



Quality Management at the Engagement Level (ISA 220)

Megan Zietsman, Task Force Chair

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Agenda Item 5

June 21, 2017

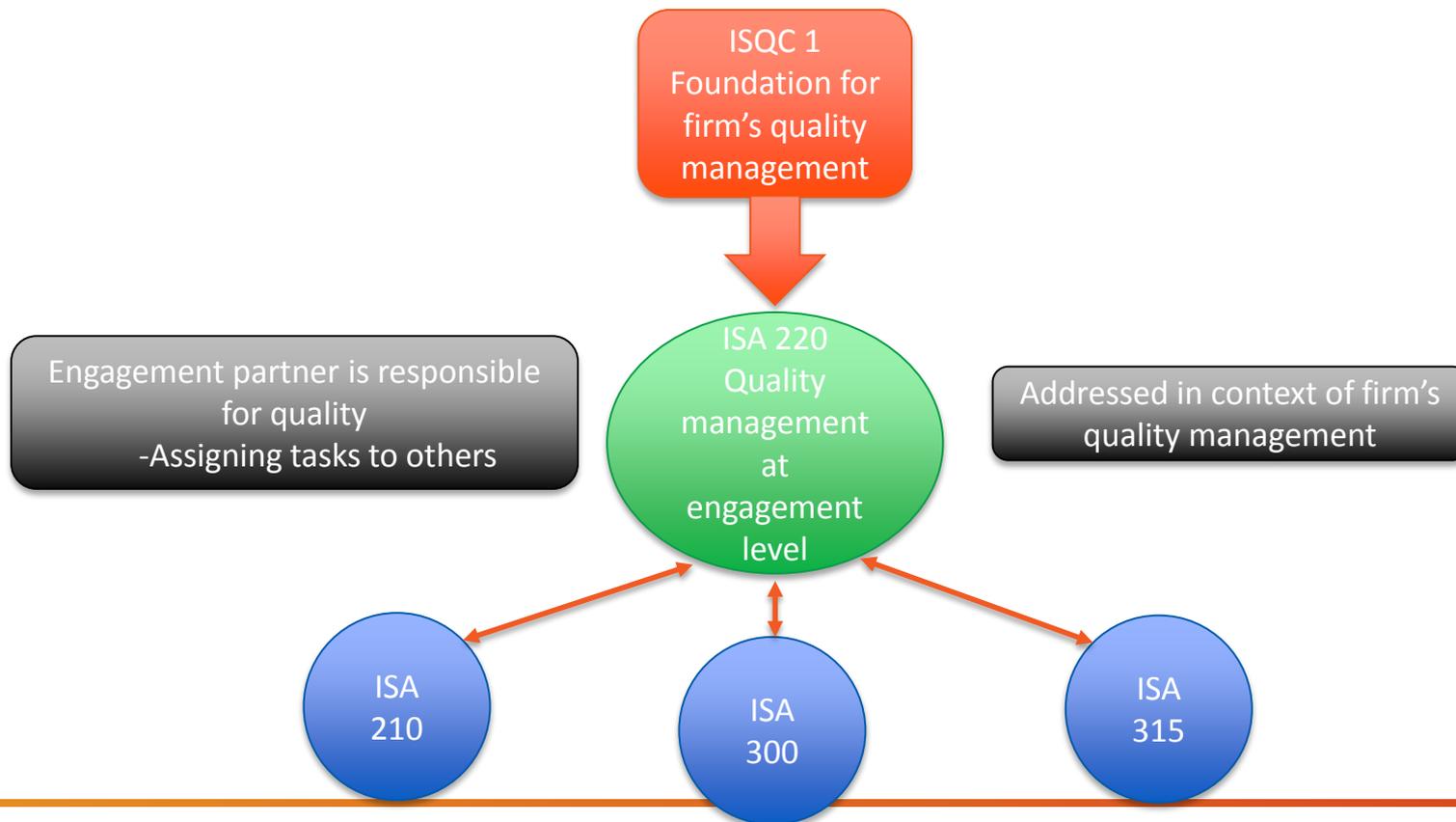
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Feedback from ITC

- Clarify and strengthen engagement partner responsibilities in relation to direction, supervision and review (i.e., involvement)
- More consideration about all resources needed for the engagement
- Strengthen need for ongoing two-way communication
- 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 use
- Clarifying documentation to demonstrate how requirements met
- Support to be consistent with ISQC 1 – i.e., quality management at the engagement level

Interaction of ISA 220 with ISQC 1 and Other ISAs



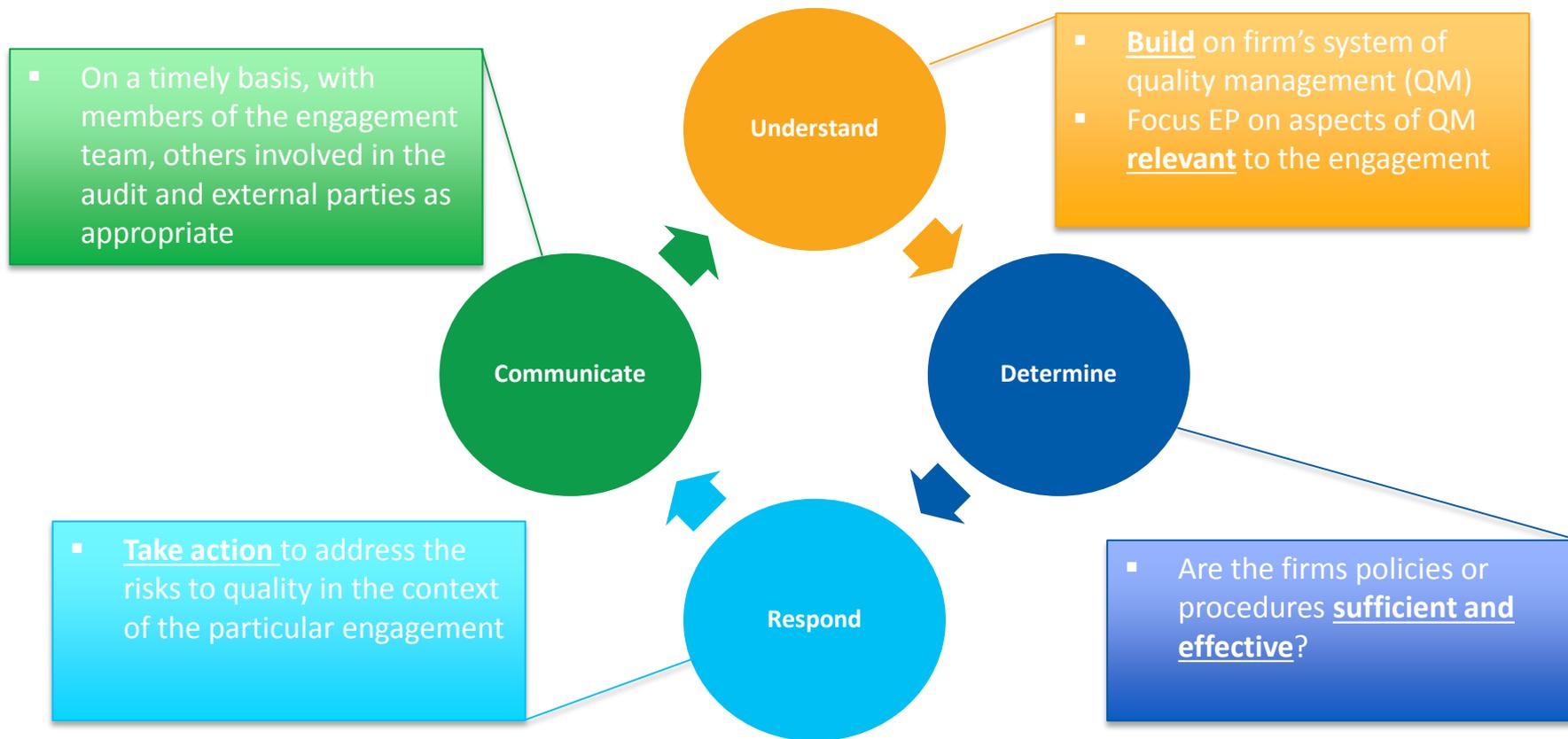
ISA 220 Introduction

1. The IAASB is asked to share its views on the revised introductory paragraphs 2–3A in the introductory paragraphs of ISA 220 (see Agenda Item 5-B), in particular:
 - a) That it should be made clear that the EP may assign procedures to others to assist the EP in fulfilling his or her responsibilities.
 - b) Whether the link to ISQC 1 has been clearly made.
2. The IAASB is asked whether making the links to other relevant ISAs in the introductory paragraphs 3B–3D (see Agenda Item 5-B) is helpful for explaining the interactions between the standards, and whether additional references need to be considered to highlight interactions with any other standards.

The “Core” Elements of ISA 220

- Relevant ethical requirements
- Acceptance and continuance of client relationships and audit engagements
- Assignment of engagement teams
- Engagement performance
 - Direction, supervision
 - Review
 - Engagement quality control reviews
 - Differences of opinion
 - Consultation
- Monitoring

Managing Quality at The Engagement Level: “Four-Step Approach”



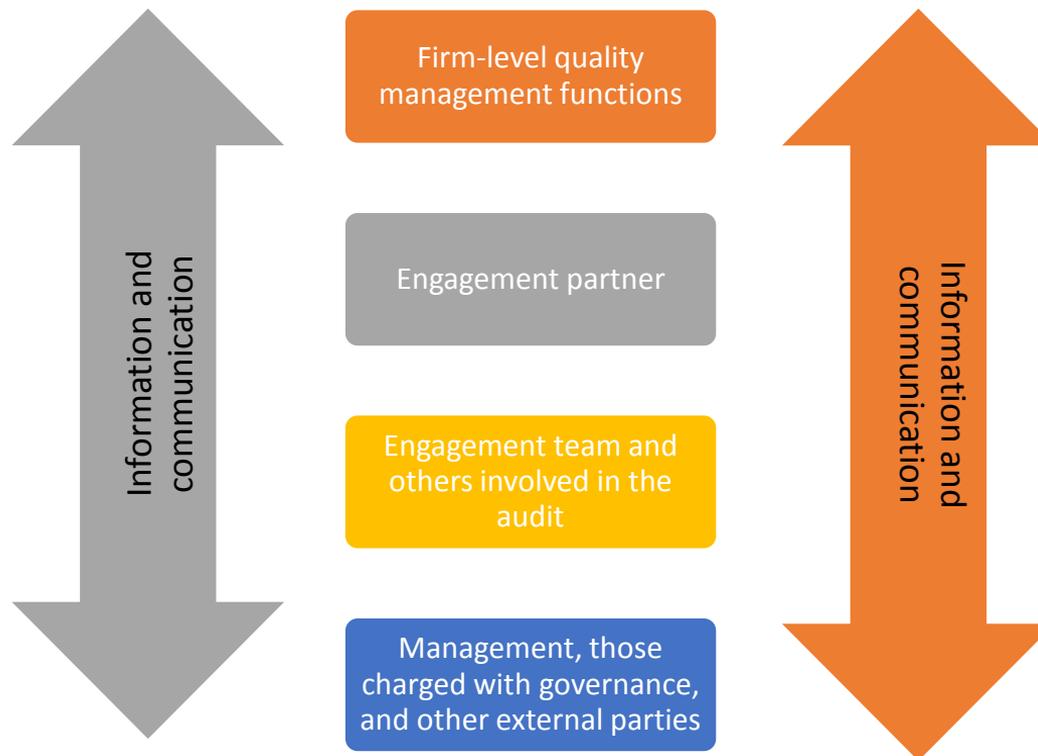
Quality Management at The Engagement Level

3. The IAASB is asked for its views on the 'objective' of the auditor as described in paragraph 20. i.e., whether the objective is to 'manage' engagement quality or 'manage and achieve' engagement quality.
4. Does the overall approach described in Section B appropriately embed quality management principles in ISA 220, thereby effectively responding to calls for enhancing audit quality at the engagement level?

Leadership Responsibilities of the Engagement Partner

5. The IAASB is asked for its views on:
- a) The four-step approach to be applied in addressing each of the core elements of ISA 220 set out in paragraph 31.
 - b) Whether the core elements of ISA 220, set out in paragraph 23, are still relevant and should be retained, and whether these are complete (i.e., are there other elements or quality risks that should be addressed by the requirements of ISA 220).
 - c) Whether the four-step approach for embedding quality management principles as presented in revised paragraph 8 of ISA 220 (see Agenda Item 5-B) effectively clarifies the overall responsibility for the EP? Is it clear that the overall requirement would be achieved through meeting the requirements in ISA 220, including those that address the core elements and the proposed 'stand-back'?
 - d) The new requirement for the EP to obtain a preliminary understanding of the engagement in order to be able to address the requirements of ISA 220 (see new paragraph 8A in Agenda Item 5-B).

ISA 220 Requirement – Information and Communication (NEW)



ISA 220 Requirement – Information and Communication (NEW) (cont.)

6. The IAASB is asked for its views on the new requirement for enhanced information and communication as set out paragraph 8B in Agenda Item 5-B, including in light of the changes being proposed in ISQC 1.
7. The IAASB is asked for its views on the matters and possible actions, relating to relevant ethical matters, set out in paragraph 52–58.

ISA 220 Requirement – Acceptance and Continuance

8. The IAASB is asked for its views on the proposed revisions to paragraphs 12 and 13 in Agenda Item 5-B. In particular, is it clear what procedures need to be undertaken to comply with this revised requirement? Is there any additional application material that should be considered by the Task Force?

ISA 220 Requirement –Engagement Resources

9. The IAASB is asked for its views on revised paragraph 14 in Agenda Item 5-B. In particular, is it clear what procedures need to be undertaken to comply with this revised requirement? Is there any additional application material that should be considered by the Task Force?

ISA 220 Requirement – Direction, Supervision, Performance and Reviews

10. The IAASB is asked for its views on the matters set out in paragraphs 65–74 relating to the direction, supervision, performance and review. Specifically:
- a) Are the factors describing the impact on the nature, timing and extent of the direction, supervision and review of the engagement described in paragraph 68 helpful? Are there any other factors that would influence the involvement of the EP that should be described?
 - b) Would application material, such as that described in paragraph 70, be sufficient to demonstrate how the nature, timing and extent of the EP's involvement in the audit is 'flexed' based on complexity of the entity and the underlying risks to quality? Are there other examples of different circumstances that should be included?

ISA 220 Requirement – Direction, Supervision, Performance and Reviews

10. The IAASB is asked for its views on the matters set out in paragraphs 65–74 above relating to the direction, supervision, performance and review.

Specifically:

- c) Is it clear how addressing the risks to quality described in the standard help the EP determine the nature, timing and extent of the direction, supervision and review that is appropriate for the engagement (i.e., are revised paragraphs 15 and new 15A in Agenda Item 5-B sufficiently clear)?
- d) Should additional application guidance be developed regarding the areas of focus for the EP in undertaking review activities, and if so, what should the areas of focus be?

ISA 220 – Stand-Back [NEW]

11. The IAASB is asked for its views on the matters set out in paragraphs 80–83 above relating to a new requirement for an overall stand-back before concluding that quality has been effectively managed and achieved at the engagement level.

Way Forward

12. Are there any other matters that the Task Force should consider in progressing the revision to ISA 220?



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