

**ED-ISA 220 – Comments on Question 1**

Question 1 of ED-220 asked:

*Do you support the focus on the sufficient and appropriate involvement of the engagement partner (see particularly paragraphs 11–13 and 37 of ED-220), as part of taking overall responsibility for managing quality on the engagement?*

*Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?*

**Q1 – Agree****1. Monitoring Group****IOSCO**

We believe that the overall responsibility for managing and achieving quality lies with the engagement partner.

**2. Regulators and Oversight Authorities****FRC**

We agree that the engagement partner is ultimately responsible for the direction and supervision of the audit, and that oversight and direction of the work of the engagement team is a fundamental attribute in achieving high quality audits. We agree the engagement partner needs to demonstrate sufficient involvement throughout the audit process, and that, prior to forming an opinion, “stand back” and, taking into account any changes in the circumstances of the engagement, or the firm’s policies or procedures, determine whether the requirements of proposed ISA 220 have been addressed, and whether the engagement partner’s involvement throughout the audit has been sufficient and appropriate.

Accordingly, we strongly support the enhanced requirements and application material in respect of the engagement partner’s overall responsibility for managing and achieving quality on the audit engagement, and the engagement partner’s sufficient and appropriate involvement throughout the audit. We also strongly support:

- Paragraph 12, including that the engagement partner’s responsibility to take clear, consistent and effective actions for creating an environment that emphasises the firm’s cultural values and behaviors, reinforces the engagement team’s responsibility for managing quality and for exercising professional scepticism.
- Paragraph 13, in particular, that regardless of whether the engagement partner assigns procedures, tasks or actions to other members of the engagement team to assist in complying with ED-220, the engagement partner still takes overall responsibility for the engagement and remains accountable for managing and achieving quality on the engagement. We would however suggest that the emphasis on accountability is better placed in the lead in to paragraph 13, rather than in the application material (A30).

Paragraphs 14 and 15, in particular, that the engagement partner no longer blindly relies on the engagement team having the knowledge they need in respect of relevant ethical requirements but is proactive in determining that the engagement team has an understanding of the ethical requirements that are relevant to the engagement.

Paragraph A24, the important clarification that being sufficiently and appropriately involved in the engagement is directly related to the engagement partner's responsibility for the nature, timing and extent of the direction and supervision of the engagement team, and the review of the work performed.

The enhanced requirements and application material in respect of "engagement performance" addressing nature, timing and extent of direction and supervision of the engagement team and the review of their work, including the greater specificity in how the engagement partner needs to be involved.

#### **NASBA**

Yes, we are supportive of the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement. We also believe that the proposed ISA appropriately reflects the role of other senior members of the engagement team.

### **3. National Standard Setters**

#### **AICPA**

We support the focus on the sufficient and appropriate involvement of the engagement partner. We regret that we have no suggestions to improve the wording of the first sentence of paragraph 37 other than using "their" as singular.

#### **CFC**

We support the focus to the overall responsibility of the engagement partners. We believe additional guidance should be provided to other partners and other professionals being part of the engagement team including assurance seniors, managers and other specialists supporting (tax, technology, actuarial) as well as professionals in charge of allocating resources to the audit engagement

### **4. Accounting Firms**

#### **CASI**

Yes, there are sufficient focus on the appropriate involvement of engagement partner.

#### **DTL**

Yes. Given recent, high-profile corporate collapses (BHS for example) where it was proven that the engagement partner evidenced very little time spent in the audit file this is absolutely key to the performance of high quality audits.

The engagement partner must lead the engagement and it is vital that the ISAs reflect this.

Yes, the ISA references where and how other partners play a role in the engagement team. It is now clear that the role of the EQR, for example, is to be covered by ISQM2.

#### **EYG**

We support ED-ISA 220's focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement. We understand that the engagement partner continues to take overall responsibility for achieving quality on the audit engagement even when the engagement partner assigns procedures, tasks, or actions to other members of the engagement team.

#### **HM**

Yes to both questions

#### **NI**

YES

## **RSMI**

Yes, we agree that the focus on the engagement partner is appropriate. We agree that the engagement partner is ultimately responsible for the quality of their engagements, even though some tasks may be delegated to others.

## **5. Public Sector Organizations**

### **AGSA**

The ED clearly states that the engagement partner shall continue to take overall responsibility for managing and achieving quality even on engagements where the engagement partner has assigned procedures, tasks or actions to other engagement team members to assist the engagement partner in complying with the requirements of ED-220.

Yes, we support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement. This will assist in ensuring that the engagement partner has a basis for determining whether the significant judgements made and conclusions reached are appropriate.

### **OAGA**

Yes.

### **OAGNZ**

We support the focus in the proposed standard on the involvement and the responsibility of the engagement partner for quality on the engagement.

### **PAS**

Yes, the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners.

Yes, we support the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement.

## **6. Member Bodies and Other Professional Organizations**

### **CAI**

Yes.

We agree with the focus on the role of the engagement partner and the responsibilities of the other team members.

### **CCC-ICPARD**

Yes, we do.

### **CICC-AIC**

Yes, we support them.

### **CPAA**

We support the approach taken in the proposed standard to the overall responsibility and involvement on the engagement taken by the engagement partner. We also support the inclusion of others to whom supervisory roles are assigned. We note that “public sector equivalent” could be included in the definition of engagement partner in paragraph 10(a), rather than simply in footnote 12.

### **IAB-IEC**

Affirmative.

#### **IBR-IRE**

Yes. We suggest that par. 19 would be included in par. 37.

#### **ICAP**

We support the focus on engagement partner to remain sufficiently involved in the engagement and take overall responsibility for managing the quality of the engagement. As for involvement of other partners in managing quality, we understand that role of other partners such as engagement quality control reviewer has been shifted to ISQM 2, whereas, the ED-220 places more focus on the engagement partner and the other senior members of engagement team.

#### **ICPAS**

Yes, we believe the engagement partner should take overall responsibility for managing the audit engagement, including taking responsibility for creating an environment for the engagement that emphasizes the firm's culture and expected behavior of engagement team members in achieving audit quality.

We believe the ISA does reflect the roles of other senior members appropriately. Further, we believe it is important that all members of the engagement team perform high quality audits with appropriate professional skepticism.

Yes, we support the focus on the sufficient and appropriate involvement of the engagement partner as responsible for the quality of the engagement and we do believe that ISA reflect properly the role of the other senior members of the engagements.

#### **MICPA**

Yes, based on the paragraphs 11-13 and 37 of ED-220, the Institute support the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement.

Yes, the proposed ISA has appropriately reflected the roles of members of the engagement team including others supporting members for the firm.

#### **NYSSCPA**

We support the focus on the sufficient and appropriate involvement of the engagement partner or equivalent as part of taking overall responsibility for managing quality on the engagement, especially the requirement to be involved throughout the engagement.

We believe the proposed standard appropriately reflects the role of other senior members of the engagement team, including other partners.

We recommend including in the final standard a statement that the requirements that would be imposed by the proposed ISA do not relieve other members of the engagement team of any of their professional responsibilities.

### **Q1 – Agree But With Further Comments**

#### **1. Monitoring Group**

##### **IFIAR**

While we support the stand back requirement, it raises a question as to why an explicit step for engagement partners to plan/set out their planned level of direction, supervision and review at the onset

of the audit has not been included. This would aid engagement partners in assessing their subsequent involvement during the audit.

We strongly support the IAASB's development of proposals to address firms' quality control systems and to strengthen the engagement quality review standard. We have identified the following areas where substantive improvements have been made to the extant standards:

The leadership responsibilities section has been improved from the extant standard. Notwithstanding the improvement noted, the following improvements are also required:

- Communicating expected behaviours to the engagement team should also refer to the public interest in audit and the associated responsibility of the auditor to investors and other users.
- While the Introduction sections refers to impediments to professional scepticism and resource constraints, there is scope for the leadership section to include a requirement to consider and assess threats to quality and address them. Threats to audit quality should also include:
  - Commercial pressures, both externally and from within the firm; and
  - Difficult and/or challenging audit clients.

Further clarity is also required over what procedures the engagement partner cannot assign to others. In particular, these changes need to ensure that certain poor practices identified from inspections at firms (for example, in the audit of letterbox companies) are clearly not permissible. The IAASB should:

- Consider whether certain matters should be identified, which cannot be assigned to others.
- Revisit use of the term 'monitor' in paragraph 13 which is too passive. This is also less robust than the term 'supervise' used elsewhere in the proposed standard.
- The stand back requirement in relation to the engagement partner's involvement throughout the audit. This increases the focus on the importance of the partner's involvement and has the potential to improve audit quality.

The leadership responsibilities section has been improved from the extant standard. Notwithstanding the improvement noted, the following improvements are also required:

- Communicating expected behaviours to the engagement team should also refer to the public interest in audit and the associated responsibility of the auditor to investors and other users.
- While the Introduction sections refers to impediments to professional scepticism and resource constraints, there is scope for the leadership section to include a requirement to consider and assess threats to quality and address them. Threats to audit quality should also include:
  - Commercial pressures, both externally and from within the firm; and
  - Difficult and/or challenging audit clients.

## IOSCO

### 13 Project management

Firms should be required to centrally monitor progress on engagements against milestones to ensure that audits are adequately planned and executed on a timely basis and address possible issues for quality audits with deadline pressures.

## 2. Regulators and Oversight Authorities

### IAASA

The requirement in paragraph 37 for the engagement partner to determine that the engagement partner has taken overall responsibility for managing and achieving quality is unclear as a result of the circular reference. We urge the Board to clarify this requirement.

We recommend expanding the leadership requirements at engagement level to also encompass behavioural aspects, such as 'practice what you preach' and 'lead by example'.

We are of the view that the responsibility of the engagement partner for ethical matters is too limited. Ethical requirements, which include independence and objectivity, are a fundamental prerequisite of an audit for which the engagement partner is responsible. Therefore, the requirements to have an 'understanding' of the ethical requirements as set out in paragraph 14 and to "determine" that the team members have been 'made aware' of relevant requirements as set out in paragraph 15 appear to be insufficient. We urge the Board to strengthen the language to better express the responsibilities of and expected actions by the engagement partner.

We are of the view that ethical requirements in group audits (which can often be across borders with differing legal and regulatory requirements as a result) merits specific attention and detail, given the difficulty thereof and the fact that independence requirements in particular often give rise to issues in group audits. We suggest that the Board considers where best to address this particular topic, for instance in the requirement or application material of this standard or in ISA 600 on group audits.

The requirement in paragraph 37 for the engagement partner to determine that the engagement partner has taken overall responsibility for managing and achieving quality is unclear as a result of the circular reference. We urge the Board to clarify this requirement.

## IRBA

If the term "others to whom supervisory roles are assigned" in paragraph 12 of ED-ISA 220 refers to other senior members of the engagement team, including other partners, then we agree that ED-ISA 220 appropriately reflects their role. Large audits, particularly those of public interest entities such as banks, may have more than one partner assigned to an engagement. It could therefore be clarified that "others to whom supervisory roles are assigned" includes other partners.

Regarding leadership responsibilities for managing and achieving quality on audits:

When communicating expected behaviours to the engagement team, engagement partners should be required to emphasise the public interest responsibilities of the engagement team, especially toward investors and other users.

We recommend that a requirement to consider and assess threats (or risks) to audit quality and to design and implement responses to such threats (or risks) be included. We suggest that threats to audit quality be included as follows:

- Commercial pressures, both external and from within the firm; and
- Difficult and/or challenging audit clients.
- Regarding taking overall responsibility for managing and achieving quality:

Paragraph A101 of ED-ISA 220 states that if the engagement partner's involvement does not provide the basis for determining that the significant judgments made and the conclusions reached are appropriate, the engagement partner will not be able to reach the determination required by paragraph 37. It may be unlikely that an engagement partner has either a) not determined this during the engagement and acted accordingly or b) documented that this is the case at the completion of the engagement. The IAASB may wish to therefore consider how this requirement and application material can be better operationalised.

We support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement. Our inspections of audit files have often indicated that there is insufficient involvement by the engagement partner, both in terms of the quantity of time assigned to the engagement and the timing of the involvement throughout the engagement. For example, the engagement partner's involvement is often not evident at the planning stage of the audit.

If the term "others to whom supervisory roles are assigned" in paragraph 12 of ED-ISA 220 refers to other senior members of the engagement team, including other partners, then we agree that ED-ISA 220 appropriately reflects their role. Large audits, particularly those of public interest entities such as banks, may have more than one partner assigned to an engagement. It could therefore be clarified that "others to whom supervisory roles are assigned" includes other partners.

### **3. National Standard Setters**

#### **AUASB**

In general the AUASB is supportive of the IAASB clarifying the engagement partner's responsibilities and emphasising that the engagement partner has ultimate responsibility for the engagement. However, the AUASB considers that it may be difficult to practically meet the requirements in paragraphs 11-13 on a larger audit engagement (such as a multinational or group audit), particularly allowing for the broader Engagement Team definition now contained in the proposed standard. The AUASB specifically draws attention to the requirement in paragraph 13(b) outlining the engagement partner's responsibility to monitor and review the work of assignees, which we consider may be difficult to achieve with this expanded engagement team definition in place.

The AUASB is cautious that the broad definition of engagement team may draw in unintended personnel into the engagement team giving rise to a number of challenges for the engagement partner being able to satisfy the requirements in paragraphs 11-13.

With regard to the roles of other senior members, including other partners, the AUASB would like the IAASB to provide further guidance dealing with situation where there are multiple partners on an engagement. Whilst Australian stakeholders did not view this as a significant issue with the proposed standard, the AUASB considers that with global actions in response to audit quality, such as proposals for more than one audit firm to perform an engagement, the need for clarification will arise in the future and should be addressed now to avoid reopening the standard.

#### **CAASB**

We support the requirement in paragraph 29 that emphasizes that the engagement partner should be reviewing audit documentation at appropriate points in time throughout the engagement.

In part.

We support the revisions emphasizing that the engagement partner is to be sufficiently and appropriately involved throughout the engagement to provide leadership to achieve a high-quality audit. We are supportive of the engagement partner having to take overall responsibility for the engagement.

Canadian stakeholders support the requirement in paragraph 13 allowing the engagement partner to assign procedures, tasks or other actions to members of the engagement team.

We believe ED-220 appropriately reflects the role of other senior members of the engagement team. Paragraph 12 of ED-220 explicitly references supervisory roles, which we believe is adequate in reflecting the role of other senior members of the engagement team, which could include a partner, manager or senior staff member. Canadian stakeholders raised concerns that having a separate standard for an engagement quality reviewer (EQR) may have the unintended consequence of appearing to elevate the

role of the EQR above that of the engagement partner because the engagement partner's role and responsibilities are not reflected in a separate standard. We recommend that non-authoritative guidance address this possible misperception.

We believe that the use of the terms "effective", "emphasizing" and "encouraging" in paragraph 12 are difficult to document and demonstrate. We believe this requirement can only be met by taking a checklist approach. We recommend including application material to assist practitioners in meeting this requirement.

We are supportive of the overall concept of the stand back requirement in paragraph 37 but have proposed a change in wording in Section C of this letter. We believe this suggested wording clarifies the requirement.

#### CNCC-CSOEC

Finally, we have the additional comments on the following paragraphs:

Paragraph 12(b): the term "reinforcing" appears too infantilizing. Another term would be more appropriate; Moreover, although we support the reinforcement of the requirements about the engagement partner, we note that the ED quasi exclusively focuses on the requirements of the engagement partner and no other members of the engagement team.

We consider that paragraphs 1 to 19 relate more to behaviors than to performance requirements. In that context, ethics becomes embedded in an ISA and we are wondering if this is the role of the ISAs. We consider that these matters may not pertain to ISA 220. They may already be embedded in ISQM1 requirements.

#### HKICPA

In general, we support the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement.

We consider the proposed ISA appropriately reflects the role of other senior members of the engagement team. For example, the role of other members with assigned supervisory role in paragraph A30 and the role of engagement quality reviewer in paragraph A19.

However, we would like the IAASB to clarify whether the engagement team as defined under paragraph 10(d) of ED-220 includes component auditors (in the case of a group audit) and reviewers who perform other types of engagement review as mentioned in paragraph A95 of ED-ISQM1.

#### IDW

We support that an engagement partner be appropriately involved in the engagement. However, we take issue with the use of the term "sufficient and appropriate involvement" because the word "appropriate" in English covers both amount and kind. The use of "sufficient and appropriate" in this context inappropriately extends the usage in relation to audit evidence and documentation to procedures (since involvement takes place through performing procedures) and will thereby lead to a proliferation of "sufficient and appropriate" in the ISAs in the long run and lead regulators to assume that the definitions of "sufficient" and "appropriate" in ISA 500 apply in this case too. In particular, it may lead to the view among some regulators that requirements might be needed to define the quantitative sufficiency of involvement like there are requirements for the quantitative sufficiency of evidence (e.g., selection and sampling). Furthermore, this usage neglects the important issue of timing of involvement. For these reasons, we suggest that the requirements be revised to require the engagement partner's nature, timing and extent of involvement in the engagement to be appropriate.

While paragraph 13 essentially permits the engagement partner to assign procedures, tasks or actions to other members of the engagement team, unless the requirements relate to an engagement partner taking

responsibility, it is unclear which of the requirements thereafter must be performed in their entirety by the engagement partner personally and which can be at least partially assigned. In some cases, it seems to us that all of the members of the engagement team have certain responsibilities. This lack of clarity might cause some regulators to overburden the requirements that engagement partners might need to seek to fulfill personally. We suggest that wording similar to that used in the introduction to paragraph 12 might be used to make the distinction for requirements that need not be fulfilled by the engagement partner personally. Paragraphs where there is some uncertainty about the degree of possible assignment or where other engagement team members have responsibilities too include: 15, 16, 17, 18, 21, 22, 24, 25, 27 (for the determination only), 32 (b), and 36 (c).

#### JICPA

We suggest deleting the first sentence of paragraph 13, which is unnecessary. Except in the case of the sole practitioner, we believe that it is extremely rare that the engagement partner does not assign procedures, tasks or actions to other members of the engagement team. In addition, it has already been mentioned in paragraph 11 that the engagement partner takes overall responsibility for managing and achieving quality on the audit engagement.

We support the focus on the sufficient and appropriate involvement of the engagement partner. However, we have the following comments on the relevant requirements:

Paragraph 12 addresses creating the environment for the engagement, which is one of the key aspects of the engagement partner's responsibilities. Therefore, in paragraph 37 (Standback), we suggest adding a requirement that the engagement partner shall confirm fulfillment of their responsibilities in accordance with paragraph 12 prior to the date of the auditor's report.

#### MAASB

We do support the requirement of the engagement partner's responsibilities in the ED-220 which explicitly emphasises the role of the engagement partner taking on overall responsibility for managing quality on the engagement. The proposed ED-220 does appear to place an equal amount of responsibility on the role of other senior members of the engagement team. We wish to further clarify if the IAASB's intention is as such.

#### NBA

We support the paragraphs relating to the involvement and responsibility of the engagement partner. This is essential to the quality of the audit engagement. The ISA appropriately reflects the role of other senior members including other partners. They also influence the quality of the audit. We also appreciate the paragraphs relating to project management (A63-A64). This is one of the drivers for audit quality.

We question why in the objective the term 'auditor' is used, while later on the term 'engagement partner is used'. The first time, the use of the term 'auditor' seems all right, but the second time the term 'engagement partner' seems more appropriate. We recommend investigating this.

#### NZAASB

The NZAuASB supports the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement, including the stand-back provision of paragraph 37. However, the following alternate wording may help clarify the requirement, (deleted text shown with strike-through, added text shown with bold underline),

Prior to dating the auditor's report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement the requirement in paragraph 11 has been met. In doing so, the engagement partner shall determine that...

The NZAuASB supports the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement, including the stand-back provision of paragraph 37. However, the following alternate wording may help clarify the requirement, (deleted text shown with strike-through, added text shown with bold underline),

Prior to dating the auditor's report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement the requirement in paragraph 11 has been met. In doing so, the engagement partner shall determine that...

#### 4. Accounting Firms

##### BDO

Yes, we support the engagement partner accepting overall responsibility for managing quality on the engagement and strongly believe sufficient and appropriate involvement of the engagement partner will promote quality. While paragraph 12 of the proposed ISA appropriately reflects the role of those tasked by the engagement partner to perform supervisory roles over the engagement team, the extent of what is expected of these senior team members could be enhanced by improved application guidance or implementation support materials.

Paragraph A24 of the application material outlines how the engagement partner can demonstrate sufficient and appropriate involvement, and one of the ways is to take responsibility for the direction and supervision of members of the engagement team. Since the engagement partner is accepting overall responsibility for the audit engagement, naturally direction and supervision would be included. We suggest that the application guidance in this paragraph be modified slightly to highlight that the overall responsibility of the engagement partner can be demonstrated in varying degrees of direction, supervision and review, depending on the nature and circumstances of the engagement. This paragraph is also very similar in nature to A82 suggesting potential duplication.

##### BTI

It is imperative that Engagement Partners are fully involved throughout an audit engagement and clearly take lead responsibility for audit quality. Therefore, we support the focus on the role of the engagement partner, their responsibility for overall quality on the engagement and their appropriate involvement "throughout the engagement" (ED-220.11).

Whilst we understand the rationale behind additional requirements in ED-220.11-12 around "creating an environment" and "emphasizing the firm's culture", these are somewhat nebulous concepts. In our view, compliance with such requirements will be difficult to demonstrate in practice, especially to the satisfaction of, for example, an external regulator. It may be more appropriate that such cultural and behavioral issues be covered in application material with requirements retained for matters which can be more clearly demonstrated.

##### CG

However, the engagement team as a whole has to support the partner in the responsibility to deliver quality. As noted in paragraph 12, all engagement team members are responsible for contributing to the management and delivery of quality. Also per paragraph A22, the engagement partner's responsibility for managing quality is supported by a firm's culture. Placing the responsibility of quality solely on the engagement partner is not conducive to an overall culture of quality throughout the firm. We recommend that the emphasis on the partner's overall responsibility be shared with senior members of the team and the firm and that paragraph 11 be amended accordingly.

Also, additional clarification would be welcome regarding the roles and responsibilities of other partners, such as second audit partners, partner specialists, component auditor partners, and other partners responsible for the firm's quality management environment.

We generally agree with the proposed amendments to paragraphs 11-13 and 37 of ISA 220. Effective overall engagement partner leadership is critical for the delivery of a quality audit.

Paragraph 11 notes the partner shall take overall responsibility for managing and achieving quality on the audit engagement. We are fully supportive of the engagement partner's involvement throughout the engagement such that the engagement partner can appropriately conclude on the basis for significant judgments and conclusions reached. However, the engagement team as a whole has to support the partner in the responsibility to deliver quality.

#### DTTL

Specific to paragraph 13, however, we believe the engagement partner's responsibility for direction, supervision, and review in accordance with paragraph 27 of ED-220 appropriately addresses those circumstances in which the engagement partner is assigning procedures, tasks, or actions to other members of the engagement team to assist in complying with the requirements of ED-220. Accordingly, DTTL recommends the following revisions to paragraph 13:

##### Paragraph 13

If the engagement partner assigns procedures, tasks or actions to other members of the engagement team to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement. ~~When assigning procedures, tasks or actions to other members of the engagement team, the engagement partner shall:~~

- ~~(a) Appropriately inform assignees about the nature of their responsibilities and authority, the scope of the work being assigned, the objectives thereof and any other necessary instructions and relevant information; and~~
- ~~(b) Monitor the performance of the work of assignees and review selected related documentation in order to evaluate the conclusions reached.~~

Furthermore, we suggest application material be developed to link the responsibilities in paragraph 27 with the concepts in paragraph 13.

DTTL supports the focus on the sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement. Furthermore, we agree with the position in paragraphs 13 and A30 of ED-220 that it would generally not be possible or practicable for all the requirements in ED-220 to be dealt with solely by the engagement partner and, therefore, in managing quality at the engagement level, the engagement partner may assign responsibility for procedures, tasks, or other actions to appropriately skilled or suitably experienced members of the engagement team who assist the engagement partner in complying with the ED-220 requirements.

#### ETY

We support the focus on the sufficient and appropriate involvement of the engagement partner.

We think that the role of other senior members of the engagement team and other partners should be more highlighted and detailed for a better understanding and implementation of the standard, as quality is a process depending on the involvement of the whole engagement stakeholders within the firm.

#### GTIL

We agree that to take overall responsibility for managing and achieving quality on the audit engagement, the involvement of the engagement partner needs to be both sufficient and appropriate. However, there is a level of prescription to the requirements that is not consistent with a principles-based approach. For example, paragraph 12 lists a number of actions the engagement partner and others to whom supervisory roles are assigned are to take. In a principles-based approach, these are actions that we would expect to

be included in application material providing guidance on how the engagement partner would achieve the desired outcome of paragraph 11.

Further, paragraph 12 introduces a requirement addressed to “others to whom supervisory roles are assigned” (rather than the term “senior members of the engagement team” as included in the question). There is no definition or guidance indicating the members of the engagement team this would encompass. For example, a second-year staff person on an engagement may be assigned to coach the first-year staff person and review their work product. This is essentially a supervisory role. It is not clear if this requirement is expected to extend to such a person. If so, we are of the view that this would create an onerous burden to evidence how each of the team members with a supervisory role, however small, has fulfilled the specific requirements of paragraph 12.

Paragraph 13 allows the engagement partner to assign procedures, tasks or actions to other members of the engagement team to assist in complying with the requirements of the ISA. However, 13(b) requires that, when making such an assignment, the engagement partner reviews selected related documentation to evaluate the conclusions reached. Guidance concerning the extent of the review to be performed by the engagement partner would be helpful. If the intention is that the engagement partner is required to review selected documentation of all team members to whom work is assigned, we are of the view that this requirement will be unduly onerous.

We have significant concerns regarding the extent of the engagement partners responsibilities proposed by the amendments, specifically in their application to large single entity engagements and to multi-national engagements. We would recommend that the application of the requirements in these circumstances be considered as part of ED-220. Absent further guidance on how to practically apply these responsibilities in such engagements, we are of the view that these proposed amendments could be detrimental to quality. If these requirements are not considered as part of the ED-220 project, we would recommend that the effective dates of proposed ISA 220 (Revised) and proposed ISA 600 (Revised) be aligned.

#### **KI**

The focus on the sufficient and appropriate involvement of the engagement partner is appropriate. In some group situations a partner could be undertaking the role of both an engagement partner on an element of the group and a key audit partner in respect of the overall group audit. The standard or application material could include guidance that the engagement partner retains overall responsibility for quality on the elements of the assignment where they are the engagement partner.

Paragraph 33 deals with consideration of the Engagement Quality Review. The engagement partner could be required to ensure the EQR has maintained their objectivity. In SMP's there can be a risk that the EQR provides technical support and that responsibilities of the engagement partner are taken by the EQR.

#### **KPMG**

Whilst we believe ED ISA 220 (Revised) appropriately reflects the roles and responsibilities of other senior team members, including other partners involved, we also support the changes that place greater emphasis on the role and responsibilities of the Engagement Partner, since the Engagement Partner is ultimately responsible for managing and achieving audit quality at the audit engagement level. Other ISAs more specifically address the roles and responsibilities of other team members and therefore include more granular requirements in respect of planning and performing an audit engagement, which clearly distinguish between the responsibilities of the Engagement Partner, and those of the wider engagement team.

Notwithstanding the above, we do believe it is important to also highlight the responsibility of other team members to comply with ISA requirements and the policies and procedures established at the firm level. We are therefore supportive of the inclusion of requirements in the proposed standard that address this, for example, we believe that paragraph 4 is helpful in establishing an appropriate balance by setting out an overarching requirement for the team members to take an active role in complying with requirements, policies and procedures and in doing so, to also take into account the nature and circumstances of the particular audit engagement.

We are supportive of the proposed changes as they place increased emphasis on the leadership responsibilities of the Engagement Partner in managing the audit, including their sufficient and appropriate involvement throughout the audit. We believe these changes are fundamental to drive proactive management of audit quality at the engagement level, effected by the Engagement Partner.

We also welcome the increased specificity regarding requirements concerning involvement throughout the engagement, including review at appropriate points in time of key areas of audit documentation; review of significant judgements, and more explicit recognition of the Engagement Partner's responsibilities in respect of difficult/ contentious areas such as consultations and differences of opinion within the engagement team or with others within the firm.

In order to better achieve the IAASB's aim to drive increased involvement of the Engagement Partner on a timely basis, we suggest to place this requirement upfront in the standard, e.g. as part of the objective of the standard, and to make it more prominent throughout the standard, e.g. to link the requirement for sufficient and appropriate involvement of the Engagement Partner at paragraph 11 more clearly to the other requirements throughout the standard. We believe that the determination as to whether Engagement Partner has been sufficiently involved is also important as the audit progresses/at key milestones, e.g. the engagement circumstances may change and/or new information may come to light during the course of the audit, which may warrant re-evaluation of the planned approach to the nature and extent of review and may indicate that the Engagement Partner needs to be involved to a greater extent than originally planned.

If the standback in paragraph 37 is retained as drafted, i.e. as a requirement to be applied at the final stage of the audit ("prior to dating the auditor's report"), we suggest that emphasis is placed on whether the audit documentation clearly reflects both the involvement of, and the exercise of professional skepticism by, the Engagement Partner throughout the audit.

We also support the increased emphasis on the sufficient and appropriate involvement of the Engagement Partner, throughout the audit, as we consider that this is a fundamental driver of audit quality.

In connection with the increased focus on proactive management of audit quality by the Engagement Partner, throughout the engagement, we recognise the IAASB's intentions in proposing the new requirement at paragraph 37, for the Engagement Partner to "standback" to determine whether he/she "has taken overall responsibility for managing and achieving quality on the audit engagement", which includes "determining that the Engagement Partner's involvement has been sufficient and appropriate throughout the engagement such that the Engagement Partner has the basis for determining that the significant judgements made and the conclusions reached are appropriate given the nature and circumstances of the engagement", and that "the nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies and procedures have been taken into account".

In order to better achieve the IAASB's aim to drive increased involvement of the Engagement Partner on a timely basis, we suggest to place this requirement upfront in the standard, e.g. as part of the objective of the standard, and to make it more prominent throughout the standard, e.g. to link the requirement for sufficient and appropriate involvement of the Engagement Partner at paragraph 11 more clearly to the other requirements throughout the standard. We believe that the determination as to whether Engagement

Partner has been sufficiently involved is also important as the audit progresses/at key milestones, e.g. the engagement circumstances may change and/or new information may come to light during the course of the audit, which may warrant re-evaluation of the planned approach to the nature and extent of review and may indicate that the Engagement Partner needs to be involved to a greater extent than originally planned.

#### **MGIW**

We support the focus on requiring sufficient and appropriate involvement of the engagement partner on each audit engagement. We consider it to be vitally important that the individual who signs the auditor's report has had sufficient involvement in the direction, review and supervision of the audit and takes that role seriously. Evidencing such involvement and ensuring effective communication within the audit engagement team are key to this objective.

#### **MNP**

Overall, we support the increased focus on the sufficiency and appropriateness of the involvement of the engagement partner throughout the audit engagement, as part of them taking overall responsibility for managing quality on the engagement. Whether an audit engagement is being performed by a small, mid-size or large firm, every engagement should have a key individual responsible for the overall quality of the engagement throughout the planning, execution and concluding phases of the engagement. We agree that the engagement partner, supported by their firm's quality management policies and procedures, is the most appropriate team member to assume these responsibilities given that the firm cannot identify, design and implement responses to address all quality risks at the engagement level. The engagement partner is in an appropriate position to take overall responsibility for managing quality on the audit engagement as they may communicate the firm's responses to the engagement team and lead the engagement team in implementing the firm's quality risk responses that are applicable to the audit engagement. Although a firm level quality management approach is essential in establishing a foundation for quality engagements, policies and procedures must also be executed at the engagement level in order to ensure overall quality management is achieved.

The proposed ISA 220 focuses on the role of an engagement partner, and does not discuss specific roles and responsibilities of other senior members of the engagement team (e.g., the component audit engagement partner, internal expert partner, audit manager, etc.) in managing quality on the engagement, except to require each team member, under the leadership of the engagement partner, to adhere to the firm's policies and procedures in response to the ISQMs and to apply a sufficient level of professional skepticism. We agree that the proposed ISA 220 appropriately reflects the role of other senior members of the engagement team as the onus of ensuring quality at the engagement level resides with the engagement partner, no matter the composition of the engagement team.

We also agree with the guidance in paragraph 37 which requires the engagement partner to perform a self-assessment to determine whether their involvement has been sufficient and appropriate throughout the audit engagement to achieve quality. However, this new "stand- back" requirement is subjective, and therefore, we believe additional clarification or guidance on minimum factors to be considered by the engagement partner is necessary in order to identify how this requirement can be met in an objective manner and it is not simply an exercise of completing a checklist or signing off a checkbox.

#### **MSI**

We support a focus on sufficient appropriate involvement of engagement partners and we appreciate that this is what IAASB has been trying to achieve and articulate however we do feel that the paragraphs as drafted leave some scope for confusion (in some jurisdictions). The reference to 'the auditor' in the objective is not entirely helpful.

We feel that references to supervisory roles are unclear. It may be helpful to distinguish in the application material when individuals whose job title includes supervision are intended to be addressed and when (or if) more junior staff who nevertheless have been tasked with some level of supervision in the context of a specific engagement team are being addressed (if at all).

## MZRS

We are convinced that the engagement partner plays a key role in managing and achieving quality and so we find that this ED is helpful. In particular we believe that the use of the concept of “reasonable assurance” in § 9 is relevant. We also think that the definition of the “response” in § 10 which consist of policies or procedures is pragmatic.

However, we believe that the standard should not introduce any requirements related to the behavior and ethics as these should be included in the Code of IESBA. Therefore, we believe that the last sentence of § 1 and the related A1 and A2, and the § 14-19 and A31-A41, should be removed or amended and a reference to the appropriate paragraphs of the IESBA Code added instead.

We would make the following points in relation to the definition of the engagement team § 10 d and A18:

We understand that it has been slightly changed to clarify that the engagement team includes any individual engaged, employed or not by the firm or the network firm. So it seems that for a group, the group engagement team includes all component auditors.

We are concerned by this change as it could be interpreted as re-introducing the concept of related auditor which disappeared when the ISA 600 was revised and clarified.

This change could also be interpreted to include the auditor of any service organization used by an audited entity, where the audit engagement team of the audited entity uses an ISAE 3402 report in their audit approach.

The point that the engagement team is responsible for ensuring the involvement and adequate documentation of work done by others (for example. component auditors, shared service centers auditors, service organization auditors should be addressed clearly and thoughtfully by the standard. It should require that wherever the audit evidences are located and who ever does the work, the engagement team must ensure they can direct, monitor and review the work and obtain sufficient appropriate audit evidence and documentation. This should address the quality of the audit evidence to be obtained for an engagement, but also the practical limitations in considering an engagement team as responsible of the quality management system of other firms or auditors. The main driver should remain the quality of the engagement.

As shared audit and joint audit are developing in many countries of Europe, we recommend that the application material should be extended to address this factual situation (see below extract from the Study requested by the ECON committee of the European Parliament on the EU Statutory Audit Reform IPOL\_STU(2019)631057\_EN):

“Currently, joint audits are only mandatory in three EU countries: 1) for all PIEs in France; 2) for banks, insurers and pension funds in Bulgaria; and 3) under certain conditions in Croatia. Thus, in all other Member States, joint audits are voluntary for PIEs. In this sense, EU regulation regarding a joint audit requirement is similar in most Member States (except for France). (...) The countries where joint audits are promoted via an extension of the mandatory firm rotation period are: Belgium, Cyprus (not for banks, though), Denmark, Finland, France, Germany, Slovakia, Spain and Sweden. (...)

In total, 20 Member States have at least one PIE client that engages in a joint audit, and the average percentage of joint PIE audits in the EU equals 9.1 % in 2017 (excluding France). Member States that score high for the percentage of voluntary joint audits are Sweden (where 37.6 % of all PIE clients had a joint auditor in 2017), Spain (33.1 %), Finland (18 %), Czech Republic (11.8 %) and Belgium (11.2 %).

Note that Sweden, Spain, Finland and Belgium are countries in which joint audits can be used to extend the MFR period.”

It could be helpful to cross-reference with ISA 230, when ISA 220 requires reviewing the audit work performed through review of the audit documentation. The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who review such work, and when it was reviewed.

The last sentence of A78 “The engagement partner need not review all audit documentation but may do so” should be in § 28 to give it more prominence.

In § 28 “On or before the date of the auditor’s report, the engagement partner shall, through review of audit documentation and discussion with the engagement team, determine that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor’s report to be issued”, we would suggest that the sentence is amended to “documentation and/or discussion”.

Quality standards ISQM1, ISQM2 and ISA 220 address quality management for an audit of financial statements. We would suggest that the current title of ISA 220 is extended to “Quality management for an audit of financial statements at the engagement level and the related responsibilities of the engagement partner”. Even if it is thus a long title, we consider it more clearly sets out the purpose of the standard for the user.

We draw the attention that the definitions between the proposed ISA 220 and the ones from the glossary are not exactly the same. When the ISA 220 is issued in its final form, we recommend that the glossary is updated to ensure consistency.

## **MZRSUS**

ED-220 is intended to be a principles-based standard, allowing for practical application. In this context, Paragraph 13 should end after the first sentence and 13(a) and (b) should be deleted. As written, complying with the standard would require a significant increase in the level of work performed solely by the partner, which we do not believe is the intent. We also do not see the possibility of applying (a) and (b) in a group audit environment.

Paragraph 37, including review of paragraphs A99- A101, will be difficult to apply. To avoid a “checking the box” or risk of “form over substance” exercise the application materials in paragraphs A99-A101 should include explanatory guidance on how the “standing back” activity should be executed. The Board should consider the effectiveness of the engagement partner self-judging the appropriateness of the overall responsibility taken.

The engagement partner’s overall responsibility for managing quality at the audit engagement level is uncontroverted. We support the focus in ED-220 of the involvement of the engagement partner and other senior members of the engagement team. We do, however, have certain recommendations for specific changes that would help to support scalability and practicality as intended by ED-220 paragraph A30 for the execution and compliance with the Proposed ISA 220 (Revised):

ED-220 creates some challenges for audit engagement leaders for compliance, practically, with extant ISA 600. ED-220 should be directionally aligned with current ISA 600 and interim guidance should be provided for those that lead group audits, specifically, outlining how extant ISA 600 would continue to integrate and be applied under ED-220. This comment response presumes the current project for ISA 600 results in new guidance after ED-220 is effective.

## **NSW**

Yes, we support the focus on involvement.

The term “others to whom supervisory roles are assigned” is not defined and is not clear. We suggest that it is clarified whether it is meant to apply only to senior members of the engagement team or to anyone on the team who supervises another’s work (eg a second-year trainee supervising a first year)?

The language in paragraph 13(b) could be interpreted to mean that the engagement partner is required to review selected engagement documentation prepared by all people to whom work is assigned. We believe that the intention here should be clarified, either by changing the language or through the application guidance, as such a requirement would extend the scope of review considerably. In our view, it would be unnecessary to mandate such a level of review – this should be left to the engagement partner’s judgement.

#### PKFI

In our view, the ISA appropriately reflects the role of other senior members of the engagement team, including other partners.

We generally support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement.

However, we do have a concern that the scope of paragraph 36 (a) of ED-220 is too broad. While not specifically referred to in Question 1, paragraph 36 of ED-220 also covers partner involvement in context of their responsibilities for monitoring and remediation. We agree that the requirements of paragraph 36 (a) of ED-220 are generally appropriate, but the inclusion of “network firms” makes the overall scope of the paragraph too onerous for partners at firms which are part of a wide network of firms. We suggest that the partner’s responsibilities under paragraph 36 (a) of ED-220 be restricted to the results of monitoring and remediation communicated by the firm and, where applicable, by the network and that that the reference to “network firms” be removed from the paragraph.

#### PKFSA

We generally support the focus on the sufficient and appropriate involvement of the engagement partner, as part of taking overall responsibility for managing quality on the engagement.

However, we do have a concern that the scope of paragraph 36 (a) of ED-220 is too broad. While not specifically referred to in Question 1, paragraph 36 of ED-220 also covers partner involvement in context of their responsibilities for monitoring and remediation. The inclusion of “network firms” makes the overall scope of the paragraph too onerous for partners at firms which are part of a wide network of firms. We suggest that the partner’s responsibilities under paragraph 36 (a) of ED-220 be restricted to the results of monitoring and remediation communicated by the firm and, where applicable, by the network and that the reference to “network firms” be removed from the paragraph.

The ISA appropriately reflects the role of other senior members of the engagement team, including other partners.

#### PwC

We are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that may not be in the best interests of audit quality. We suggest revisions to the requirement to address these issues.

We therefore recommend that paragraph 13 be amended to:

- reflect the principle that the engagement partner retains overall responsibility for quality but may assign responsibility for aspects of quality to others; and

- in discharging that responsibility, require the partner to have a basis for being satisfied that they have done so by replacing the detailed prescription in actions required of the partner with outcome-based objectives.

We support the intent of the revisions to promote consideration of risks to quality at the engagement level. We agree the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that they take overall responsibility for the quality of the engagement. We also support the proposed “stand-back” determination by the engagement partner that they have been sufficiently and appropriately involved prior to dating the auditor’s report.

However, it is clear that sufficiency and appropriateness are subjective terms. We believe that additional implementation guidance will be needed to provide further illustration of sufficiency and appropriateness of involvement in different circumstances. Clarifying that compliance with the firm’s policies and procedures addressing the engagement partner’s responsibilities, together with the audit documentation that evidences the engagement partner’s involvement in the engagement, supports the engagement partner in making this determination. Paragraph 11 may be more useful if it directly reflected the matters set out in the bullets in paragraph A24.

We agree with the principle set out in the Explanatory Memorandum that the engagement partner takes overall responsibility for the nature, timing and extent of direction, supervision and review of the work performed. However, we have concerns about how certain requirements in proposed ISA 220 (Revised) have been articulated with respect to these leadership responsibilities. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. We provide further details below.

Others to whom supervisory roles are assigned

We support the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. Responsibility for aspects of quality should be assigned to those best placed to bring that to bear on the engagement. We believe that there is a distinction to be drawn between the engagement partner’s overall responsibility for the engagement and how to best achieve execution of that responsibility, in a way that acknowledges how audit quality is best supported.

While playing a vitally important role, an engagement partner cannot practically be expected to be able to effectively oversee every aspect of quality on a large and complex engagement. In addition, many audit delivery models have been put in place to specifically reinforce quality through quality control procedures embedded in their design. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it interrelates with those of others.

Finding a balance between promoting accountability of both the engagement partner and others with responsibilities for direction, supervision and review is essential to ensure the ISA is fit for purpose and capable of being applied in a wide range of circumstances and in a complex environment, which is one of the public interest aims of the project. In that context, we are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others could be interpreted as imposing practical implications that may not be in the best interests of audit quality.

For example, requiring the partner to review selected documentation of all those to whom responsibility for aspects of quality have been assigned (paragraph 13(b)) is impractical in a large complex audit. In fact, doing so is likely to unduly divert the engagement partner’s attention and time from aspects of the audit that most directly warrant their attention. Furthermore, we do not believe this takes account of a key reason why certain audit delivery models have been established - to drive higher quality through consistent

performance - and the processes that firms will have put in place around those models with respect to direction, supervision and review of work, to support quality. In addition, when applied to group audits, we understand that paragraph 13(b) would require that the engagement partner monitor the work, and review selected documentation, of all component auditor partners across the group. On a large, complex group, which may involve hundreds of people in the audit of different components around the world, this is simply not practical. See also our comment on the revised definition of engagement team below, which we believe creates this significant practical impediment when applied to a group audit scenario.

It is also unclear whether the concept of assignment, as described in paragraph 13, can also be applied to the responsibilities in paragraph 13 itself. For example, recognising the impracticalities in a large complex audit, can the engagement partner assign responsibility for reviewing the work of others to whom the partner has assigned other procedures, tasks or actions (i.e., component auditor partners or other partners), in accordance with paragraph 13, to yet another individual? See also our response to question 7. Even if that is the intent of paragraph 13, we are concerned about a requirement being used to override another requirement. Particularly in jurisdictions where the ISA requirements are embedded in law, the legal interpretation of the requirements may not permit that interpretation. The wording of each requirement needs to be capable of being interpreted and understood independently.

We also question whether a focus on assigning “procedures, tasks or actions” is unduly narrow compared to a broader assignment of responsibilities for aspects of quality. Often there may be other partners or senior staff who have significant responsibilities for direction, supervision and review (characterised in the proposed ISA as “others to whom supervisory roles are assigned” (paragraph 12)). Further clarification of this concept would be helpful – for example, to explain this concept applies to component engagement partners or other partners or senior staff members (e.g., when an audit delivery model is used) with significant supervisory responsibilities and not simply any member of the engagement team that has a role in supervising more junior members of the team.

We therefore recommend that paragraph 13 be amended to:

- reflect the principle that the engagement partner retains overall responsibility for quality but may assign responsibility for aspects of quality to others; and
- in discharging that responsibility, require the partner to have a basis for being satisfied that they have done so by replacing the detailed prescription in actions required of the partner with outcome-based objectives.

We suggest the following edits to paragraph 13:

13. If the engagement partner assigns ~~procedures, tasks or actions~~ responsibility for aspects of engagement quality to other members of the engagement team to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement. When assigning ~~procedures, tasks or actions~~ such responsibility to other members of the engagement team the engagement partner shall determine that:
- Assignees have been ~~Appropriately informed~~ assignees about the nature of their responsibilities and authority, the scope of the work being assigned, the objectives thereof and any other necessary instructions and relevant information; and
  - The scope of work, as assigned, has been performed. In doing so, the engagement partner shall apply professional judgement to determine the need to ~~Monitor the performance of the work of assignees and review~~

selected related documentation, taking into account the firm's policies and procedures in order to evaluate the conclusions reached.

We believe that the concept of accountability for quality on specific aspects of an engagement could also be made more prominent in the Introduction section of the ISA. This could be supplemented by a spectrum for the expected involvement of the engagement partner (e.g., in direction, supervision and review) as best fits different engagement circumstances, taking into account the need for a risk-based approach and appropriate consideration of the firm's policies and procedures. Additional application material could highlight various factors to be considered by the engagement partner in taking overall responsibility for managing and achieving quality (including involvement in the direction, supervision and review based on the engagement circumstances), for example:

In a group audit, how the engagement partner considers the competence and accountability of the partners directing, supervising and reviewing work at the component level, with the special considerations for group audits laid out clearly in ISA 600. In this regard, it is unclear whether the Board's intent is to address how reliance on the system of quality management of other firms within a network may need to be taken into account, which is a matter that may need to be addressed as part of the proposed revisions to ISA 600.

Where a large volume of work, supporting multiple audit engagements, is performed at a centralised delivery centre (or other function under an audit delivery model), how the engagement team would evaluate the overall outcomes of that work and the sufficiency of audit evidence obtained, recognising that determining that sufficient and appropriate resources are available, and establishing and monitoring the quality of that work, is likely best addressed through responsibility being assigned to an appropriate partner at the delivery centre.

How the firm's policies and procedures relating to direction, supervision and review are taken into account (see also our response to question 2).

We support the intent of the revisions to promote consideration of risks to quality at the engagement level. We agree the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that they take overall responsibility for the quality of the engagement. We also support the proposed "stand-back" determination by the engagement partner that they have been sufficiently and appropriately involved prior to dating the auditor's report.

We agree with the principle set out in the Explanatory Memorandum that the engagement partner takes overall responsibility for the nature, timing and extent of direction, supervision and review of the work performed. However, we have concerns about how certain requirements in proposed ISA 220 (Revised) have been articulated with respect to these leadership responsibilities. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. We provide further details below..

We believe that the level of prescription in certain requirements is in conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. Specifically, we are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that, in our view, are not in the best interests of audit quality.

We support the concept of assignment of responsibility to others to assist the engagement partner in fulfilling their quality responsibilities. In principle, we believe that responsibility for aspects of quality should be assigned by the engagement partner to those best placed to bring that to bear on the engagement. In our view, there is a distinction to be drawn between the engagement partner's overall responsibility for the

engagement and how to best achieve execution of that responsibility, in a way that acknowledges how audit quality is best supported.

We believe that paragraph 13, which addresses when the partner assigns tasks, actions or procedures to others, needs to be revised to better reflect the principle of shared accountability for aspects of quality, and what is practically achievable by the engagement partner. We provide a recommendation in our response to question 1 in appendix 1.

#### Definition of engagement team and group audits

We believe that the level of prescription in certain requirements is in conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. Specifically, we are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that, in our view, are not in the best interests of audit quality.

We also support the proposed “stand-back” determination by the engagement partner that they have been sufficiently and appropriately involved prior to dating the auditor’s report.

Concept of shared responsibility (refer to our response to question 1): We recommend including the concept of shared responsibility/assignment within the Introduction to the standard, to demonstrate how the ISA is capable of scalable and appropriate application to engagements of varying circumstances and that there is a spectrum of expected engagement partner involvement based on the engagement circumstances.

We agree with the principle set out in the Explanatory Memorandum that the engagement partner takes overall responsibility for the nature, timing and extent of direction, supervision and review of the work performed. However, we have concerns about how certain requirements in proposed ISA 220 (Revised) have been articulated with respect to these leadership responsibilities. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 that it will generally not be possible or practicable for all of the requirements in the ISA to be dealt with solely by the engagement partner. We provide further details below.

#### Paragraph 29 Direction, supervision and review (refer to our responses to questions 1 & 5):

We believe that further clarification is needed on the potential interaction of paragraph 13 and this requirement with respect to the identification and review of areas involving significant judgement.

#### Paragraph 12 & A30 Supervisory roles (refer to our response to question 1):

Further clarification of this concept is needed to explain that this applies to component engagement partners or other partners or senior staff members (e.g., when an audit delivery model is used) and not simply any member of the engagement team that has a role in supervising more junior members of the team.

#### Paragraph 13 Assignment (refer to our response to question 1):

#### Other matters (refer to our response to question 1):

We believe that there is a significant risk of confusion and inconsistent application of the requirements due to the use of the terms “determine” and “be satisfied” to differentiate the nature of the engagement partner’s responsibilities. Expectations of the required work effort and documentation under each use case are unclear and likely to result in inconsistencies without further clarification.

We note that there may be a perceived conflict between paragraph 13 and the Glossary to the International Standards that indicates that when the term “the engagement partner shall” is used it is expressly intended

that the requirement or responsibility be fulfilled by the engagement partner. It is not clear if the requirements of proposed ISA 220 (Revised), in particular paragraphs 12-13, seek to override this principle through the assignment concept.

Although not explicitly stated, we understand, based on paragraph A1, that in the context of a group audit, the revised definition of engagement team is intended to scope in all individuals involved in auditing components of the group (i.e., component auditor teams, which would include individuals from network and non-network component auditors). For the reasons stated above, we believe this has significant implications for the expectations of a group engagement partner that we do not believe have been sufficiently evaluated. We also suggest that this potential change in the application of this definition has several significant consequences for the application of proposed requirements addressing compliance with ethical requirements and the involvement of the engagement partner, in particular with respect to direction, supervision and review. We provide further details in our responses to question 1 and question 5 in appendix 1.

We also note that there may be a perceived conflict between the principle being established in paragraph 13 and the Glossary to the International Standards, which states that when the term “the engagement partner shall” is used it is expressly intended that the requirement or responsibility be fulfilled by the engagement partner. It is not clear if the requirements of proposed ISA 220 (Revised), in particular paragraphs 12-13, seek to override this principle through the “assignment concept”. To the extent there are specific responsibilities of the engagement partner that the Board envisages cannot be assigned in any circumstances, the requirements need to make this clear.

## 5. Public Sector Organizations

### ACAG

Yes, ACAG supports the focus on the sufficient and appropriate involvement of the engagement partner. Although extant ISA 220 infers the engagement partner as being responsible for the overall quality of the audit, it was not explicitly stated.

ACAG notes that paragraph 29 requires the engagement partner to ‘review audit documentation at appropriate points in time...’ Whilst the guidance paragraphs A77 – A80 provides examples of what matters the engagement partner should review, it does not elaborate on ‘appropriate points in time’. ACAG suggests the IAASB incorporate wording from ISQM 2 paragraph A26 that calls out ‘planning, risk assessment, performance, completion, reporting’ as ‘appropriate points in time’.

Although this refers to the engagement quality reviewer’s involvement, ACAG believes this is also relevant for the engagement partner’s role.

In relation to the question on other senior members of the engagement team, ED-220 does not specifically make reference to this but refers to ‘other members’. Notwithstanding this, ACAG believes that this is sufficient given that the focus is on the engagement partner having ultimate responsibility for the audit.

### GAO

We support focusing on the sufficient and appropriate involvement of the engagement partner as a part of taking overall responsibility for managing engagement quality. We believe that designating responsibility of an engagement to an engagement partner is key to achieving quality.

While we agree that creating an environment that emphasizes the firm’s culture and expected team member behavior is part of managing engagement quality, we are concerned that it will be difficult to evaluate compliance with the requirements in paragraphs 11, 12, and 37. As such, we suggest that the IAASB consider whether paragraph 12 should be moved to application guidance for paragraph 11. We also suggest revising the first sentence of paragraph 11 as follows:

The engagement partner shall take overall responsibility for managing and achieving quality on the audit engagement, including taking responsibility for creating an environment for the engagement that emphasizes ~~the firm's culture and expected behavior of engagement team members.~~ the firm's commitment to quality.

We believe that the requirements in paragraph 37 may be more measurable and clear if the paragraph is revised as follows:

Prior to dating the auditor's report, the engagement partner shall determine that ~~the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. In doing so, the engagement partner shall determine that:~~

- (a) The engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and
- (b) The nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies or procedures, have been taken into account in complying with the requirements of this ISA.

In our view, engagement partners' compliance with the audit documentation review requirements will help assure their sufficient and appropriate involvement in the engagement. Also, we believe that compliance with these requirements can be evaluated. Therefore, we believe that ED-220 could benefit from increased emphasis on the engagement partner's review of audit documentation. As we discuss further in our response to question 5, we suggest that the IAASB consider revising the application guidance in paragraph A79 to help clarify the documentation the engagement partner should review. In addition, we encourage the IAASB to consider revising paragraph 37 to reemphasize the requirements for audit documentation review in paragraphs 28 through 32.

We believe that ED-220 has appropriate linkages with the International Standards on Quality Management (ISQM). We support the requirements for auditors to follow the firm's policies and procedures and the material referring to when the engagement partner may depend on the firm's policies or procedures. We agree with the requirement that engagement partners evaluate threats to compliance with relevant ethical requirements through complying with the firm's policies or procedures. We also agree with the clarifications that engagement partners determine whether, and the degree to which, they may depend on the firm's policies or procedures. We also support the additional application guidance that provides examples of "matters" that the engagement partner may take into account when determining whether it is appropriate to depend on the firm's policies or procedures.

#### NAOM

The engagement partner has the ultimate responsibility for ensuring quality and so the focus on the sufficient and appropriate involvement of the engagement partner is correct. However, we believe that the ISA does not clearly reflect the role of other senior members of the engagement team, including other partners.

The engagement partner has the ultimate responsibility for ensuring quality and so the focus on the sufficient and appropriate involvement of the engagement partner is correct. However, we believe that the ISA does not clearly reflect the role of other senior members of the engagement team, including other partners.

#### OAGC

Yes we support the focus on sufficient and appropriate involvement of the engagement partner.

Paragraph 37 of ED-220 provides for an engagement partner stand back on extent of involvement and the application of ISA 220. We would note that because the requirement for the engagement partner to assess themselves is not objective, it is of limited value. We would expect few engagement partners would conclude negatively on their own performance.

#### **SNAO**

Yes. Though our suggestion is to move a-e) to the application material as we find it too detailed to be included in the requirements.

We would also like to suggest a clarification in §12. The paragraph states: the engagement partner, and others to whom supervisory roles are assigned, would it be possible to clarify what is meant by “to whom supplementary roles are assigned”. Is it supervisory roles assigned by the engagement partner or if the firm has assigned supplementary roles to other than the engagement partner.

We also suggest switch the order of §12 and §13.

## **6. Member Bodies and Other Professional Organizations**

#### **ACCA-CAANZ**

We are generally supportive of the proposals in the standard. Our stakeholders felt that most of the more explicit requirements in relation to the involvement of the EP and the other senior members of the engagement team were a reflection of current practice.

Concerns were expressed with the definition of engagement team. It includes “any other individuals who perform audit procedures on the engagement team”. Audit procedures is not a defined term within the ISAs and without clarity on this point, the engagement team definition could capture more people than is intended, which increases the work effort for no corresponding improvement in audit quality.

#### **AE**

Overall, we support the work that has been done in ED-220 but are of the opinion that there is still some work to be done in providing better clarity on the responsibility of the different actors within the quality chain. We refer to our response to Question 2.

#### **CalCPA**

We believe too much is concentrated on the engagement partner where the firm is big enough to have others involved.

Yes, generally, but at a practical level it may be too much, e.g. paragraph 19 re independence. In many firms this determination will be made by others. Another example would be paragraph 24 where a form expert might be involved. Can the EP be expected to determine the individual possesses appropriate competence? Perhaps 19 and 24 should be worded more like 20.

#### **CAQ**

9 ED-220 paragraphs 13(a) and 13(b) state:

13. If the engagement partner assigns procedures, tasks or actions to other members of the engagement team to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement. When assigning procedures, tasks or actions to other members of the engagement team, the engagement partner shall:

Appropriately inform assignees about the nature of their responsibilities and authority, the scope of the work being assigned, the objectives thereof and any other necessary instructions and relevant information; and

Monitor the performance of the work of assignees and review selected related documentation in order to evaluate the conclusions reached.

Overall, we support the focus on sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement, but certain requirements would significantly increase the amount of work required to be performed, without a commensurate increase to audit quality. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 of ED-220 that it will generally not be possible or practicable for all of the requirements in ED-220 to be dealt with solely by the engagement partner. As a result, we recommend the following:

Paragraphs 13(a) and 13(b) are overly prescriptive for a principles-based standard. We propose the following:

Remove paragraphs 13(a) and 13(b).9

Elevate the concept of delegating authority from the application guidance in A30 into the requirements or introductory section of ED-220 and consider whether it is clear in each requirement and related application material what responsibilities can or cannot be delegated.

Anchor the requirements of the engagement partner's "monitoring" responsibilities in a risk-based framework that ensures "adequate involvement" by the engagement partner.

Provide additional examples of performing an effective and efficient review to supplement the new guidance proposed in ED-220 paragraph A30.

Overall, we support the focus on sufficient and appropriate involvement of the engagement partner as part of taking overall responsibility for managing quality on the engagement, but certain requirements would significantly increase the amount of work required to be performed, without a commensurate increase to audit quality. In our view, the level of prescription in certain requirements is in direct conflict with the fundamental premise in paragraph A30 of ED-220 that it will generally not be possible or practicable for all of the requirements in ED-220 to be dealt with solely by the engagement partner. As a result, we recommend the following:

Paragraphs 13(a) and 13(b) are overly prescriptive for a principles-based standard. We propose the following:

Remove paragraphs 13(a) and 13(b).9

Elevate the concept of delegating authority from the application guidance in A30 into the requirements or introductory section of ED-220 and consider whether it is clear in each requirement and related application material what responsibilities can or cannot be delegated.

Anchor the requirements of the engagement partner's "monitoring" responsibilities in a risk-based framework that ensures "adequate involvement" by the engagement partner.

Provide additional examples of performing an effective and efficient review to supplement the new guidance proposed in ED-220 paragraph A30.

Paragraphs 13(a) and 13(b) are overly prescriptive for a principles-based standard. We propose the following:

Remove paragraphs 13(a) and 13(b).9

Elevate the concept of delegating authority from the application guidance in A30 into the requirements or introductory section of ED-220 and consider whether it is clear in each requirement and related application material what responsibilities can or cannot be delegated.

Anchor the requirements of the engagement partner's "monitoring" responsibilities in a risk-based framework that ensures "adequate involvement" by the engagement partner.

Provide additional examples of performing an effective and efficient review to supplement the new guidance proposed in ED-220 paragraph A30.

Please see response to question 1 related to ED-220 detailing comments on the documentation required to be reviewed by the engagement partner when (s)he assigns procedures, tasks, or actions to other members of the team.

#### **FSR**

We support the intent of the revisions to promote consideration of risks in relation to quality at the engagement level. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that the engagement partner takes overall responsibility for the quality of the engagement. We also support the proposed "stand-back" determination by the engagement partner.

However, an engagement partner cannot practically be expected to be able to oversee every aspect of quality on a large and complex engagement, including when alternative delivery models are used. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it interrelates with those of others.

We are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that may not lead to audit quality in larger and more complex audits. Requiring the partner to review documentation of all those to whom responsibility for aspects of quality have been assigned may be impractical and may, in fact, unduly divert the engagement partner's attention and time from aspects of the audit that most directly warrant the engagement partner's attention.

Furthermore, when applied to group audits, paragraph 13(b) would require that the engagement partner monitors the work, and reviews documentation, of all component auditor partners across the group. On a large, complex group, this is simply not practical.

In Denmark it is not uncommon on larger engagements to have two partners signing the auditor's report. The revised ISA 220 should address such situations.

The exposure draft does not directly include the role of an engagement manager. The revised ISA 220 should address such situations.

#### **IBRACON**

Yes, considering that the extant version already mentioned the overall responsibility of the engagement partner and ISA 200 revised is just emphasizing the necessity of the involvement of the engagement partner to manage quality on the engagement.

With respect to large and complex engagements, we believe that the revised standard should clarify what will be expected for an engagement partner, since it will be no practical for him to oversee every aspect of quality – monitor the work and review documentation. In line with this, we also suggest clarify the concept of "supervisory roles" now addressed in the ISA, and how it can be applicable in large and complex engagements.

#### **ICAEW**

It is not immediately obvious from the objective to whom the standard applies: the reference is to the 'auditor' who is defined in the glossary of terms and who will be further defined by national legislation. It would be helpful if some reference could be made to this issue in the application material.

Para 12 refers to 'supervisory roles' and some clarification of this term in the application material would be useful. For example, a second year trainee might be 'supervising' the work of a first year trainee, but we assume that this paragraph is aimed at more senior staff.

It would be helpful to bring forward the last sentence in para A30 which makes it clear that 'sub-assignment' is possible within the audit team. This is important within large audits.

IAASB also needs to consider the implications of para 13 in the context of the current developments in audit delivery models. This may be considered as part of the audit evidence project but the paragraphs as drafted look somewhat dated as they stand.

It is not immediately obvious from the objective to whom the standard applies: the reference is to the 'auditor' who is defined in the glossary of terms and who will be further defined by national legislation. It would be helpful if some reference could be made to this issue in the application material.

Para 12 refers to 'supervisory roles' and some clarification of this term in the application material would be useful. For example, a second year trainee might be 'supervising' the work of a first year trainee, but we assume that this paragraph is aimed at more senior staff.

It would be helpful to bring forward the last sentence in para A30 which makes it clear that 'sub-assignment' is possible within the audit team. This is important within large audits.

IAASB also needs to consider the implications of para 13 in the context of the current developments in audit delivery models. This may be considered as part of the audit evidence project but the paragraphs as drafted look somewhat dated as they stand.

## ICAS

We support the focus on the sufficient and appropriate involvement of the engagement partner specifically paragraphs 11–13 and 37 of ED 220, as part of taking overall responsibility for managing quality on the engagement. In our opinion, the proposed ISA appropriately reflects the role of other senior members of the engagement team, including other partners.

However, the revised definition of the engagement team may lead to inconsistencies with ISA 600 regarding component auditors. We would welcome clarification as to whether or not component auditors are expected to be considered part of the engagement team.

## ICJCE

We have no comments on that issue. The proposal is in line with Para 36 a) of ED ISQM1 concerning the overall responsibility of the engagement partner for the management and achievement of the quality of the engagement; and the need for the involvement of the engagement partner throughout all the engagement process.

According to ED ISA 220 the term engagement team does not include external experts engaged by the firm or by a network firm. This is in line with ED ISQM1. In Spain, Article 67.9 of BRAC states that "if outsourced activities consist of the performance of some parts of the audit work, those individuals carrying out these activities will be part of the audit engagement teams".

## ICPAU

The revisions will also require greater leadership by engagement partners in managing and achieving quality engagements.

ICPAU supports the focus on the sufficient and appropriate involvement of the engagement partner. This is necessary as it fulfils the requirements of ED- ISQM 1 which require the engagement partner to provide leadership and accountability for quality. This can only be achieved if the engagement partner is sufficiently and appropriately involved in the management of quality in the engagement.

## NRF

We support the intent of the revisions to promote consideration of quality risks at the engagement level. We agree that the engagement partner needs to be sufficiently and appropriately involved throughout the engagement and that the engagement partner takes overall responsibility for the quality of the engagement.

However, an engagement partner can not practically be expected to be able to oversee every aspect of quality on a large and complex engagement, including when alternative deliver models are used. Accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it interrelates with those of others.

We are concerned that the proposed requirements addressing the responsibilities of the engagement partner when assigning procedures, tasks or actions to others may impose practical implications that may not lead to audit quality in larger and more complex audits. Requiring the engagement partner to review documentation of all those to whom responsibility for aspects of quality have been assigned may be impractical and may, in fact, unduly divert the engagement partner's attention and time from aspects of the audit that most directly warrant the engagement partner's attention.

## SAICA

Paragraph 11 continues to state that the engagement partner shall be sufficiently and appropriately involved throughout the engagement such that the engagement partner has the basis for determining whether the significant judgements made and the appropriate conclusions reached are appropriate. Extant ISQC 1 also makes reference to significant judgements made by the engagement team and the conclusions reached in formulating the report. During our outreach activities, a practical concern was raised in that there are differing measures used in identifying significant judgements, which results in differing views in terms of what is meant by this. Measures used to determine significant judgements include the materiality of an account balance, class of transactions or disclosures or where significant audit risks have been identified.

SAICA is satisfied with and supports the focus on the sufficient appropriate involvement of the engagement partner, as well as the fact that ED-220 appropriately reflects the role of other senior members of the engagement team, including other partners.

SAICA notes the inclusion of the stand back provision to ensure that the engagement partner is satisfied that quality management at the engagement level has provided reasonable assurance that quality has been achieved.

We are in support of the inclusion of the stand back provision and believe that this contributes to achieving the objective of the engagement partner taking overall responsibility for achieving audit quality. Often, the engagement partner gets so involved in the detail that they forget to step back and consider the bigger picture.

During our outreach activities, a debate around whether this requirement needs to be specifically included or whether the engagement partner currently considers these without there being a formal requirement ensued. The response was that these points are not always considered by the engagement partner and it is foreseen that the specific inclusion of this requirement will go a long way in changing this behavior.

With respect to paragraph 11 and the requirement for the engagement partner to create an environment that emphasizes the firm's cultural values and behaviors, a question was raised around how the engagement partner demonstrates that this requirement has been complied with. An illustrative example or other implementation guidance in terms of what the IAASB foresees being included in the audit file to demonstrate this will be most helpful in providing clarity on this.

With respect to paragraph 11 and the requirement for the engagement partner to create an environment that Paragraph 11 continues to state that the engagement partner shall be sufficiently and appropriately involved throughout the engagement such that the engagement partner has the basis for determining whether the significant judgements made and the appropriate conclusions reached are appropriate. Extant ISQC 1 also makes reference to significant judgements made by the engagement team and the conclusions reached in formulating the report. During our outreach activities, a practical concern was raised in that there are differing measures used in identifying significant judgements, which results in differing views in terms of what is meant by this. Measures used to determine significant judgements include the materiality of an account balance, class of transactions or disclosures or where significant audit risks have been identified.

The differing views in terms of areas of significant judgement create a particular challenge in the performance of the EQR. In line with the purpose of the EQR for the engagement quality reviewer to perform an objective evaluation of the significant judgements of the engagement team and the conclusions reached in formulating the report, the question is whether the engagement partner and engagement quality reviewer have to agree on what constitutes a significant judgement.

In answering this question, reference is made to paragraphs A29 and A30 of ED-ISMQ 2. In expanding on the requirement for the engagement quality reviewer to identify the areas involving significant judgements made by the engagement team, the aforementioned paragraphs make specific reference to the examples of significant judgements identified by the engagement partner as contained in ED-220. It therefore seeming logical to conclude that the significant judgements identified by the engagement partner and engagement quality reviewer should be similar, barring differences as a result of the exercise of professional judgement.

In line with our suggestion included in Response Template: Proposed ISQM 2, SAICA suggests that a definition for the terms significant matters and significant judgements be included in both ED-ISQM 2 and ED-220.

#### **SMPC**

We also support the stand back required by para 37 in regard to sufficient and appropriate involvement in the audit engagement, as long as the term “throughout” is not intended to mean a continuum (we suspect this stand back provision will only be meaningful if conducted at the later part of an audit, closer to the dating of the auditor’s report). However, we believe that application material is necessary to explain what subsection (b) entails. It should not be a checklist of all of the firm’s policies and procedures having been adhered to.

We support the engagement partner taking overall responsibility for the engagement through focusing on his or her sufficient and appropriate involvement throughout the entire engagement.

#### **WPK**

We especially appreciate the requirement in Para 23 that the engagement partner shall determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team by the firm on a timely basis.

However we believe that the extant approach under which the engagement team can rely on the firm’s quality control unless there are indications to the contrary is still sound. We experienced that the engagement partner evaluate on an ongoing basis whether the responses to quality risks are appropriate and, if so, additional measures are necessary. This does not prevent the engagement partner from being alert to unforeseen circumstances.

Moreover we would ask the IAASB to develop a mapping of extant requirements to the new requirements in ED-220.

## 8. Academics

### AAA-ASC

We support the notion that the engagement partner must have sufficient and appropriate involvement in the audit. In particular, the spirit of the requirements described in ED-220 is consistent with research findings that demonstrate engagement partner leadership and specific leadership-prompts influence other members of the engagement team to act in ways that positively impact audit quality (e.g., Carpenter and Reimers 2014; Gissel and Johnstone 2017; Dennis and Johnstone 2018). However, we are concerned that auditors may see the requirements of ED-220 as separate and apart from other engagement activities when they should be viewed as an integral part of nearly all engagement quality control activities. For example, we suggest clarifying that the requirements detailed in paragraph 12 might be communicated as part of the engagement team's discussion of the susceptibility of the entity to material misstatements of the financial statements required by paragraph 10 of ISA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment. Doing this would not only better demonstrate the integral nature of ED-220's requirements, it would also reduce the possibility of redundant performance and documentation. There is always a risk that time spent on documenting will reduce time spent on more value-added engagement activities.

Relatedly, ED-220 is designed to operate as part of the broader system of a firm's quality management established in accordance with ED-ISQM 1. We believe this interaction could be more explicitly referenced in the Application and Other Explanatory Material (AOEM) section of ED-220. The items to be communicated in paragraph 12 should also be covered in firm-level training. For example, reprisal (paragraph 12c) could come from any supervisor, including the engagement partner, so engagement team members should have reporting mechanisms beyond that of the engagement partner; and professional skepticism (paragraph 12d) is a concept that must be learned before it can be exercised. We believe this should be acknowledged in ED-220.

Although ED-220 appropriately promotes that quality management is an on-going process, many of its requirements should be addressed prior to, or at the beginning of, an audit engagement (e.g., paragraphs 12 to 15). Several studies find evidence of enhanced audit outcomes when partners consider and emphasize prompts during the planning stage of the audit (e.g., Hoffman and Zimbleman 2009; Lynch, Murthy, and Engle 2009; Trotman, Simnett, and Khalifa 2009; Carpenter and Reimers 2013; Dennis and Johnstone 2018). We therefore recommend emphasizing the importance of relevant requirements during the planning phase of the audit. Minor modifications could achieve this goal. For example, paragraph 12 could be modified to, "In creating the environment described in paragraph 11, during the planning phase of the audit the engagement partner and others to whom supervisory roles are assigned shall take clear, consistent and effective actions that reflect the firm's commitment to quality and establish and communicate the expected behavior of engagement team members, including..." Similarly, paragraph 14 could be, "Prior to commencing the audit, the engagement partner shall have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the audit engagement."

Paragraph 37 requires that the engagement partner make a determination at the end of the audit about whether his or her "involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement." "Standing back" at the end of the engagement may be too late, particularly if the partner and engagement team are facing time pressures. Research suggests that partners may have difficulty self-identifying weaknesses and potential deficiencies in the audit during the completion stage and that to avoid cognitive dissonance, auditors will report high levels of professional skepticism even when they take actions they previously identified as consistent with low professional skepticism (Adikaram and Higgs 2019). This

suggests that when “standing back” engagement partners may unconsciously conclude the audit was conducted with professional skepticism, even if it was not. To mitigate the likelihood of this effect, we recommend “standing back” be required at the end of each phase of the audit (i.e., planning, preliminary fieldwork, final fieldwork, reporting). If this recommendation is adopted, the first sentence of paragraph 37 could be modified to, “At the end of each phase of the audit engagement (e.g., planning, preliminary fieldwork, final fieldwork, reporting), the engagement partner shall determine that he or she has taken overall responsibility for managing and achieving quality on the audit engagement.”

Relatedly, we suggest additional guidance be provided for engagement partners to execute the proposed self-assessment. As currently proposed (paragraphs 37 and A99 to A101), the self-assessment is a largely unstructured task without a clearly defined deliverable and seems to add little incremental value to the independent effort required as part of the engagement quality review required by Proposed ISQM 2. For example, guidance in the AOEM might describe that “standing back” at the end of the planning phase requires engagement partners to reflect whether, given the results of planning, there is reason to believe (1) the auditor should not continue with the audit, (2) should assign additional or different engagement team members (including specialists), or (3) should request additional information from the client. At the end of preliminary fieldwork, “standing back” requires partners reflect whether (1) the auditor should continue with the audit, (2) additional or different engagement team members should be assigned, (3) materiality should be modified, or (4) the nature, timing, or extent of planned auditing procedures should be modified. Including greater specificity will increase the likelihood that auditors will understand the intent of ED-220 and of “standing back.” It may also heighten the auditor’s understanding and exercise of professional skepticism.

Although we generally believe ED-220 appropriately reflects the role of other senior members of the engagement team, we believe paragraph 13 should more directly reference these individuals. We recommend the first sentence of paragraph 13 be modified to, “If the engagement partner assigns procedures, tasks or actions to other members of the engagement team, such as senior associates or other partners, to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement.”

ED-220 requires the engagement partner to monitor and take responsibility for many aspects of the audit engagement that directly or indirectly impact audit quality. One aspect not explicitly considered is the workload of the engagement team. Unusually high workloads may negatively impact an auditor’s exercise of professional skepticism and audit quality (Coppage and Shastri 2014; Persellin, Schmidt, and Wilkins 2014; Brown, Gissel, and Neely 2016; Hurley 2017; Lambert, Jones, Brazel, and Showalter 2017). As most audit engagement teams maintain time summaries, placing the onus on the engagement partner to monitor these throughout the course of the audit would not require much additional effort. Specifically, a bullet point could be added to paragraph A29 to the effect of, “Monitoring the workloads of engagement team members to ensure balance among team members, reduce the likelihood of fatigue, and ensure an appropriate level of effort on high risk audit areas.”

## 9. Individuals and Others

### CAA-TAS

The proposed IAS did not appropriately reflect the role of other senior members of the engagement team to our satisfaction and the fear is that the EP might become too involved in the performance of the engagement which might be detrimental to the objective of professionally servicing the client (Because too much/unrestrained involvement might impinge on the engagement team’s morale and when the team become demotivated quality of the engagement suffers).

However, we feel that objective of sufficient and appropriate involvement is still achievable through delegating but without abdicating the ultimate responsibility.

**Q1 – Disagree**

None