

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: New York, United States of America
Meeting Date: September 11–12, 2018

Agenda Item

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Quality Management (Engagement Level): Proposed Revisions to ISA 220¹

Objectives of Agenda Item

1. The objective of this agenda item is to obtain Representatives' views on the ISA 220 Task Force's (TF) proposals in relation to the draft of proposed ISA 220 (Revised), set out in **Agenda Item D.1**.

Project Status

IAASB Discussions

2. The TF discussed matters relating to proposed ISA 220 (Revised) at the December 2016, June 2017, August 2017, and December 2017 IAASB meetings. A first read of the draft of proposed ISA 220 (Revised) was presented to the IAASB in June 2018.
3. Appendix A to this paper provides a history of previous discussions with the IAASB CAG and IAASB on the proposed revisions to ISA 220. Additionally, approved IAASB meeting minutes ([December 2016](#), [June 2017](#), [August 2017](#), and [December 2017](#)) on this topic may be helpful to CAG Representatives.

Activities of the TF

4. Since the March 2018 IAASB CAG meeting, the TF met in person three times, and held three teleconferences in order to progress the changes to ISA 220 set out in **Agenda Item D.2**.

Coordination with Other IAASB Task Forces and Working Groups, as well as the IESBA

5. Given the relationship between quality management at the firm level (ISQC 1) and quality management at the engagement level (ISA 220), the TF continues to work together both the Quality Control Task Force (QCTF) (responsible for revisions to ISQC 1) and the ISQC 2 Task Force (ISQC 2 TF) (responsible for the development of ISQC 2) to align the revisions to the related standards as closely as possible. Coordination on topics that affect these projects includes Staff liaison and certain Task Force members being involved in more than one of these Task Forces.
6. The TF has had ongoing interactions with the Professional Skepticism Working Group (PSWG), including through the input of certain TF members and participants in TF discussions who are also members of the PSWG.

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

7. The TF is coordinating with the Data Analytics Working Group (DAWG) with respect to including consideration of the use of automated tools and techniques in developing the requirements and application material in proposed ISA 220 (Revised). The DAWG has expressed strong support for the overall direction taken in the revisions in this regard and has provided some additional suggestions for further guidance and some examples. The TF will consider this input and incorporate additional changes into the version of proposed ISA 220 (Revised) that will be discussed with the IAASB in December 2018.
8. Together with the QCTF and the ISQC 2 TF, the TF will continue to coordinate with the IESBA in relation to the revisions to proposed ISA 220 (Revised). The TF has incorporated a number of suggestions from IESBA staff in **Agenda Item D.2** and will continue to have further discussions with the IESBA, in particular about the proposed changes to the definitions of engagement team and engagement partner.

Outreach Activities

9. The TF has undertaken various outreach activities in developing the proposed revisions to ISA 220. In addition to broader outreach efforts conducted by the IAASB Chair or Deputy Chair in relation to the updates on IAASB projects, specific outreach activities include:
 - A presentation to the Global Public Policy Committee (GPPC) (September 2017).
 - A two-day workshop with representatives of the GPPC, that was observed by a representative of the International Forum of Independent Audit Regulators (IFIAR) Standards Coordination Working Group (SCWG), as well as a Public Interest Oversight Board Observer (May 2018).
 - A presentation to the International Federation of Accountants Small and Medium Sized Practices Committee (June 2018).

Purpose of the September 2018 IAASB CAG Discussion of Proposed ISA 220 (Revised)

10. The TF notes the robust IAASB discussions to date, as well as the IAASB's overall support for the direction of proposed ISA 220 (Revised) in both the December 2017 and June 2018 discussions. The TF therefore hopes to finalize much of the content of proposed ISA 220 (Revised) at the September 2018 IAASB discussion in a "close-off" manner. The TF believes that the proposed changes to ISA 220 to be discussed at the September 2018 IAASB and IAASB CAG meetings are in line with the approved project proposal, as well as being responsive to the IAASB's input, observations or substantial concerns. Therefore, CAG Representatives are requested to provide all views on the proposed changes to ISA 220 at this time.

Note: CAG Representatives need not comment specifically on those paragraphs that are marked in grey in **Agenda Item D.2** and **Agenda Item D.3** (these grey paragraphs denote those paragraphs which will require ongoing monitoring to achieve the necessary alignment with ISQCs 1 and 2 prior to finalization of the ED of proposed ISA 220 (Revised)).

Matters for IAASB CAG Consideration with Respect to Proposed ISA 220 (Revised)

11. The IAASB CAG is asked to read **Agenda Item D.1** and provide views on the Matters for CAG Consideration included therein.
12. The substantive issues being raised for the purposes of the September 2018 IAASB meeting are included in **Agenda Item D.1**, which makes reference to **Agenda Item D.2**. Draft ED of Proposed

ISA 220 (Revised) – Clean.

13. **Agenda Item D.3** includes the Draft ED of Proposed ISA 220 (Revised) - Marked to Extant ISA 220. This agenda item may be helpful in understanding the detailed changes being proposed to the requirements and application material in proposed ISA 220 (Revised) relative to the extant standard.

Material Presented – IAASB CAG Papers

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| Agenda Item D.1 | Quality Management (Engagement Level) ISA 220 —Issues and Discussion |
| Agenda Item D.2 | Draft ED of Proposed ISA 220 (Revised) – Clean |
| Agenda Item D.3 | Draft ED of Proposed ISA 220 (Revised) – Marked to Extant ISA 220 |

Project History

Link to IAASB Project Page: [ISA 220 Project Page](#)

Summary

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

IAASB CAG Discussions: Detailed References

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