is mid-level management of audit engagements who spend the most time on the audit with more junior engagement team members and have a role in achieving and instilling audit quality at an engagement level. This respondent was of the view that an increased emphasis of the role of the engagement team beyond the engagement partner (EP) could also lead to increased levels of professional skepticism applied by engagement team members. However, this respondent emphasized that it should not decrease the EP’s overall responsibility for the audit.

¹ *Investors and Analysts:* CalSTRS, CFA, IA, NZSA

² *Investors and Analysts:* IA

³ *Investors and Analysts:* NZSA

⁴ *Investors and Analysts:* CalPERS, CalSTRS, CFA

⁵ *Investors and Analysts:* CFA

⁶ *MG:* BCBS, IAIS, IFIAR, IOSCO

⁷ *MG:* IAIS

⁸ *MG:* IFIAR

⁹ *MG:* IAIS, IFIAR

¹⁰ *MG:* IOSCO

4. Other regulators and audit oversight authorities¹¹ indicated that firm governance is a critical component of quality and are core to the effectiveness of a QMA. Furthermore, there was support for actions to strengthen governance of audit firms,¹² noting the precedent in the United Kingdom that could be useful in exploring the topic of audit firm governance.¹³ ¹⁴ It was proposed by a respondent¹⁵ that audit quality should be clearly written into the firm's strategic objectives and there should be a requirement for firms to develop and implement specific governance codes. Similarly, another regulator¹⁶ proposed that detailed considerations relating to audit firm governance could be addressed in a separate standard with only high level principles-based requirements established in ISQC 1¹⁷. Another regulator¹⁸ suggested that the effectiveness of firm governance should be evaluated based on the outcome of internal or external inspection activities.
5. Other regulators and audit oversight authorities also indicated their support for actions related to firm leadership, including:
 - (a) Requiring accountability of firm leadership, at the appropriate level, for audit quality.¹⁹
 - (b) Reinforcing the concept of professional skepticism in leadership responsibilities.²⁰
 - (c) Indicating the importance of audit firm leadership in setting an appropriate culture within the audit firm (tone of the top) and being responsible for extending that culture throughout the audit firm.²¹
 - (d) Requiring the firm to identify appropriate personnel, at the appropriate level, within firm leadership to be responsible for and accountable for independence matters.²²
6. Respondents²³ across other stakeholder groups were broadly supportive of addressing matters relating to firm governance and exploring how firm governance could be best addressed in ISQC 1, recognizing that firm structures vary and are affected by law or regulation in the jurisdiction. It was suggested that consideration be given to international developments²⁴ and that it should

¹¹ *Other Regulators and Audit Oversight Authorities:* EBA, IRBA, MAIS, UKFRC

¹² *Other Regulators and Audit Oversight Authorities:* EBA, ESMA, IRBA, MAOB

¹³ *Other Regulators and Audit Oversight Authorities:* UKFRC

¹⁴ This respondent highlighted that the FRC consulted on the implementation and operation of the UK Audit Firm Governance Code (AFGC) and this consultation specifically asked respondents if the concept of the AFGC should be spread elsewhere in the world. Whilst recognizing there would be some challenges, respondents, including investors, were broadly in favor of the promulgation of the AFGC internationally.

¹⁵ *Other Regulators and Audit Oversight Authorities:* IRBA

¹⁶ *Other Regulators and Audit Oversight Authorities:* UKFRC

¹⁷ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*

¹⁸ *Other Regulators and Audit Oversight Authorities:* MAOB

¹⁹ *Other Regulators and Audit Oversight Authorities:* IRBA

²⁰ *Other Regulators and Audit Oversight Authorities:* CPAB

²¹ *Other Regulators and Audit Oversight Authorities:* EBA, ESMA, FRC

²² *Other Regulators and Audit Oversight Authorities:* IRBA

²³ *National Standard Setters:* IDW, JICPA, MAASB, NBA; *Accounting Firms:* BDO, CHI, RSM; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* EFAA, FEE, IBRACON, IBR-IRE, ICPAK, SAICA; *Academics:* AAA

²⁴ *Accounting Firms:* CHI; *Member Bodies and Other Professional Organizations:* ACCA

focus on the principles of what governance should achieve.²⁵ However, there were respondents, mostly accounting firms and member bodies,²⁶ who believed that actions to address governance matters should be principles based and not be specific or are not within the mandate of the IAASB and be left for the remit of local jurisdictions.²⁷ It was also suggested by a member body²⁸ that this be a matter for the International Ethics Standards Board for Accountants to consider. An accounting firm²⁹ was of the view that the concept of a higher-level firm governance that involves the oversight of senior leadership goes beyond the remit of ISQC 1.

7. There was support across other stakeholder groups³⁰ to clarify leadership responsibilities in ISQC 1 through additional (or clarified) requirements or application material, to more explicitly incorporate commonly used and familiar terminology (e.g., “tone at the top” and “leading by example”). There was also broad support to further emphasize in ISQC 1 the responsibility of firm leadership setting an appropriate culture for the firm.³¹ A member body³² was of the view that these should be prescriptive, and suggested that emphasis of responsibility should be made in relation to all levels of leadership.
8. Similar to the suggestion from an investor and a member of the MG, a member body³³ noted that equally important is “tone in the middle” since it is this level that has the most significant impact on audit quality and this would embed the principle into the ranks of audit personnel. Likewise, other respondents³⁴ indicated that appropriate tone throughout the organization is important since personnel at all levels within a firm should positively reinforce and promote the quality culture.
9. There was broad support with regards to the proposal to include requirements in ISQC 1 addressing accountability of firm leadership, or appropriate personnel within firm leadership for matters related to quality,³⁵ or support for application material in this regard.³⁶ However, others did not support the proposal to address accountability for appropriate personal for audit quality, on the basis that the proposal is not scalable, in many firms this is already done in practice, firms have different structures and it would be difficult for some firms, particularly small and medium practices (SMPs) to achieve this.³⁷

²⁵ *National Standard Setters: MAASB, Accounting Firms: PWC; Member Bodies and Other Professional Organizations: ICAP*

²⁶ *Accounting Firms: DTT, GTI; Member Bodies and Other Professional Organizations: CPAA, ICAEW*

²⁷ *Accounting Firms: GTI; National Standard Setters: CAASB, CNCC-CSOEC, NZAuASB; Member Bodies and Other Professional Organizations: CAANZ, ICAEW, KICPA*

²⁸ *Member Bodies and Other Professional Organizations: CPAA*

²⁹ *Accounting Firms: EYG*

³⁰ *National Standard Setters: NBA; Accounting Firms: CHI, DTT, EYG, GTI, PWC, RSM; Public Sector Organizations: AGSA, GAO; Member Bodies and Other Professional Organizations: AICPA, FEE, IBRACON, IBR-IRE, ICAP, ICAS; Academics: AAA*

³¹ *Accounting Firms: CHI, EYG, RSM; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: CPAA, IBR-IRE, ICAEW, ICAS, SAICA, SMPC*

³² *Member Bodies and Other Professional Organizations: AICPA*

³³ *Member Bodies and Other Professional Organizations: ICAEW*

³⁴ *Accounting Firms: GTI; Member Bodies and Other Professional Organizations: ICAEW, SAICA*

³⁵ *National Standard Setters: AUASB, JICPA, MAASB, NBA; Accounting Firms: CHI, EYG, GTI, RSM; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: CPAA, FEE, IBR-IRE, ICAEW, ICAP, ICAZ, SAICA*

³⁶ *Accounting Firms: PWC*

³⁷ *National Standard Setters: CAASB, NZAuASB; Accounting Firms: BDO, DTT; Member Bodies and Other Professional Organizations: CAANZ*

10. Similar to the views expressed above, there were respondents³⁸ across all stakeholder groups who supported the proposal to identify appropriate personnel within firm leadership to be responsible and accountable for independence matters. However, certain respondents did not agree,³⁹ or were of the view that independence should not be singled-out as the only element requiring leadership.⁴⁰ A national standard setter⁴¹ was of the view that this proposal should be considered with caution, and that in such instances responsibility should be for implementing a system to address independence, rather than being responsible for violations if they occur. Similarly, a member body⁴² indicated that it is important to have a proper system in place than a responsible person and that each engagement team member needs to take responsibility for independence.
11. There were mixed views regarding the proposal to explicitly incorporate the concept of public interest into ISQC 1 through emphasizing the importance of relevant public interest considerations in relation to the design of the firm's system of quality control, either in the introduction or application material. Respondents across all stakeholder groups expressed support for this,⁴³ however, other respondents, mostly accounting firms and member bodies,⁴⁴ did not support it. Respondents, both supporters and non-supporters, indicated that the definition of public interest is debatable and there is no common interpretation or understanding.
12. Respondents across all stakeholder groups provided additional suggestions for consideration, including:
 - (a) A member body⁴⁵ questioned, with respect to enhancing the accountability of firm leadership, how a firm ensures accountability of leadership and consequences for action, as well as how is, or how best accountability could be demonstrated (i.e., the matter of providing evidence or documentation). An accounting firm⁴⁶ suggested that a statement of responsibility by the firm's leadership be included in an annual report, while it was recommended that addressing accountability of firm leadership could be done through strengthening the requirements on documentation of the work they have performed to address quality.⁴⁷
 - (b) Training for leaders on leadership development.⁴⁸
 - (c) Succession planning of the audit firm to ensure the continuance of audit quality is not disrupted due to the sudden change of leadership or unfamiliarity threat of the new leader.⁴⁹

³⁸ *National Standard Setters: NBA; Accounting Firms: CHI, RSM; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: CAANZ, CPAA, ICAEW, ICAZ, ICPAK, SAICA; Individuals and Others: JGrant, SDeViney*

³⁹ *National Standard Setters: CAASB, NZAuASB; Accounting Firms: BDO, GTI, PWC; Member Bodies and Other Professional Organizations: IBR-IRE*

⁴⁰ *Accounting Firms: EYG*

⁴¹ *National Standard Setters: IDW*

⁴² *Member Bodies and Other Professional Organizations: FEE*

⁴³ *National Standard Setters: IDW, JICPA, MAASB, NBA; Accounting Firms: RSM; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: CAANZ, FEE, SMPC*

⁴⁴ *Accounting Firms: EYG, GTI, KPMG, PWC; Member Bodies and Other Professional Organizations: ACCA, EFAA, ICAEW*

⁴⁵ *Member Bodies and Other Professional Organizations: SAICA*

⁴⁶ *Accounting Firms: CHI*

⁴⁷ *Member Bodies and Other Professional Organizations: FEE*

⁴⁸ *National Standard Setters: MAASB*

⁴⁹ *National Standard Setters : MAASB*

- (d) Ongoing review of the leadership structure to ensure it is not outdated in view of the change in the economic or regulatory environment.⁵⁰
13. Respondents⁵¹ believed that a QMA approach directly supports leadership responsibilities and accountability for quality, noting that it is an opportunity to modernize ISQC 1 and emphasize the importance of leadership, governance and accountability. It was also suggested that a QMA acknowledges that there is a system that supports audit quality and that responsibility is collectively assigned and shared.⁵²

SMPs

14. It was noted that in SMPs the distance between firm leadership and audit quality is often very short, because in SMPs, leaders of the firms are often directly responsible for quality.⁵³ In addition, the relatively flat hierarchies often seen in smaller practices tend to mean that tone at the top and how it flows through the practice is more evident and the culture of accountability more keenly observed because it is ultimately more personal.
15. There were concerns regarding how the use of corporate governance principles would translate in practice for SMPs.⁵⁴ A member body⁵⁵ also highlighted that as governance in smaller firms may be different from that in the context of very large firms, the IAASB should be careful not to require excessive documentation of governance procedures that are effectively, but perhaps more implicitly, considered in a smaller firm environment.
16. There was support for guidance, particularly for SMPs, as to how firms might consider whether and how corporate governance principles may apply.⁵⁶

Monitoring and Remediation

17. Respondents, including a member of the MG,⁵⁷ were of the view that a robust monitoring and remediation program would be a necessary step in a risk management framework such as the QMA.
18. Members of the MG⁵⁸ and another regulator and audit oversight authority⁵⁹ were supportive of the actions proposed in the Invitation to Comment (ITC)⁶⁰ to include more robust requirements addressing inspection findings, including requirements addressing:
- Performing an analysis of any external findings and appropriate responses thereto, in the same way that internal findings are considered.

⁵⁰ *National Standard Setters: MAASB*

⁵¹ *Investors and Analysts: CalPERS, CFA; Other Regulators and Audit Oversight Authorities: ESMA, IAIS; National Standard Setters: IDW, NBA; Accounting Firms: BDO, CHI, EYG, KPMG, PWC; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: CAANZ, CPAA, FACPCE, FEE, IBR-IRE, ICAZ, ICPAU, SAICA*

⁵² *Accounting Firms: PWC*

⁵³ *Member Bodies and Other Professional Organizations: EFAA*

⁵⁴ *Member Bodies and Other Professional Organizations: IBR-IRE*

⁵⁵ *Member Bodies and Other Professional Organizations: FEE*

⁵⁶ *Member Bodies and Other Professional Organizations: SMPC*

⁵⁷ *MG: IOSCO; Other Regulators and Audit Oversight Authorities: UKFRC; National Standard Setters: IDW, MAASB; Accounting Firms: CHI, PWC; Member Bodies and Other Professional Organizations: APESB, ICAP, ICPAK*

⁵⁸ *MG: IAIS, IFIAR, IOSCO*

⁵⁹ *Other Regulators and Audit Oversight Authorities: ESMA, UKFRC*

⁶⁰ [Invitation to Comment, *Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits*](#)

- Obtaining an understanding of the causal factors of audit deficiencies identified by inspections and other reviews, including consideration of information gathered at the engagement level regarding each audit deficiency.
- Considering whether the results of findings would have implications for other engagements as well as the quality control system.
- Updating policies and procedures in responding to causal factors.
- Monitoring by leadership of the effectiveness and appropriateness of updated policies and procedures and remedial actions.

These respondents were also supportive of considering the performance of other types of reviews at different stages of an audit that are also focused on achieving audit quality, such as “pre-issuance” and “post-issuance” reviews, and the results thereof.

19. A member of the MG and two member bodies⁶¹ had the view that the causal factor analysis should also be performed on high quality audits, for example to understand whether there are innovations that can be replicated on other audits.
20. This member of the MG⁶² was also concerned that the ITC focuses on causal factor analysis and the consideration of external inspection findings, and observed that the requirements relating to internal monitoring reviews of individual audit engagements requires revision in order to promote more substantive reviews of the quality of work performed on higher risk and judgmental areas, instead of a “tick-box” approach. Further, this respondent and an accounting firm⁶³ highlighted that more emphasis is needed on internal monitoring reviews of firm-wide controls and assessing their effectiveness in light of findings from internal monitoring of individual audit engagements.
21. Respondents from other stakeholder groups were in general supportive of the proposed actions in the ITC addressing monitoring and remediation. These respondents supported the proposed actions in general,⁶⁴ or indicated support for the following specific actions:
 - (a) Two member bodies supported addressing the role and results of external reviews and how these interact with the internal monitoring system.⁶⁵
 - (b) Respondents across all stakeholder groups⁶⁶ were supportive of strengthening the requirements and application material relating to the analysis of external findings and responses thereto.
 - (c) There was extensive support⁶⁷ across all stakeholder groups for obtaining an understanding of the causal factors of audit deficiencies identified by inspections and other

⁶¹ MG: IFIAR; Member Bodies and Other Professional Organizations: ACCA, ICAEW

⁶² MG: IFIAR

⁶³ MG: IFIAR; Accounting Firms: CHI

⁶⁴ National Standard Setters: MAASB; Accounting Firms: BDO, PWC, RSM; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: AICPA, ICAEW, SAICA; Individuals and Others: DAHughes, SDeViney

⁶⁵ Member Bodies and Other Professional Organizations: ICAZ, ISCA

⁶⁶ National Standard Setters: CAASB, CNCC, JICPA; Accounting Firms: EYG; Public Sector Organizations: AGC, INTOSAI; Member Bodies and Other Professional Organizations: FEE, ICAZ, KICPA, SAICA, WPK

⁶⁷ Investors and Analysts: CFA; National Standard Setters: CAASB, CNCC-CSOEC, JICPA, MAASB, NBA; Accounting Firms: BDO, CHI, DTT, EYG, GTI, PWC, RSM; Public Sector Organizations: AGC, AGSA, INTOSAI; Member Bodies and Other Professional Organizations: ACCA, CAANZ, CAQ, CPAA, FEE, IBRACON, IBR-IRE, ICAEW, ICAP, ICAS, ICAZ, ICPAK, ISCA, KICPA, SAICA, WPK; Individuals and Others: SDeViney

- reviews, including consideration of information gathered at the engagement level regarding each audit deficiency.
- (d) A national standard setter and an accounting firm⁶⁸ indicated support for requiring policies and procedures to clarify the necessary actions regarding analysis of audit deficiencies and corrective measures.
 - (e) Various respondents⁶⁹ indicated support for considering whether inspection findings have implications on other engagements and the firm's system of quality control.
 - (f) Representatives from member bodies⁷⁰ indicated support for developing and implementing remedial actions which specifically address the identified causal factors.
 - (g) There was extensive support across all stakeholder groups⁷¹ for monitoring the effectiveness and the appropriateness of updated policies and procedures and remedial actions.
22. However, there were three respondents from national standard setters and member bodies⁷² who were of the view that the requirements and application material in extant ISQC 1 are sufficient and appropriate, with firms already having these policies and procedures in place, and accordingly no further action is required.
23. It is noted that certain respondents, mostly member bodies, had the view that the requirements should not be too prescriptive and should be principles-based and scalable,⁷³ or could instead be in the form of application material or guidance.⁷⁴ Furthermore, there were views that the standards should be drafted in such a way so as not to create a compliance mindset, and should focus on the purpose of monitoring and remediation.⁷⁵ It was also suggested that guidance be developed to assist firms in implementing the requirements.⁷⁶
24. An accounting firm and a member body⁷⁷ recommended that there needs to be a common understanding of what causal factor analysis entails, both in nature and extent, and it would be helpful for the IAASB to engage with stakeholders on what comprises effective causal factor analysis, to assist in the development of any requirements or application material in this regard.
25. There was also a proposal from an accounting firm and a member body⁷⁸ that it would be helpful to clarify in ISQC 1 what is needed to evidence the effectiveness of relevant monitoring controls.

⁶⁸ *National Standard Setters: CAASB; Accounting Firms: CHI*

⁶⁹ *National Standard Setters: CAASB; Accounting Firms: DTT, EYG; Member Bodies and Other Professional Organizations: CPAA, ICAZ, KICPA, SAICA*

⁷⁰ *Member Bodies and Other Professional Organizations: CAANZ, ICAS, ISCA, WPK*

⁷¹ *National Standard Setters: CAASB, CNCC-CSOEC, JICPA, MAASB, NBA; Accounting Firms: BDO, CHI, DTT, EYG, GTI, PWC, RSM; Public Sector Organizations: AGC, AGSA, INTOSAI; Member Bodies and Other Professional Organizations: AICPA, CAANZ, CPAA, FEE, IBRACON, IBR-IRE, ICAEW, ICAS, ICAZ, ICPAK; Individuals and Others: SDeViney*

⁷² *National Standard Setters: AUASB, NZAuASB; Member Bodies and Other Professional Organizations: APESB*

⁷³ *National Standard Setters: CAASB; Accounting Firms: BDO, KPMG; Member Bodies and Other Professional Organizations: ACCA, ICAEW; Individuals and Others: DAHughes*

⁷⁴ *Member Bodies and Other Professional Organizations: AICPA, CAQ, ICAEW, KICPA*

⁷⁵ *National Standard Setters: CAASB; Member Bodies and Other Professional Organizations: CAANZ*

⁷⁶ *National Standard Setters: MAASB*

⁷⁷ *Accounting Firms: EYG; Member Bodies and Other Professional Organizations: AICPA*

⁷⁸ *Accounting Firms: PWC; Member Bodies and Other Professional Organizations: ICAP*

26. Similar to the members of the MG and other regulators and audit oversight authorities, respondents across all other stakeholder groups⁷⁹ were broadly supportive of the proposals on considering how other types of reviews (pre-issuance reviews and post-issuance reviews) may factor into the firms' system of quality control. However, other respondents did not agree as follows:
- (a) There was a view from a national standard setter and member body⁸⁰ that other forms of reviews should be discretionary.
 - (b) An accounting firm⁸¹ was of the view that these other forms of review do not necessarily have the same objectives as formal monitoring or inspections and accordingly that it is necessary for firms to have the flexibility to determine which of their quality control activities outside of the internal inspections process comprise part of the firm's monitoring process. Instead, it was suggested that the standards should follow a principles-based approach to the consideration of deficiencies or findings that are identified through sources other than those that are designated monitoring activities.
27. It was, however, indicated by a member body⁸² that the extent to which different types of reviews are intended to improve engagement quality as compared to improving system quality is not well understood in practice, and clarity in this regard would drive consistency in practice.
28. Three respondents from accounting firms and member bodies⁸³ were of the view that the application material in extant ISQC 1 is outdated in that it implies an internal inspection of each EP once every three years, and accordingly requested a revision of this guidance to allow a more flexible and risk-based approach.
29. A national standard setter also recommended exploring whether it is possible to automate quality control by using exceptions reporting, analysis of transactional data, such as numbers of hours worked, revenue per hour worked, time spent in training.⁸⁴

SMPs

30. Respondents across all stakeholder groups representing the views of SMPs⁸⁵ agreed with the issues raised in the ITC relating to SMPs, i.e., that monitoring is a particular challenge for SMPs, largely due to the ability to find resources to perform this function and the cost of compliance is disproportionate. These respondents highlighted that the amount of monitoring should not be increased, but instead that the focus should be on creating requirements or application material that emphasizes the need to leverage, or learn from, existing inspections.

⁷⁹ *National Standard Setters:* IDW; *Accounting Firms:* GTI, KPMG, PWC; *Public Sector Organizations:* AGC, AGSA, INTOSAI; *Member Bodies and Other Professional Organizations:* FEE, IBRACON, ICAZ, KICPA, SAICA

⁸⁰ *National Standard Setters:* JICPA; *Member Bodies and Other Professional Organizations:* WPK

⁸¹ *Accounting Firms:* EYG

⁸² *Member Bodies and Other Professional Organizations:* AICPA

⁸³ *Accounting Firms:* CHI, EYG; *Member Bodies and Other Professional Organizations:* CPAA

⁸⁴ *National Standard Setters:* MAASB

⁸⁵ *National Standard Setters:* CAASB; *Accounting Firms:* BDO; *Member Bodies and Other Professional Organizations:* EFAA, IBR-IRE, ICAEW, KICPA, SAICA, SMPC

Public Sector

31. Respondents from public sector organizations⁸⁶ noted that public sector auditors also often elect to participate in independent peer reviews whose results are currently not a recognized component of monitoring.

Quality Management Approach

ITC Responses regarding the Quality Management Approach were discussed by the IAASB at its December 2016 meeting, please see Appendix A of **Agenda Item 6-A** of that meeting:

http://www.iaasb.org/system/files/meetings/files/20161205-IAASB_Agenda_Item-6-A-Quality-Control-QMA-Recommendations-FINAL.pdf

Engagement Quality Control Review

ITC responses on Engagement Quality Control Review were discussed by the IAASB at its September 2016 meeting, please see **Agenda Item 5-B** of that meeting:

http://www.iaasb.org/system/files/meetings/files/20160919-IAASB_Agenda_Item_5-B-Quality-Control-EQCR-Issues-and-WG-Views_2.pdf

⁸⁶ *Public Sector Organizations: AGC, INTOSAI*

B. Network Level Policies and Procedures (Relevant to Agenda Item 4)

Please see responses to Question QC4 from the IAASB's Invitation to Comment, *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*—See [Supplement B to Agenda Item 5](#) from the IAASB's September 2016 meeting.

C. Quality Control at Engagement Level (Relevant to Agenda Item 5)

Audit Delivery Models (ADMs) (Also Relevant to Agenda Item 2)

1. Regulators and audit oversight authorities, mostly members of the MG, were supportive of actions to address ADMs,⁸⁷ in particular noting the following:
 - (a) The need for appropriate quality control policies and procedures for ADMs that specifically address independence, training, human resource matters and internal monitoring of audit work performed by ADMs.⁸⁸
 - (b) Embedding a QMA and QMA at the engagement level (QMA-EL) would ensure that improvement activities the firm undertakes (such as ADMs) are planned and organized as part of an integrated audit quality management system and quality risk assessments are performed to ensure that there are appropriate quality control policies and procedures in place to safeguard against inappropriate use of ADMs, and there are sufficiently skilled or competent personnel. This would also ensure that, at the engagement level, EPs perform quality risk assessments to establish the appropriate level of direction and supervision of the work being performed, regardless of who performs the work and where it is performed.⁸⁹
 - (c) Support for the auditor to consider the risk of material misstatement associated with the account or balance on which the procedure is being performed by the ADM, with a suggestion that an appropriate safeguard would be to consider whether someone other than the ADM should perform the procedure.⁹⁰ Similarly, a member of the MG⁹¹ believed that the level of judgment involved, the complexity of the work and materiality of the balances should be included as some of the key factors in establishing whether it is appropriate to outsource work and the level of involvement required by the EP in respect of the outsourced work.
 - (d) The usage of ADMs in the context of a group audit should be considered, i.e., what, if any, responsibility the GET has for ADMs employed by component auditors.⁹²
2. Respondents from other stakeholder groups largely supported⁹³ actions to address ADMs, with some specifically supporting application material or guidance,⁹⁴ and one⁹⁵ suggesting that this is necessary throughout the standards and should not be isolated to ISQC 1. Others supported specific actions that were proposed in the ITC as follows:

⁸⁷ *Monitoring Group:* IFIAR, IOSCO; *Other Regulators and Oversight Authorities:* UKFRC

⁸⁸ *Monitoring Group:* IFIAR

⁸⁹ *Other Regulators and Oversight Authorities:* UKFRC

⁹⁰ *Monitoring Group:* IOSCO

⁹¹ *Monitoring Group:* IFIAR

⁹² *Monitoring Group:* IOSCO

⁹³ *National Standard Setters:* JICPA; *Member Bodies and Other Professional Organizations:* IRE-IBR

⁹⁴ *National Standard Setters:* AUASB, JICPA; *Member Bodies and Other Professional Organizations:* IRE-IBR, ICAEW, KICPA

⁹⁵ *Member Bodies and Other Professional Organizations:* ICAS

- (a) Exploring how ISQC 1 could emphasize the need for appropriate policies and procedures for these structures as part of the firm's system of quality control.⁹⁶ One respondent⁹⁷ was supportive of application material in this regard.
- (b) Clarification that the firm's system of quality control needs to take into account the implications of using ADMs, and the need for appropriate quality control policies and procedures to safeguard against inappropriate use of ADMs or ineffective oversight of work performed by auditors in an ADM.⁹⁸ One respondent⁹⁹ specifically supported application material or guidance in this regard.
- (c) Clarification that the EP retains responsibility for the engagement, i.e., direction, supervision, performance and review of the work performed, regardless of who performs the work or where it is performed.¹⁰⁰ Respondents¹⁰¹ specifically supported application material or guidance in this regard. One respondent¹⁰² highlighted that the rigor of direction, supervision, performance and review should be dependent on the significance of the work undertaken, rather than the location of where it is performed.
- (d) Providing requirements or application material to more explicitly address direction, supervision and review of procedures performed at a centralized location or by other centralized resources.¹⁰³ A respondent supported examples that illustrate what the EP can do to demonstrate proactive and appropriate direction, supervision and review where there are access issues.¹⁰⁴
- (e) Clarification of how centralized locations or resources are viewed in the context of the definition of engagement team, and addressing how policies and procedures related to the direction, supervision and review need to be tailored to take into account matters such as differences in language, culture, background or levels of experience of individuals.¹⁰⁵ One respondent¹⁰⁶ specifically supported application material or guidance in this regard.
- (f) Addressing the auditor's consideration of all of the matters indicated paragraph 123 of the ITC, i.e., the risk of material misstatement, communications, documentation, direction and supervision of work.¹⁰⁷ Other respondents supported only specific elements of this proposal, including:
 - (i) The risk of material misstatement associated with the account or balance on which the audit procedure is being performed, including the complexity of the audit

⁹⁶ *Member Bodies and Other Professional Organizations:* CPAA, ICAZ, SAICA

⁹⁷ *Accounting Firms:* PWC

⁹⁸ *National Standard Setters:* AUASB, IDW, MAASB, NZAuASB; *Member Bodies and Other Professional Organizations:* FEE, KICPA

⁹⁹ *National Standard Setters:* IDW

¹⁰⁰ *National Standard Setters:* IDW, JICPA, MAASB, NBA; *Accounting Firms:* CHI; *Member Bodies and Other Professional Organizations:* FEE, KICPA

¹⁰¹ *National Standard Setters:* IDW; *Member Bodies and Other Professional Organizations:* CAANZ

¹⁰² *National Standard Setters:* IDW

¹⁰³ *National Standard Setters:* MAASB, NZAuASB; *Accounting Firms:* GTI

¹⁰⁴ *National Standard Setters:* AUASB

¹⁰⁵ *National Standard Setters:* IDW; *Member Bodies and Other Professional Organizations:* KICPA

¹⁰⁶ *National Standard Setters:* IDW

¹⁰⁷ *Accounting Firms:* PWC; *Member Bodies and Other Professional Organizations:* ACCA, AICPA

- procedure and level of judgment, such that appropriate safeguards are put into place.¹⁰⁸
- (ii) The nature and extent of documentation required by those performing an audit procedure, and those directing, supervising and reviewing such procedures.¹⁰⁹
 - (iii) Whether the audit procedures are capable of being directed, performed, and supervised remotely.¹¹⁰
 - (iv) Whether the performance of a procedure at a remote location would result in a breach of client confidentiality, or any legal or cross-border restrictions.¹¹¹
- (g) One respondent¹¹² also suggested that firms develop quality control policies and procedures to address the nature of audit procedures that are appropriate for performance by ADMs, as well as documentation, privacy or client confidentiality restrictions.
3. One respondent¹¹³ believed that ADMs should be considered in the context of group audits and communications among components (i.e., falling under the ISA 600¹¹⁴ umbrella).
 4. Overall, respondents highlighted the need for a flexible approach that could be applied to a variety of ADMs, or future possible changes to firms' audit methodologies.
 5. There were respondents who had different views that ISQC 1/ISA 220¹¹⁵ applies regardless of whether the firm uses ADMs or not, and accordingly roles, responsibilities and audit documentation should be the same, regardless of where or how audit procedures are performed.¹¹⁶ Respondents also indicated that the complexity of firms and how audits are conducted is evolving in order to follow economic trends and to facilitate performing high quality audits effectively and at a reasonable cost,¹¹⁷ with the potential for ADMs to contribute positively to audit quality.¹¹⁸ Respondents suggested that ADMs are no different from other modernized approaches to conducting engagements (e.g., staff working remotely).¹¹⁹ Accordingly, these respondents either believed that no further action is necessary in relation to ADMs specifically,¹²⁰ that merely clarification of the application of the standards would be useful,¹²¹ or that addressing documentation of how the quality processes apply to the ADMs would address issues identified.¹²² Respondents¹²³ indicated that following a risk-based approach that identifies the

¹⁰⁸ *Member Bodies and Other Professional Organizations*: FEE, KICPA, SAICA

¹⁰⁹ *Member Bodies and Other Professional Organizations*: CPAA, KICPA, SAICA

¹¹⁰ *Member Bodies and Other Professional Organizations*: CPAA, SAICA

¹¹¹ *Member Bodies and Other Professional Organizations*: KICPA, SAICA

¹¹² *Accounting Firms*: GTI

¹¹³ *Accounting Firms*: DTT

¹¹⁴ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹¹⁵ ISA 220, *Quality Control for an Audit of Financial Statements*

¹¹⁶ *National Standard Setters*: CAASB, CNCC-CSOEC

¹¹⁷ *National Standard Setters*: CNCC-CSOEC

¹¹⁸ *Member Bodies and Other Professional Organizations*: ACCA

¹¹⁹ *National Standard Setters*: CNCC-CSOEC; *Accounting Firms*: EYG, KPMG

¹²⁰ *National Standard Setters*: CAASB

¹²¹ *National Standard Setters*: CNCC-CSOEC

¹²² *Accounting Firms*: BDO, EYG, GTI

¹²³ *Accounting Firms*: BDO, EYG; *Member Bodies and Other Professional Organizations*: FEE

risks to audit quality, or having guidance which provides examples of factors to consider, when firms are operating across jurisdictions or adopting different models of delivery would facilitate the application of the principles of quality control to different situations.

6. Respondents¹²⁴ noted cybersecurity as an increasing risk in the context of auditing in the cloud, data privacy, personally identifiable customer information and data ownership.

EP Roles and Responsibilities

7. Regulators and audit oversight authorities¹²⁵ supported actions to provide clarity regarding the roles and responsibilities of the EP, with one noting that this is an issue that is core to many of the concerns in the ITC. These respondents noted support for the following:
- (a) Clarifying, either by strengthening the requirements or enhancing the application material in ISA 220, about what is meant by performance, direction, supervision and review by the EP.¹²⁶
 - (b) Considering whether there are adequate resources for the engagement, including the suitability of the engagement team members' skills, competence and experience, the need for auditors' experts and the sufficiency of time available to perform the engagement before the reporting deadline.¹²⁷
 - (c) Clarifying the responsibility of the EP to be appropriately involved in all stages of the audit.¹²⁸
 - (d) Addressing the roles and responsibilities of the EP in circumstances where the EP is not located where the majority of the audit work is performed and where evolving ADMs are used.¹²⁹
 - (e) Clarifying the EP's roles and responsibilities when placing reliance on the work of experts.¹³⁰
 - (f) Providing direction and specificity as to what audit documentation is required to be reviewed by the EP and the nature of the related review procedures.¹³¹
 - (g) Clarifying the EP's roles and responsibilities related to audit evidence supporting significant management judgments.¹³²
8. One member of the MG¹³³ was of the view that a framework should be established for the EP to determine the appropriate level of involvement in the engagement. This was similar to the view of a regulator¹³⁴ that the most meaningful response would be to embed a QMA-EL that would ensure a consistent approach to audit quality at a firm and engagement level, at the same time

¹²⁴ National Standard Setters: AUASB; Member Bodies and Other Professional Organizations: CAANZ, CPAA

¹²⁵ Monitoring Group: IAIS, IFIAR; Other Regulators and Oversight Authorities: EBA, ESMA, IRBA, UKFRC

¹²⁶ Monitoring Group: IFIAR; Other Regulators and Oversight Authorities: CPAB

¹²⁷ Other Regulators and Oversight Authorities: IRBA

¹²⁸ Other Regulators and Oversight Authorities: CPAB, IRBA

¹²⁹ Monitoring Group: IFIAR, IOSCO; Regulators and Oversight Authorities: IRBA

¹³⁰ Other Regulators and Oversight Authorities: EBA

¹³¹ Other Regulators and Oversight Authorities: IRBA

¹³² Other Regulators and Oversight Authorities: EBA, ESMA

¹³³ Monitoring Group: IFIAR

¹³⁴ Other Regulators and Oversight Authorities: UKFRC

emphasizing the responsibility and accountability of EPs. This respondent believed such an approach would enhance decision-making, planning and prioritisation, lead to more effective and efficient allocation of resources, be flexible, improve stakeholder confidence and trust and increase the probability that the EP will deliver a high quality audit. Furthermore, the respondent pointed out that it would provide a basis for communicating with the EQC reviewer, audit committees, regulators and others regarding how audit quality has been addressed at the engagement level.

9. There was also support from one regulator¹³⁵ for an appendix to ISA 220 that indicates where the responsibilities of the EP are articulated within the requirements and the application material in the ISAs.
10. Respondents¹³⁶ from other stakeholder groups were also largely supportive of the IAASB addressing the EP's roles and responsibilities, however there were views that this should not be prescriptive as it would create a checklist mentality to the detriment of audit quality,¹³⁷ and should be in the form of guidance or application material rather than imposing additional requirements.¹³⁸ Respondents that supported actions identified the following as the most meaningful to enhancing audit quality:
 - (a) Clarifying, either by strengthening the requirements or enhancing the application material in ISA 220, what is meant by performance, direction, supervision and review by the EP.¹³⁹
 - (b) Including examples that illustrate what the EP can do to demonstrate proactive and appropriate direction, supervision and review in various circumstances, for example when there are access issues, other auditors involved in the engagement or ADMs.¹⁴⁰ There was also support from respondents¹⁴¹ for examples on proactive and appropriate direction, supervision and review in a more general context, i.e., not specifically in relation to the circumstances noted in the ITC.
 - (c) Providing more direction and specificity as to what audit documentation is required to be reviewed by the EP and the nature for the related review procedures.¹⁴² However, one respondent¹⁴³ specifically did not support this proposal.
 - (d) Adding and building on the concepts in the Framework for Audit Quality relating to active involvement of the EP in the risk assessment, planning, supervision and review of the work performed.¹⁴⁴

¹³⁵ *Other Regulators and Oversight Authorities:* IRBA

¹³⁶ *Investors and Analysts:* CFA; *National Standard Setters:* CNCC-CSOEC; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* SAICA

¹³⁷ *Accounting Firms:* DTT; *Member Bodies and Other Professional Organizations:* CAANZ, CIIPA, SAICA

¹³⁸ *National Standard Setters:* AUASB, CAASB, CNCC-CSOEC, JICPA, NZAuASB; *Accounting Firms:* BDO; *Member Bodies and Other Professional Organizations:* AICPA, APESB, ISCA

¹³⁹ *National Standard Setters:* AUASB, HKICPA, MAASB, NBA; *Accounting Firms:* GTI, PWC, RBI; *Public Sector Organizations:* GAO; *Member Bodies and Other Professional Organizations:* CAANZ, FEE, IBR-IRE, ICAP, ICAZ, ICPAK, KICPA, SAICA; *Individuals and Others:* SDeViney

¹⁴⁰ *National Standard Setters:* AUASB, NZAuASB; *Member Bodies and Other Professional Organizations:* ICAS, SAICA

¹⁴¹ *National Standard Setters:* HKICPA; *Accounting Firms:* BDO, CHI

¹⁴² *National Standard Setters:* AUASB; *Accounting Firms:* BDO, CHI; *Member Bodies and Other Professional Organizations:* SAICA

¹⁴³ *Member Bodies and Other Professional Organizations:* CAANZ

¹⁴⁴ *National Standard Setters:* CAASB; *Member Bodies and Other Professional Organizations:* SAICA

- (e) Clarifying that the EP should be involved at all stages of the audit.¹⁴⁵
- (f) Building a more proactive, scalable and robust approach to the identification of risks to audit quality at the engagement level, and development of specific responses to address those risks.¹⁴⁶
- (g) Developing requirements or application material to specifically address situations where an EP is not located where the majority of the work is performed.¹⁴⁷
- (h) Strengthening the requirements or enhancing the application material relating to the responsibilities of the firm and the EP with regards to client/engagement acceptance and continuance.¹⁴⁸
- (i) Placing more emphasis on the need to consider whether there are adequate resources for the engagement, including sufficiency of time to perform the engagement.¹⁴⁹
- (j) Adding an appendix to ISA 220 that indicates where the responsibilities of the EP are articulated within the requirements and the application material in the ISAs.¹⁵⁰

However, there were respondents,¹⁵¹ who did not believe additional actions are necessary, or are a priority,¹⁵² since the standards are already sufficiently clear.

11. Respondents¹⁵³ noted that any actions should give due consideration to the applicability to non-audit engagements as well as audit engagements.
12. An alternative approach to the actions proposed above was recommended that would be more effective, whereby principles are set in relation to the overall objectives of appropriate supervision, review, and documentation of the work, and risks that affect the EP's ability to fulfill these principles are identified, together with supporting guidance to assist in dealing with the risks.¹⁵⁴ The respondent noted that such an approach would address the issues raised in the ITC, without having to address each one individually.
13. There was also a view that while the engagement leader plays a vitally important role and has overall responsibility for the engagement, accountability for different aspects of audit quality can be shared with others on the engagement team who are best placed to influence it.¹⁵⁵ These respondents supported actions addressing clarification of direction, supervision and review, but believed that it should not be prescriptive who the responsibilities are attributed to, and instead should be supplemented by factors that assist in considering who may be best placed to perform the tasks in relation to different aspects of the audit, based on the firm and engagement

¹⁴⁵ *Accounting Firms: GTI; Member Bodies and Other Professional Organizations: ICAZ, SAICA*

¹⁴⁶ *National Standard Setters: CAASB, HKICPA; Member Bodies and Other Professional Organizations: ICAZ*

¹⁴⁷ *National Standard Setters: CAASB; Accounting Firms: PWC; Member Bodies and Other Professional Organizations: ICAP, ISCA*

¹⁴⁸ *National Standard Setters: JICPA, MAASB; Member Bodies and Other Professional Organizations: SAICA*

¹⁴⁹ *Public Sector Organizations: GAO; Member Bodies and Other Professional Organizations: IBRACON, SAICA*

¹⁵⁰ *National Standard Setters: IDW, NZAuASB; Accounting Firms: EYG; Member Bodies and Other Professional Organizations: APESB, CAANZ, EFAA, SAICA, SMPC; Individuals and Others: SDeViney*

¹⁵¹ *Member Bodies and Other Professional Organizations: ACCA, CPAA, FSR*

¹⁵² *Member Bodies and Other Professional Organizations: ICAEW*

¹⁵³ *National Standard Setters: MAASB; Accounting Firms: PWC*

¹⁵⁴ *Accounting Firms: EYG; Member Bodies and Other Professional Organizations: CIIPA*

¹⁵⁵ *Accounting Firms: PWC; Member Bodies and Other Professional Organizations: ICAP*

- organizational structure and circumstances (e.g., the EP at a shared service center, in the jurisdiction where the majority of the work is performed, or at a sub-consolidation level).
14. Similar to this view, other respondents¹⁵⁶ believed that in the circumstances of group audits and audits for which the EP is not located where the majority of work is performed, the EP can effectively delegate to those in the location where the work is performed without abdicating their responsibility for the audit, although the ISAs should indicate which responsibilities should not be delegated.
 15. Furthermore a respondent¹⁵⁷ was concerned that increased emphasis on the EP and EQC reviewer responsibilities may inappropriately convey that others on the audit team do not have an important responsibility for audit quality and accordingly suggested that ISA 220 address responsibilities for audit quality for team members other than the EP.
 16. In considering possible further actions, a respondent¹⁵⁸ provided additional recommendations:
 - (a) Strengthening EP responsibilities (also in the context of exercising professional skepticism and professional judgment) by enhancing certain elements of engagement performance that are already addressed in the standards, such as consultation and the use of experts.
 - (b) Including/highlighting relevant factors that may have a bearing on the EP's decisions regarding the nature and depth of partner involvement that is required. For example, engagements can differ significantly based on years of involvement, industry specific expertise, levels of technicality required in assessing financial information.
 - (c) Emphasizing the importance of the EP and his/her engagement team fully understanding the entity and its environment.
 - (d) Recognizing the value and importance of EPs having deep industry specific knowledge.
 17. There was also a recommendation from respondents¹⁵⁹ for the IAASB to consider providing guidance in respect of documenting or evidencing partner involvement and review.
 18. One respondent¹⁶⁰ was concerned with the notion in the ITC that the EP needs to be "hands-on", yet it is possible for the EP not to be located where the majority of the audit work is performed.

Signing the Auditor's Report and Other Individuals Named Therein

19. Only two regulators and audit oversight authorities commented on these proposals. One regulator¹⁶¹ indicated that the ISAs should require the EP to sign the auditor's report as a formal acknowledgement of the EP's responsibility for the direction, supervision and performance of the audit engagement. However, another regulator¹⁶² was not supportive of the proposals regarding the signature of the auditor's report and clarifying the expected performance requirements for individuals other than the EP who sign or who are named in the auditor's report, as it could diminish the responsibility of the EP.

¹⁵⁶ Accounting Firms: EYG; Member Bodies and Other Professional Organizations: FEE

¹⁵⁷ Accounting Firms: EYG

¹⁵⁸ Member Bodies and Other Professional Organizations: SAICA

¹⁵⁹ National Standard Setters: NZAuASB; Accounting Firms: CHI, GTI

¹⁶⁰ Individuals and Others: DAHughes

¹⁶¹ Other Regulators and Oversight Authorities: EBA

¹⁶² Other Regulators and Oversight Authorities: UKFRC

20. Respondents across all stakeholder groups,¹⁶³ in general, did not support the proposed actions relating to more explicitly addressing the signing of the auditor's report in the ISAs or clarifying the expected performance requirements for individuals other than EP who are named therein, since it was believed that this is a jurisdictional, and sometimes complex, issue that should not be addressed at an international level. However, there were other views provided as follows:
- (a) Respondents supported the following:
 - (i) Clarity on who should sign the auditor's report.¹⁶⁴
 - (ii) Clarity of the expected performance requirements for individuals other than the EP who are named in the auditor's report.¹⁶⁵
 - (iii) Application material highlighting that the person signing the report must conclude that there is sufficient and appropriate evidence to do so.¹⁶⁶
 - (iv) Clarity in the auditor's report on the roles performed by those mentioned in the report.¹⁶⁷
 - (b) Other respondents¹⁶⁸ believed that more research is necessary to understand how extensive the instances of when others sign the auditor's report are.
 - (c) One respondent¹⁶⁹ believed that the individual responsible for signing the auditor's report does not have sole responsibility for all aspects of audit quality on the engagement and that an individual other than the EP can sign the auditor's report. Accordingly, this respondent proposed a revision to the definition of EP and separately defining "signing partner," together with application guidance that supports the interaction and responsibilities of the two roles.
21. Other respondents¹⁷⁰ also recommended clarifying the distinction between the EP and signing partner, however indicated that there needs to be emphasis on the EP's responsibility for the audit.

Public Sector

22. Respondents¹⁷¹ supported the action addressing the expected performance requirements for individuals other than the EP who sign or are named in the auditor's report, as this issue is prevalent in the public sector, as well as further guidance concerning the role of the engagement leader throughout the engagement. However, respondents¹⁷² did not believe that the remaining actions proposed in the ITC were necessary to enhance audit quality in the public sector.

¹⁶³ *National Standard Setters:* AUASB, CAASB, CNCC-CSOEC, IDW, JICPA, MAASB, NBA; *Accounting Firms:* EYG, GTI; *Member Bodies and Other Professional Organizations:* ACCA, AICPA, CAANZ, IBR-IRE, SAICA; *Individuals and Others:* SDeViney

¹⁶⁴ *Member Bodies and Other Professional Organizations:* FEE; *Accounting Firms:* CHI; *Member Bodies and Other Professional Organizations:* ICPAK

¹⁶⁵ *Member Bodies and Other Professional Organizations:* FEE; *Accounting Firms:* CHI, RSM

¹⁶⁶ *Member Bodies and Other Professional Organizations:* ICAEW

¹⁶⁷ *Accounting Firms:* KPMG

¹⁶⁸ *Member Bodies and Other Professional Organizations:* FEE, ICAS, KICPA, SMPC

¹⁶⁹ *Accounting Firms:* PWC

¹⁷⁰ *Member Bodies and Other Professional Organizations:* AICPA, IBRACON

¹⁷¹ *Public Sector Organizations:* AGC, AGSA, INTOSAI

¹⁷² *Public Sector Organizations:* AGC, INTOSAI

SMPs

23. Respondents¹⁷³ were of the view that a more proactive, scalable and robust approach to the identification of risks to audit quality at the engagement level, and development of specific responses to address those risks, would be helpful for SMPs. Other respondents¹⁷⁴ had concerns on the applicability of the issues to SMPs and the effect of actions to address these issues, and believed that a building block approach is needed in revisions to ISA 220 to allow adaptability for SMPs.¹⁷⁵
24. Respondents¹⁷⁶ noted that the inclusion of an appendix in ISA 220 that indicates where the responsibilities of the EP are articulated within the requirements and application in the ISAs would be particularly helpful for SMPs.

Others Involved in the Audit

25. Regulators and audit oversight authorities did not comment extensively on the proposals in respect of others involved in the audit, with the following comments from respondents:
- (a) The EP's responsibility for the direction, supervision and review of the other auditor should be addressed.¹⁷⁷
 - (b) The EP's roles and responsibilities should be addressed, and the engagement team should assess the sufficiency and appropriateness of others involved in the audit.¹⁷⁸
 - (c) An engagement level QMA would be a remedy for many of the issues highlighted in the ITC.¹⁷⁹
 - (d) Greater transparency in the auditor's report about the involvement of others in the audit is useful, for example through explaining the scope whereby the auditor describes how the audit was planned and performed.¹⁸⁰ However, there was caution that this should not contradict the overall responsibility of the group auditor for the audit opinion, or create uncertainty in this regard.
 - (e) The use of another auditor's report as audit evidence in certain circumstances should not be allowed, as the group auditor's conclusion is premised upon each of the judgments made by the group auditor throughout the audit and this would be contrary to the fundamental principle that the GET should be appropriately involved in the work of component auditors.¹⁸¹ Furthermore, this respondent was concerned that it would promote limited access to working papers of components which would be not be in the public interest.

¹⁷³ *National Standard Setters: HKICPA*

¹⁷⁴ *Member Bodies and Other Professional Organizations: EFAA, SMPC*

¹⁷⁵ *Member Bodies and Other Professional Organizations: EFAA*

¹⁷⁶ *Member Bodies and Other Professional Organizations: SMPC*

¹⁷⁷ *Other Regulators and Oversight Authorities: CPAB*

¹⁷⁸ *Other Regulators and Oversight Authorities: EBA, ESMA*

¹⁷⁹ *Other Regulators and Oversight Authorities: UKFRC*

¹⁸⁰ *Other Regulators and Oversight Authorities: CPAB*

¹⁸¹ *Other Regulators and Oversight Authorities: UKFRC*

26. Other stakeholders mostly supported¹⁸² including requirements or application material for circumstances when other auditors are involved in an audit engagement (i.e., auditors that don't meet the definition of component auditors); certain respondents¹⁸³ were particularly supportive of application material. There was support for the following specific possible actions:
- (a) Addressing the EP's responsibility for the direction, supervision and review of the other auditor.¹⁸⁴ Certain respondents¹⁸⁵ specifically supported application material or guidance in this regard and others¹⁸⁶ believed examples would be helpful.
 - (b) Incorporating requirements and guidance regarding the assessment of professional competence and capabilities of other auditors.¹⁸⁷
 - (c) Incorporating requirements and guidance regarding evaluating the sufficiency and appropriateness of the work performed by other auditors.¹⁸⁸
 - (d) Consideration of the issues and concerns related to the involvement of auditor's experts.¹⁸⁹ A respondent¹⁹⁰ indicated that there was not sufficient focus on this area in the ITC and addressing quality control over specialists and experts.
27. However, other respondents¹⁹¹ did not believe any actions to address others involved in the audit are necessary, or that the IAASB should focus on supporting the use of the ISAs since the fault lies with the application.¹⁹²
28. There were also suggestions that ISA 600 could apply more holistically to others involved in the audit.¹⁹³ A respondent¹⁹⁴ recommended that a separate standard be developed.
29. It was proposed that the ISAs should provide clarity regarding who is considered to be part of the engagement team, in order to address many of the issues identified.¹⁹⁵ It was also recommended that, in the context of supervision and review, consideration should be given to specialists and other non-auditors involved in the audit, including distinguishing between the use of "internal" versus "external" specialists or experts.¹⁹⁶

¹⁸² *National Standard Setters:* JICPA, MAASB; *Accounting Firms:* BDO; *Public Sector Organizations:* AGC, AGSA, GAO, INTOSAI; *Member Bodies and Other Professional Organizations:* AICPA, CAANZ, IBR-IRE, ICAEW, ICAZ, ICPAK, KICPA

¹⁸³ *Member Bodies and Other Professional Organizations:* AICPA, CAANZ, ICAEW

¹⁸⁴ *National Standard Setters:* AUASB, IDW, NZAuASB; *Accounting Firms:* BDO, GTI, RSM; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* CAANZ, ICAEW, SMPC; *Academics:* AAA

¹⁸⁵ *National Standard Setters:* AUASB, IDW; *Accounting Firms:* RSM; *Member Bodies and Other Professional Organizations:* SMPC

¹⁸⁶ *National Standard Setters:* NZAuASB

¹⁸⁷ *Accounting Firms:* BDO, DTT, PWC; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* AICPA, ICAEW

¹⁸⁸ *National Standard Setters:* HKICPA; *Accounting Firms:* BDO, DTT; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* AICPA, ICAEW

¹⁸⁹ *National Standard Setters:* NZAuASB; *Accounting Firms:* BDO, CHI, GTI; *Public Sector Organizations:* AGSA; *Member Bodies and Other Professional Organizations:* ICAEW, KICPA

¹⁹⁰ *National Standard Setters:* AUASB

¹⁹¹ *National Standard Setters:* CAASB; *Member Bodies and Other Professional Organizations:* ACCA

¹⁹² *Member Bodies and Other Professional Organizations:* EFAA, FEE

¹⁹³ *National Standard Setters:* AUASB, HKICPA; *Accounting Firms:* CHI; *Member Bodies and Other Professional Organizations:* CCAA

¹⁹⁴ *Accounting Firms:* PWC

¹⁹⁵ *Accounting Firms:* BDO, EYG

¹⁹⁶ *Accounting Firms:* DTT

30. Respondents¹⁹⁷ indicated the need to consider the documentation requirements in relation to the work performed by other auditors, and the demonstration of direction and supervision.
31. There were mixed views from other stakeholder groups regarding the reliance on the report of another auditor and reference thereto in the auditor's report:
- (a) Respondents¹⁹⁸ did not support proposals to allow the use of another auditor's report as audit evidence in certain circumstances, or revisiting requirements that preclude the ability to make reference to the report of another auditor,¹⁹⁹ as they were concerned that it would dilute the group EP's responsibility for the group audit which would also be contrary to regulation in certain jurisdictions, it could result in undue reliance on other auditors and it creates difficulties in cross-jurisdictional circumstances. Furthermore, respondents noted that where there are scope limitations, these are more appropriately addressed through existing mechanisms in the ISAs whereby the auditor's opinion is appropriately modified.²⁰⁰
 - (b) Respondents²⁰¹ supported these proposed actions, believing it to be a better solution than declining the engagement (rendering the engagement "unauditable") or issuing a modified or disclaimer of opinion due to a scope limitation (which in some jurisdictions is not accepted by regulators, securities exchanges etc.).
 - (c) Respondents²⁰² indicated support for the proposal to allow the use of another auditor's report as audit evidence in certain circumstances, with one indicating that such evidence may not be sufficient in and of itself and would need to be performed in conjunction with other procedures.
 - (d) Respondents²⁰³ believed this proposal would need to be explored with care and that it should only apply in certain circumstances, which would be challenging to describe in the ISAs. This respondent also indicated that it will be important to explore and understand the consequences relating to an inappropriate group audit opinion, owing to an inappropriate audit opinion for an individual component(s).
32. Respondents from other stakeholder groups also had varying views regarding providing greater transparency in the auditor's report about the involvement of others in the audit:
- (a) Supporters²⁰⁴ believed that it provides useful information to stakeholders, with one respondent²⁰⁵ suggesting this could be in another form (i.e. other than the auditor's report), or in the form of explaining the scope of the audit.²⁰⁶

¹⁹⁷ *Accounting Firms: DTT*

¹⁹⁸ *National Standard Setters: CAASB; Accounting Firms: PWC; Member Bodies and Other Professional Organizations: ICAZ*

¹⁹⁹ *National Standard Setters: CAASB, HKICPA, IDW, JICPA, MAASB; Member Bodies and Other Professional Organizations: CPAA, FEE, ICAZ, SMPC*

²⁰⁰ *National Standard Setters: IDW*

²⁰¹ *Accounting Firms: BDO, EYG, RSM; Member Bodies and Other Professional Organizations: AICPA, IBRACON, IBR-IRE, ICAEW, KICPA; Individuals and Others: DAHughes*

²⁰² *Accounting Firms: GTI; Public Sector Organizations: AGC, AGSA, INTOSAI; Member Bodies and Other Professional Organizations: CAANZ*

²⁰³ *Member Bodies and Other Professional Organizations: SAICA*

²⁰⁴ *National Standard Setters: JICPA, MAASB; Accounting Firms: BDO; Member Bodies and Other Professional Organizations: CPAA, FEE, IBRACON, IBR-IRE, ICAEW, ICAZ, ICPAK*

²⁰⁵ *National Standard Setters: JICPA*

²⁰⁶ *Member Bodies and Other Professional Organizations: ACCA, FEE, ICAS*

- (b) Non-supporters²⁰⁷ believed that it could dilute the EP's responsibility for the audit or it could be impracticable. It was noted that this matter was already considered by the IAASB in its revisions to the auditor's report and therefore would be more appropriately considered as part of the post-implementation review on the new and revised auditor reporting standards.
33. Respondents mostly supported²⁰⁸ consideration of certain responsibilities that are currently attributed to the "auditor" and whether these should be more specifically characterized as responsibilities of the EP or engagement team. However, others did not support²⁰⁹ these proposed actions and a respondent²¹⁰ indicated that this would be equally applicable to the other ISAs and not just those suggested in the ITC.

Group Audits (Also Relevant to Agenda Item 2 and Agenda Item 7)

Note: The below summary of responses to the Group Audits section of the ITC is provided for context only as relevant context to changes that may be made in ISQC 1 and ISA 220. Specific consideration of ISA 600 issues will still be presented to the IAASB.

Acceptance and Continuance of the Group Audit Engagement (Including Access Issues)

34. Investors, those charged with governance, preparers, academics and individuals did not specifically respond.
35. Regulators and audit oversight authorities²¹¹ who did respond supported the strengthening of the requirements for the acceptance and continuation of a group audit engagement. Support, in particular, was given to:
- (a) Strengthening ISA 600 to include more clarity on the type of circumstances and appropriate response relating to access issues.
 - (b) Linking the acceptance and continuance to the relevant requirements in other ISAs,²¹² including ISQC 1, ISA 220, ISA 210²¹³ and ISA 705.²¹⁴ It was noted that greater prominence should be given in paragraph 6 of ISA 210 to the requirement for management to agree to pre-conditions for an audit, which include access to all information relevant for the [group] audit.
 - (c) Additional guidance on assessing the competence of the component auditor (including clarifying that this does not differ in network / non-network situations)²¹⁵.
 - (d) Including further considerations of how the GET can be sufficiently involved in the work of the component auditor at the acceptance or continuance phase.

²⁰⁷ National Standard Setters: CNCC-CSOEC, IDW; Accounting Firms: EYG; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: AICPA, KICPA; Academics: AAA

²⁰⁸ National Standard Setters: IDW, NZAuASB; Accounting Firms: BDO, PWC; Member Bodies and Other Professional Organizations: CPAA, ICAEW, KICPA

²⁰⁹ National Standard Setters: JICPA; Public Sector Organizations: AGSA

²¹⁰ Accounting Firms: GTI

²¹¹ Monitoring Group: IOSCO; Other Regulators and Audit Oversight Bodies: UKFRC

²¹² Monitoring Group: IAIS; Other Regulators and Audit Oversight Bodies EAIG, EBA

²¹³ ISA 210, *Agreeing the Terms of Audit Engagements*

²¹⁴ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

²¹⁵ For ease of reference in this paper, we refer to networks as firms with common policies and procedures.

36. One regulator had the view that the introduction of a requirement for the group EP to make an 'explicit conclusion' regarding fulfilling their responsibility relative to the audit engagement overall may not be possible.²¹⁶
37. National standard setters and firms generally supported the possible actions set out in the ITC, with national standard setters focusing on application material or further guidance, but in relation to specific issues not more broadly (i.e., they did not support all of the possible actions set out in the ITC). Firms were supportive of the possible actions more broadly, but encouraged enhancements rather than more prescriptive requirements. Member bodies, where they responded, were general supportive of more guidance with limited agreement that more requirements should be developed,²¹⁷ with limited support for the proposals more generally.²¹⁸ There was also a caution that some, or all, of the issues may be application and implementation issues.²¹⁹ Investors generally supported an emphasis on access to reports.²²⁰
38. Areas focused on by national standard setters, firms and member bodies included:
- (a) Access issues—there were strong calls for more guidance in this area, in particular in relation to non-controlled entities.²²¹ There was limited support for additional requirements, either to explore further how to drive earlier identification where there may be the inability to obtain sufficient appropriate audit evidence,²²² or to strengthen the requirement for not accepting an engagement when there are access issues,²²³ while there was the view that the IAASB's view to take action in this area was limited to providing guidance where such situations arose.²²⁴ Others did not believe that additional requirements would necessarily address access issues.²²⁵
 - (b) Obtaining a greater understanding of the entity and its environment before accepting an engagement, including additional guidance for those situations where component auditors have policies and procedures that are different from the GET—there was support for increasing the requirement to understand the entity and its environment,²²⁶ while another cautioned against setting requirements that could have an inadvertent effect of precluding the appointment of an auditor.²²⁷ Another national standard setter cautioned about the level of granularity of the required understanding, in particular talking into account that different jurisdictions may have privacy laws and regulations on some of this information.²²⁸ Others noted that more application material may be helpful,²²⁹ but in context of what can be

²¹⁶ *Other Regulators and Audit Oversight Bodies:* UKFRC

²¹⁷ *Member Bodies and Other Professional Organizations:* EFAA, ICAZ

²¹⁸ *Member Bodies and Other Professional Organizations:* IBRACON, KICPA, WPK

²¹⁹ *Member Bodies and Other Professional Organizations:* FEE, IRE-IBR, ICAS, KICPA

²²⁰ *Investors:* CalPERS

²²¹ *National Standard Setters:* AUASB, CAASB, MAASB, NBA; *Accounting Firms:* CHI, DTT, EYG, GTI, PwC, RSM; *Member Bodies and Other Professional Organizations:* CPAA, ICAEW, KICPA

²²² *Member Bodies and Other Professional Organizations:* SAICA

²²³ *National Standard Setters:* CAASB

²²⁴ *Accounting Firms:* PwC; *Member Bodies and Other Professional Organizations:* IRE-IBR

²²⁵ *Accounting Firms:* GTI; *Member Bodies and Other Professional Organizations:* AICPA

²²⁶ *National Standard Setters:* CAASB

²²⁷ *National Standard Setters:* MAASB; *Accounting Firms:* GTI, PwC

²²⁸ *National Standard Setters:* CNCC-CSOEC; *Member Bodies and Other Professional Organizations:* FEE, IRE-IBR

²²⁹ *Accounting Firms:* BDO, DTT; *Member Bodies and Other Professional Organizations:* CPAA, SAICA

expected at the acceptance stage versus what may be required for the risk assessment phase of the audit or may be discovered during the audit.²³⁰ There was also a call for more related application material or guidance on understanding the impact of business, regulatory and cultural differences in different jurisdictions, in particular the impact of the pre-conditions for the audit as set out in ISA 210 in different jurisdictions.²³¹

- (c) Stronger linkage back to the requirements in other ISAs—there was general support for strengthening the linkages,²³² with one national standard setter noting that this should not be done through duplication of the requirements but rather through guidance. There were alternate views on linking back to ISQC 1, with one national standard setter noting that the linkage already existed,²³³ while others had the view that this would be helpful.²³⁴ It was also noted that no strengthening of the standard would address certain practical issue, such as access where legal provisions preclude such access.²³⁵ There was strong support across stakeholder groups for linking back to the pre-conditions for access to financial information set out in ISA 210.²³⁶
- (d) There was little support, where there was a response, to revising the requirements to place greater emphasis on the need for an explicit conclusion that the group EP or GET can fulfill their respective responsibilities relative to the engagement overall, including by one MG member (who noted that it should be more principles based rather than a binary decision).^{237,238} One firm agreed with the principle-based approach with respect to determining whether the group EP or GET had sufficient access to fulfill their responsibilities,²³⁹ with one member body supporting the action to explore further.²⁴⁰ Others did not support this.²⁴¹
- (e) Limited support for further exploration of the ability of the auditor, where not prohibited by law or regulation, to refer to the report of another auditor in certain limited circumstances that primarily relate to access issues.²⁴² Others do not support 'division of responsibility.'²⁴³
- (f) One national standard setter noted that no further action was needed in this area.²⁴⁴

²³⁰ *National Standard Setters:* IDW, JICPA, MAASB, NBA; *Accounting Firms:* DTT, EYG; *Member Bodies and Other Professional Organizations:* CPAA, KICPA, SMPC

²³¹ *National Standard Setters:* CAASB, JICPA

²³² *Investors:* CFA, IA, *Accounting Firms:* EYG, GTI, CHI; *Member Bodies and Other Professional Organizations:* ICAZ

²³³ *National Standard Setters:* CAASB

²³⁴ *National Standard Setters:* JICPA, MAASB; *Accounting Firms:* KPMG; *Member Bodies and Other Professional Organizations:* IBRACON, ICPAK, SAICA

²³⁵ *National Standard Setters:* IDW

²³⁶ *Other Regulators and Audit Oversight Bodies:* UKFRC; *National Standard Setters:* CAASB; CNCC-CSOEC, IDW, JICPA; *Member Bodies and Other Professional Organizations:* ICAZ, KICPA, SAICA

²³⁷ *Other Regulators and Audit Oversight Bodies:* UK FRC; *National Standard Setters:* CAASB; *Accounting Firms:* BDO; *Member Bodies and Other Professional Organizations:* FEE,

²³⁸ *Monitoring Group:* IOSCO

²³⁹ *Accounting Firms:* DTT

²⁴⁰ *Member Bodies and Other Professional Organizations:* KICPA

²⁴¹ *National Standard Setters:* IDW

²⁴² *Accounting Firms:* EYG; *Member Bodies and Other Professional Organizations:* ACCA

²⁴³ *Accounting Firms:* PwC

²⁴⁴ *National Standard Setters:* NZAuASB

39. In relation to access issues, not all respondents specifically answered whether changes to ISA 600 would address access issues. As noted above, there was an implicit indication that changes should be made, with a stronger steer for guidance rather than new requirements, while others either explicitly agreed²⁴⁵ or disagreed²⁴⁶ (as part of acceptance and continuance) with changes to ISA 600.
40. There was support for more in the ISAs on non-controlled entities.²⁴⁷ One firm noted that dealing with access to financial information in non-controlled entities is not only an issue in group audit situations, but was applicable more broadly.²⁴⁸ This firm recommended that any requirements and application material developed for situations where there are non-controlled entities should be in the ISAs more generally and not in ISA 600. One member body also agreed that requirements and guidance in respect of non-controlled entities should be presented separately within ISA 600.²⁴⁹
41. SMPs were supportive of more guidance in complex situations, but had the view that the relevant specific situations could be addressed through examples in non-authoritative material.²⁵⁰
42. With regard to public sector, they urged that further public sector specific guidance be developed as they were not in the position to decline or discontinue an audit, but on context of the other requirements and guidance currently in the ISAs.²⁵¹
43. Other areas where it was expressed that there is a need for more guidance included:
- (a) Extent of involvement necessary to be able to serve as the EP.²⁵²
 - (b) Consideration of the quality of information on which acceptance and continuance decisions are made.²⁵³
44. It was noted, across stakeholder groups and across jurisdictions, that access issues are still being experienced (and therefore that more guidance is needed (see above)), in particular in situations where there are non-controlled entities or in specific jurisdictions.

Communication Between the GET and Component Auditors

45. Investors, those charged with governance, preparers, academics and individuals did not specifically respond.
46. Regulators and audit oversight authorities noted that two-way communication between the GET and component partners are important for high-quality audits,²⁵⁴ and that the requirements for

²⁴⁵ *National Standard Setters: JICPA; Accounting Firms: CHI*

²⁴⁶ *Accounting Firms: EYG; National Standard Setters: CNCC-CSOEC, NBA, Member Bodies and Other Professional Organizations: KICPA*

²⁴⁷ *National Standard Setters: AUASB; Accounting Firms: CHI, EYG, PwC; Member Bodies and Other Professional Organizations: SAICA*

²⁴⁸ *Accounting Firms: EYG*

²⁴⁹ *Member Bodies and Other Professional Organizations: FEE*

²⁵⁰ *Member Bodies and Other Professional Organizations: SMPC*

²⁵¹ *Public Sector Organizations: AGC, AGSA, GAO, INTOSAI*

²⁵² *Member Bodies and Other Professional Organizations: AICPA*

²⁵³ *Member Bodies and Other Professional Organizations: ICAEW*

²⁵⁴ *Monitoring Group: BCBS, IAIS, IOSCO; Other Regulators and Audit Oversight Bodies EBA, ESMA, IRBA, UKFRC*

this should be explicit.²⁵⁵ It was noted that this communication should be a two way-dialogue throughout the audit process as the GET plans, reviews and assesses the work of the component auditor.²⁵⁶ In addition, it was emphasized that:

- (a) The requirements for documenting the communication should be strengthened.²⁵⁷
- (b) This communication should be more than the GET sending an instruction letter and the component auditor issuing a clearance memo detailing what was done.²⁵⁸
- (c) Communications in situations where an EP is no located where the majority of the audit work is performed needs to be strengthened.²⁵⁹
- (d) Further consideration be given to:
 - (i) The required communications among component auditors.²⁶⁰
 - (ii) A specific requirement for communication about fraud risk considerations by the component auditor,²⁶¹ as well as the nature, scope and objectives of the component's work, the respective roles and responsibilities of the component auditor and GET, the nature, timing and extent of communication between the component auditor and GET, and other specific matters that the GET believe should be addressed.²⁶²

47. Two MG members noted that communications regarding non-compliance with laws and regulations (NOCLAR) would need to be strengthened.²⁶³

48. There was support for clarifying the communications between the component auditor and the GET,²⁶⁴ in particular for SMPs.²⁶⁵ It was emphasized that this should be a two-way communication throughout the audit,²⁶⁶ but there were mixed views on whether this should be through requirements or application material.²⁶⁷ The need for documentation of significant communications between the GET and component auditors was also highlighted,²⁶⁸ although other respondents noted that the documentation requirements in ISA 230²⁶⁹ are robust enough

²⁵⁵ *Monitoring Group: BCBS*

²⁵⁶ *Monitoring Group: IAIS, IFIAR, IOSCO; Other Regulators and Audit Oversight Bodies: UKFRC*

²⁵⁷ *Monitoring Group: IOSCO; Other Regulators and Audit Oversight Bodies IRBA*

²⁵⁸ *Monitoring Group: IAIS*

²⁵⁹ *Monitoring Group: IOSCO*

²⁶⁰ *Monitoring Group: IOSCO*

²⁶¹ *Monitoring Group: IOSCO*

²⁶² *Other Regulators and Audit Oversight Bodies: UKFRC*

²⁶³ *Monitoring Group: IFIAR, IOSCO*

²⁶⁴ *Investors: CalPERS; National Standard Setters: AUASB, IDW, MAASB; Accounting Firms: BDO, CHI, DTT, EYG, GTI, KPMG, PwC, RSM; Public Sector Organizations: AGC, GAO; Member Bodies and Other Professional Organizations: AICPA, EFAA, FEE, IBRACON, IRE-IBR, ICAEW, ICAZ, ICPAK, ISCA, KICPA, SAICA, SMPC*

²⁶⁵ *Member Bodies and Other Professional Organizations: CPAA*

²⁶⁶ *National Standard Setters: CAASB; Member Bodies and Other Professional Organizations: EFAA, FEE, IBRACON, ICAEW, SMPC*

²⁶⁷ *National Standard Setters: IDW, JICPA, MAASB; Accounting Firms: EYG; Member Bodies and Other Professional Organizations: AICPA, CAANZ, FEE, ICPAK, KICPA*

²⁶⁸ *National Standard Setters: CAASB, IDW; Accounting Firms: DTT; Public Sector Organizations: AGSA; Member Bodies and Other Professional Organizations: ICAZ, SAICA, SMPC*

²⁶⁹ *ISA 230, Audit Documentation*

- to address this²⁷⁰ with the suggestion that additional guidance about how to apply this would be useful. There was also mixed views on whether communication throughout the audit process needed to be addressed,²⁷¹ with views that some of the communications issues were largely related to the evaluation of the component's work, and that this would be addressed through changes in that area, or specifically focusing on communications at that stage of the group audit.²⁷²
49. There were mixed views about the possible action to revise paragraph 48 of ISA 600 relating to NOCLAR, those not supporting because laws and regulations around information was different in various jurisdictions and it was adequately covered in that paragraph,²⁷³ while those supporting noted that this was needed in light of the changes from the International Ethics Standards Board for Accountants (IESBA).²⁷⁴
50. Areas where it was specifically noted that communication requirements should be addressed or changes should be made include:
- (a) Where there are continuing disclosure requirements (i.e., for listed entities).²⁷⁵
 - (b) Clarifying what is meant by 'timely'.²⁷⁶
 - (c) Considering communications in respect of SSC.²⁷⁷
 - (d) Considerations around the accounting framework of the component auditor, to ensure appropriate communication around accounting policies, manuals or frameworks etc.²⁷⁸
 - (e) Exploring the form, content and frequency of the communications in varying circumstances,²⁷⁹ and also no written communications.²⁸⁰
51. There was support for clarifying the role of component auditors, through requirements and guidance, but in ISA 600 and not a separate standard.²⁸¹ Those that supported development of a new standard noted that it may help clarify the specific role and responsibilities of the component auditor,²⁸² including how the work performed for group purposes can be leveraged for purposes of a statutory purpose.²⁸³ It was also noted that a separate standard may be beneficial for SMPs.²⁸⁴

²⁷⁰ *National Standard Setters: CNCC-CSOEC, MAASB; Member Bodies and Other Professional Organizations: FEE, IRE-IBR*

²⁷¹ *Member Bodies and Other Professional Organizations: AICPA*

²⁷² *Accounting Firms: PwC*

²⁷³ *Other Regulators and Audit Oversight Bodies: ESMA; National Standard Setters: CAASB, CNCC-CSOEC, IDW; Public Sector: AGSA; Member Bodies and Other Professional Organizations: KICPA*

²⁷⁴ *Accounting Firms: EYG, PwC; Member Bodies and Other Professional Organizations: SMPC*

²⁷⁵ *National Standard Setters: AUASB*

²⁷⁶ *Member Bodies and Other Professional Organizations: SMPC*

²⁷⁷ *National Standard Setters: MAASB; Accounting Firms: DTT, PwC*

²⁷⁸ *Accounting Firms: PwC; Member Bodies and Other Professional Organizations: CPAA*

²⁷⁹ *Accounting Firms: DTT, EYG*

²⁸⁰ *Member Bodies and Other Professional Organizations: ACCA*

²⁸¹ *Monitoring Group: IOSCO; Other Regulators and Audit Oversight Bodies: IRBA; National Standard Setters: AUASB, CAASB, NZAuASB; Accounting Firms: DTT, EYG, KPMG, RSM; Public Sector Organizations: AGC, GAO; Member Bodies and Other Professional Organizations: AICPA, CPAA, ICAEW, KICPA*

²⁸² *Monitoring Group: IAIS; Accounting Firms: CHI; Member Bodies and Other Professional Organizations: SAICA*

²⁸³ *Accounting Firms: PwC*

²⁸⁴ *Accounting Firms: CHI*

52. It has been noted by SMPs that ISA 600 does not effectively address two-way communication, for example group instructions may not be appropriately tailored for components whose circumstances may be different.²⁸⁵ One national standard setter noted that this was an implementation issue for SMPs.²⁸⁶ However, views have been expressed that a separate standard for components would not necessarily address this, however, there was support for further consideration of requirements and guidance within ISA 600 for component auditors.²⁸⁷ Respondents who did support a separate standard noted that this would be helpful in focusing the GET on their role and responsibilities (in ISA 600) component auditors on their roles and responsibilities.²⁸⁸

²⁸⁵ *Other Regulators and Audit Oversight Bodies: UKFRC*

²⁸⁶ *National Standard Setters: CNCC-CSOEC*

²⁸⁷ *Other Regulators and Audit Oversight Bodies: UKFRC*

²⁸⁸ *Accounting Firms: BDO*

Appendix A

List of Respondents to the ITC

Note: Members of the Monitoring Group are shown in bold below.

#	Abbrev.	Respondent (87)	Region
Investors and Analysts (7)			
1.	CalPERS	California Public Employees' Retirement System	NA
2.	CalSTRS	California State Teachers' Retirement System	NA
3.	CFA	CFA Institute	GLOBAL
4.	IA	The Investment Association	EU
5.	ICGN	International Corporate Governance Network	GLOBAL
6.	NZSA	New Zealand Shareholders Association	AP
7.	SAAJ	The Securities Analysts Association of Japan	AP
Those Charged with Governance (1)			
8.	AICD	The Australian Institute of Company Directors	AP
Regulators and Audit Oversight Authorities (12)			
9.	BCBS	Basel Committee on Banking Supervision	GLOBAL
10.	CPAB	Canadian Public Accountability Board	NA
11.	EAIG	European Audit Inspection Group (21 European Audit Regulators)	EU
12.	EBA	European Banking Authority	EU
13.	ESMA	European Securities and Markets Authority	EU
14.	H3C	Haut conseil du commissariat aux comptes	EU
15.	IAIS	International Association of Insurance Supervisors	GLOBAL
16.	IFIAR	International Forum of Independent Audit Regulators	GLOBAL
17.	IOSCO	International Organization of Securities Commissions	GLOBAL
18.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
19.	MAOB	Securities Commission of Malaysia - Audit Oversight Board	AP
20.	UKFRC	Financial Reporting Council – UK	EU
National Standard Setters (9)			
21.	AUASB	Australian Auditing and Assurance Standards Board	AP
22.	CAASB	Canadian Auditing and Assurance Standards Board	NA
23.	CNCC- CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l'Ordre des Experts-Comptables	EU
24.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
25.	IDW	Institut der Wirtschaftsprüfer	EU
26.	JICPA	The Japanese Institute of Certified Public Accountants	AP

#	Abbrev.	Respondent (87)	Region
27.	MAASB	Auditing and Assurance Standards Board of Malaysian Institute of Accountants	AP
28.	NBA	Nederlandse Beroepsorganisatie van Accountants (Royal NBA)	EU
29.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
Accounting Firms (10)			
30.	BDO	BDO International Limited	GLOBAL
31.	CHI	Crowe Horwath International	GLOBAL
32.	DTT	Deloitte Touche Tohmatsu Limited	GLOBAL
33.	EYG	Ernst & Young Global Limited	GLOBAL
34.	GTI	Grant Thornton International Ltd	GLOBAL
35.	KPMG	KPMG IFRG Limited (Network)	GLOBAL
36.	PWC	PricewaterhouseCoopers International Limited	GLOBAL
37.	RBI	Russell Bedford International	GLOBAL
38.	RSM	RSM International	GLOBAL
39.	SRA	SRA (Samenwerkende Register Accountants) (Netherlands Network)	EU
Public Sector Organizations (4)			
40.	AGC	Auditor General Canada	NA
41.	AGSA	Auditor General South Africa	MEA
42.	GAO	United States Government Accountability Office	NA
43.	INTOSAI	Financial Audit Subcommittee of INTOSAI	MEA
Preparers of Financial Statements (1)			
44.	PAIB	IFAC Professional Accountants in Business Committee	GLOBAL
Member Bodies and Other Professional Organizations (32)			
45.	AAT	Association of Accounting Technicians	GLOBAL
46.	ACCA	Association of Chartered Certified Accountants	GLOBAL
47.	AIC	Asociación Interamericana de Contabilidad	SA
48.	AICPA	The American Institute of Certified Public Accountants	NA
49.	APESB	Accounting Professional & Ethical Standards Board Limited	AP
50.	CAANZ	Chartered Accountants Australia and New Zealand	AP
51.	CAI	Chartered Accountants Ireland – Audit and Assurance Committee	EU
52.	CAQ	Center for Audit Quality	NA
53.	CIIPA	Cayman Islands Institute of Professional Accountants	NA
54.	CIMA	Chartered Institute of Management Accountants	GLOBAL
55.	CPAA	CPA Australia	AP
56.	DnR	Den norske Revisorforening (DnR) – Norwegian Institute of Public Accountants	EU

#	Abbrev.	Respondent (87)	Region
57.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
58.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professionals Councils of Economic Sciences)	SA
59.	FEE	Fédération des Experts comptables Européens - Federation of European Accountants	EU
60.	FSR	Foreningen af Statsautoriserede Revisorer (Danish Institute of Accountants)	EU
61.	IBA	International Bar Association – Capital Markets Forum	GLOBAL
62.	IBRACON	Instituto dos Auditores Independentes do Brasil	SA
63.	IRE-IBR	Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren	EU
64.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
65.	ICAP	Institute of Chartered Accountants of Pakistan	AP
66.	ICAS	Institute of Chartered Accountants of Scotland	EU
67.	ICAZ	Institute of Chartered Accountants of Zimbabwe	MEA
68.	ICPAK	Institute of Certified Public Accountants of Kenya	MEA
69.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
70.	INCPC	Instituto Nacional de Contadores Públicos de Colombia	SA
71.	ISCA	Institute of Singapore Chartered Accountants	AP
72.	KICPA	Korean Institute of Certified Public Accountants	AP
73.	MICPA	The Malaysian Institute of Certified Public Accountants	AP
74.	SAICA	South African Institute of Chartered Accountants	MEA
75.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
76.	WPK	The Wirtschaftsprüferkammer	EU
Academics (4)			
77.	AAA	American Accounting Association – Auditing Section	NA
78.	AH	Andrew Higson	EU
79.	Glover-Prawitt	Professors Steven Glover and Douglas Prawitt - Brigham Young University	NA
80.	TRay	Thomas Ray	NA
Individuals and Others (7)			
81.	CBarnard	Chris Barnard	EU
82.	CK	Constance Kawelenga (ZUVA)	MEA
83.	DAHughes	Dianne Azoor Hughes	AP
84.	JGrant	JEC Grant	EU
85.	JK	John Kelly	NA
86.	KKTuraga	Krishna Kumar Turaga	AP

Summary of Responses to the ITC
IAASB Main Agenda (June 2017)

#	Abbrev.	Respondent (87)	Region
87.	SDeViney	Scott DeViney, CPA	NA