

ED-ISA 220 – Comments on Question 2

Question 2 asked:

Does ED-220 have appropriate linkages with the ISQMs?

Do you support the requirements 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?

NOTE: Respondents’ comments related to the ability to depend on the firm’s policies or procedures are included in these extracts.

Q2 – Agree

2. Regulators and Oversight Authorities

NASBA

Yes, we believe that ED-220 has appropriate linkages with the ISQMs and we support the requirements to follow firm’s policies and procedures.

We recommend that the phrase, “may be able to depend,” that appears in the application guidance in A7 be revised to “may depend” as used in A8 for consistency.

3. National Standard Setters

CFC

Yes. We support the linkages with the ED ISQMs.

HKICPA

We consider the ED-220 includes appropriate links with proposed ISQM 1 and ISQM 2, for example:

Requiring the engagement partner to take responsibility for the engagement team consulting on matters where the firm’s policies or procedures require consultation (paragraph 32(a)).

Aligning the requirement to cooperate with the engagement quality reviewer with proposed ISQM 2 (paragraph 33(b)).

We support the requirements 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. The “depend on the firm’s policies or procedures” approach can avoid the risk that the engagement team blindly relies on the firm’s system of quality management without taking into account whether the firm’s quality management policies or procedures are “fit-for-purpose” in the specific circumstances of the engagement.

JICPA

We support the proposal.

NBA

The linkages are appropriate.

In the application material examples are described when the engagement partner may depend on the firm’s policies or procedures. It could be further clarified that in general the engagement partner may depend on the firm’s policies or procedures, unless he has contradictory information. We wonder what to do when there are no firm policies or procedures in certain areas.

NZAASB

Yes, the NZAuASB considers that the linkages are clear.

4. Accounting Firms

CASI

We support the requirements stated.

DTL

Yes. There are clear links to the ISQMs and it is clear where and when the engagement partner may use the firm's policies and procedures and also that the firm's policies and procedures must be considered on each assignment to ensure that they are applicable to the specific circumstances of a given engagement, rather than blindly assuming that the firm's policies will ensure compliance.

ETY

Yes, the linkages with ISQMs are appropriate and clearly expressed. We support requirements to follow the firm's policies and procedures when relevant as stated in the ED.

EYG

Yes, we agree that ED-ISA 220 has the appropriate linkages with the ISQMs and fully support the requirements to follow the firm's policies or procedures. We also support the removal of the material from extant ISA 220, which states that engagement teams are entitled to rely on the firm's system of quality control, and replacing it with the guidance in paragraph A8 that states that the engagement partner may depend on the firm's policies or procedures and should take into account the engagement partner's knowledge or understanding of such policies and procedures and the information obtained from the firm about the effectiveness of such policies or procedures. We agree that this approach will assist the engagement partner when making his or her own determination as to whether the firm's policies or procedures are appropriate in the specific circumstances of the engagement.

HM

Yes. The requirements to follow, and to ensure that the members of the engagement team have followed, the firm's policies and procedures are clear.

KI

The linkage to the ISQMs in the application material is appropriate.

MGIW

ED-220 makes appropriate references to the ISQMs and explains how the requirements of this standard fit into the overall requirements at the firm level in ISQM 1 and how the engagement quality review may be performed in ISQM 2. The key messages and scalability are consistent across the standards.

We consider that the linkage between the firm's policies and procedures and how these will affect the performance of an individual audit engagement, including where the engagement partner decides to rely on firm policies and procedures around independence or updating the technical audit programs say, is critical, as no audit engagement should be considered in isolation from the firm's policies and procedures. Where those policies and procedures are robust and provide support and evidence in achieving the objectives of this standard and laws and regulations, they should be relied upon by firms in the daily performance of work, otherwise there could be unnecessary duplication of work. By linking back to the firm's policies and procedures on each engagement, this should encourage staff at all levels in their familiarisation with the firm-wide policies and procedures, aid discussion and communication on such

matters and generally, improve quality through the greater understanding and acceptance of those policies and procedures.

NI

YES

NSW

Yes, we believe that the linkages are appropriate.

Paragraph A8 as drafted seems to imply that the engagement partner doesn't need to follow the firm's policies or procedures. We understand the need to emphasise that the engagement partner cannot "hide" behind the firm's policies if they're inappropriate in the circumstances. However, we believe the IAASB should make it clear that deviations should only be in exceptional circumstances. We would also find it helpful if the IAASB clarified whether the example in the second bullet requires the communication of positive as well as negative outcomes from monitoring and remediation processes.

5. Public Sector Organizations

AGSA

Yes, ISQM 1 deals with the firm's responsibility on quality management where the firm establishes quality objectives, identifies and assess quality risks and design responses to those risks. ISQM 2 deals with responding to the quality risks through the engagement quality reviews. ISQM 2 is focused on the responsibilities of the engagement partner on interactions with the engagement quality reviewer and operates as part of the broader system of quality management. Appropriate linkages are drawn between ED-220 and these standards.

NAOM

Yes.

PAS

Yes, ED-220 has appropriate linkages with the ISQMs.

Yes, we support the requirements 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.

6. Member Bodies and Other Professional Organizations

CAI

Yes, we believe ED-220 has appropriate linkages with the ISQMs.

It is useful to have clear linkage with the other relevant standards.

The references to the overall culture and quality control processes in the firm and to the IESBA Code of Ethics is a useful reminder of the context of this standard.

IAB-IEC

Yes, in general.

IBR-IRE

Yes.

ICPAS

We believe the linkages with the ISQMs will enhance the importance of the engagement partner's and engagement team's role in promoting audit quality.

Yes, we support the requirements to follow the firm's policies and procedures and when the engagement partner may depend on the firm's policies and procedures.

ICPAU

ICPAU believes that the ED-220 has appropriate linkages with the ISQMs. Concepts like professional skepticism, firm leadership and documentation are the main areas which make the ED- 220 stand out as similar requirements with the ISQMs.

IMCP

In our perspective the referred exposure draft reflects a proper linkage with the ISQMs and we support the requirements to follow the firm's policies and procedures and the material.

MICPA

Yes, the ED – 220 refers engagement partners responsibilities to the policies and procedures mentioned in the ISQMs.

Yes, the Institute support to the requirements to follow the firm's policies and procedures and the material mentions in the ISQMs.

Q2 – Agree But With Further Comments

1. Monitoring Group

BCBS

The firm responsible for the group engagement and the firm responsible for the component audit will each have their own quality risk management process. This is in the case, applying ED-ISQM1, the two firms are in the same network.

The Committee believes that the group auditor should be responsible for quality management in respect of the entire group audit, including any relevant component auditors. The exposure drafts do not appear to deal with this point, and no amendments are proposed to ISA 600 to specifically describe this situation. Moreover, parts of the text read as if there is a boundary between the group and component parts, such that the group auditor's responses to risks may not be implemented at the component level. Similarly, the engagement quality review may not extend into and sufficiently cover the risks in the component. The risk that the group auditor may not consider themselves responsible for quality management throughout the group audit seems heightened for group audit firms that are part of a network, where the group auditor may look to place reliance on the network's requirements regarding the quality management of the component auditor.

It is also unclear whether there is any requirement stating that the group auditor should have regard to the quality management processes of the component auditor and the risks to which the component auditor identifies and responds. These are very relevant considerations for the group auditor, both in relation to specific aspects of the group audit and as part of the assessment of the competence and capabilities of the component auditor.

IAIS

There is currently no explicit text in the exposure drafts which set out the interaction of the group and component auditor in relation to quality management. As a result, it may be unclear how quality management arrangements should operate where component auditors are used. The IAASB should consider providing some additional clarity in this area.

IFIAR

There is no reference to audit delivery models and the use of network and firm policies and procedures in the requirements. As these matters are likely to directly impact the audit, the IAASB should seek to introduce relevant material to bridge the gap between firmwide level considerations and those applicable to the engagement level. The firm should also consider whether quality considerations are sufficient when the engagement team uses the work of an auditor's expert in light of developments on the quality management standards.

IOSCO

Paragraph 1 of ED ISA 220; Para 10 of ED ISQM 2

Paragraph 10 of ED ISQM 2 The relationship between the objectives of ISQM 2 and ISA 220 with the overall objective to improve audit quality needs further attention, as ISA220 only repeats ISQM1's objective instead of explaining their relationship. The objective of ISQM 2 does not explain how the overall objective (contained in ISQM 1) is to be achieved. A clear differentiation of the various main objectives of the three standards as well as an explanation of their interrelationship could therefore add value.

The objective at engagement level could be enhanced by stating that "the objective is to ensure that the audit is of high quality, performed in the public interest and meets all legal and regulatory requirements."

2. Regulators and Oversight Authorities

FRC

We agree that ED-220 has the appropriate linkage to the ISQMs and support introductory material in paragraph 2 to 4 that explains the relationship between ISQM1 and ISA 220. We strongly support the requirements to follow the firm's policies and procedures and agree with the explanation in paragraph 13 of the EM that they are integral to the fulfillment of the requirements of ED-220.

A key foundation for consistently delivering high quality engagements rests in the firm's system of quality management, and therefore the engagement team's compliance with the firm's policies and procedures is an important component of a high quality audit. We also support paragraph 37(b) that requires the engagement partner to take into account the firm's related policies and procedures when concluding on overall responsibility.

We also strongly support the enhancements to the requirements and application material that recognise that the engagement partner may depend on the firm's SOQM to leverage the work necessary at the engagement level (as noted above, it is an important component of a high quality audit) but retains the caution to not blindly rely on the firm's policies and procedures, particularly in respect of resources. In particular, we support:

- Paragraph 23, the engagement partner's responsibility to determine if the resources provided are sufficient and appropriate in the context of the nature and circumstances of the engagement. Also, paragraph 25, that where such resources are not appropriate for the engagement, the engagement partner is required to resolve the matter with the firm.
- Paragraph A8 and A61, addressing matters that the engagement partner may take into account when making a determination whether, and if so, the degree to which the engagement partner may depend on the firm's policies and procedures.

We strongly support the link between the objective of the firm in ISQM1 and the objective of the auditor in ED-220. In particular, that the objective of extant ISA 220 incorporates the concept of reasonable assurance and therefore embeds the risk-based approach to managing quality at the engagement level.

We support the approach in the standard, that in managing quality at the engagement level and in complying with the requirements in ED-220, the engagement partner will achieve reasonable assurance through:

Implementing the firm's responses that address the firm-identified quality risks (i.e., those designed at the firm level but which are intended to be executed at engagement level); and

Designing and implementing additional responses that address 'what could go wrong' for that specific engagement, i.e., based on consideration of the nature and circumstances of each audit engagement and changes that may occur during the engagement.

However, whilst the introductory material in paragraph 4, and application material in paragraph A5, go some way to explain this, we think that in finalising the standard, the IAASB clarifies this point in the introduction or the application material.

IAASA

In line with our overarching comments, the relationship between the objectives of ISA 220 and ISQM 1 should be further explained in the standard itself. We note that paragraph 10 and subsequent paragraphs of the explanatory memorandum address this relationship but we urge the Board to clarify in the standard how the relationship between the firm's overall responsibility for quality and the engagement partner's responsibility for quality at the engagement level should be understood and applied in practice.

There is a clear interrelationship between the three standards. We encourage the Board to elaborate more specifically on how these relationships should operate in practice. Currently paragraphs 4 of ISQM 2 and 2 of ISA 220 repeat the firm's quality objective from ISQM 1, and we recommend providing more direction on how that impacts on the application of ISQM 2 and ISA 220 respectively.

IRBA

ED-ISA 220 has appropriate linkages with the two proposed ISQM standards. We support the requirements 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. The firm's quality management policies and procedures, that comprise the system of quality management underpin quality management on the engagement.

We appreciate this opportunity to comment on the IAASB's Exposure Draft on proposed ISA 220 (Revised), Quality Management for an Audit of Financial Statements, developed by the International Auditing and Assurance Standards Board (IAASB). We draw your attention to paragraph 5(a),(e) and (h) of our letter, also

3. National Standard Setters

AICPA

Yes, however we believe there could be improved clarification regarding the linkage to the requirements in ED-ISQM 1 related to the scope of ISA 220.

We are concerned that the phrase in paragraph 33 of ED-ISA 220 "all engagements for which an engagement quality review is required to be performed in accordance with proposed ISQM 1" may be subject to misinterpretation.

Paragraph 37e(iii)(b) of ED-ISQM 1 requires that firms require an engagement quality review for certain engagements. Audits of financial statements of listed entities or audits or other engagements for which an engagement quality review is required by law or regulation, are clearly required by proposed ISQM 1. However, because an engagement for which the firm determines that an engagement quality review is an appropriate response to assessed quality risks is dependent on the nature and circumstances of that

engagement, some practitioners may inappropriately fail to consider that engagements subject to engagement quality review based on the firm's determination of the risks of those engagements are included in the concept of engagement quality reviews that are required by ED-ISQM 1. We recommend adding the following language to paragraph A88 to clarify the scope of applicability of the procedures in paragraph 33:

A88. Proposed ISQM 1 requires that the firm establish policies or procedures that require an engagement quality review for certain types of engagements, including when the firm has determined that an engagement quality review is an appropriate response to assessed quality risks.

AUASB

Australian stakeholders raised that the removal of paragraph 4 from the extant ISA 220 which stated "Engagement teams are entitled to rely on the firm's system of quality control process, unless information provided by the firm or other parties suggests otherwise" and changes to the standard to explicitly state that the firm's system of quality control cannot be relied upon in certain situations may impact on scalability. Stakeholders viewed that the benefits of being part of a network may be lost, therefore placing more onus on individual firms and partners impacting scalability.

Inconsistency in the engagement team definition and application guidance between ISA 220 and ISQM 1

The AUASB raises a significant concern that the definition of engagement team may be interpreted differently due to the different application and explanatory material that applies to this definition in ISA 220 (paragraphs A16-A19) not being replicated in ISQM 1. The impact may be that engagement team members are interpreted differently when the different application and explanatory material in each proposed standard is applied. For example, an Engagement Quality Reviewer (EQR) may be considered to be excluded from the engagement team under the definition and application guidance in ISA 220, but included as part of the engagement team under the definition in ISQM 1.

Overall the AUASB considers that ISA 220 links, where appropriate, to the ISQMs. However, the AUASB raises a significant concern that the definition of engagement team may be interpreted differently under ISA 220 and ISQM 1 due to the different application and explanatory material that applies to this definition in ISA 220 (paragraphs A16-A19) not being replicated in ISQM 1. The potential unintended consequence of this different application guidance is that engagement team members could be interpreted differently when the different application and explanatory material in each proposed standard is applied. For example, an Engagement Quality Reviewer (EQR) may be considered to be excluded from the engagement team under the definition and application guidance in ISA 220, but included as part of the engagement team under the definition in ISQM 1.

The AUASB also raises for consideration whether an appropriate balance has been achieved between the role of the engagement partner under ISA 220 and the role of the EQR under ISQM 2. In particular, the AUASB draws attention to paragraph 22(c) of ISQM 2 where the EQR is required to "identify" areas involving significant judgments rather than "evaluate" the areas identified by the engagement team; and paragraph 22(f) where the EQR is required to evaluate the Engagement Partner's (EP) stand-back requirement. The level of work expected of the EQR in some areas appears to be at the same level as an EP and, in the view of the AUASB, is not in line with the objectives and proportionate responsibilities of an EQR.

Overall, the ability to practically meet the direction, supervision and review requirements of the proposed standard is further impacted by removal of paragraph 4 from the extant ISA 220 which stated "Engagement teams are entitled to rely on the firm's system of quality control process, unless information provided by the firm or other parties suggests otherwise". The IAASB's proposed approach of using the terms "shall be satisfied" and "shall determine" to differentiate between actions that can occur at a firm level and actions that must occur at an engagement level is not clearly articulated in the body of ISA 220

and is not commonly used throughout the suite of auditing standards which may result in diverse interpretation.

The AUASB understands the IAASB's concerns regarding the over reliance on firm policies and procedures by the engagement teams, however, some quality risks are more effectively and efficiently responded to at a firm level. The situations where an engagement team can rely on the firm's systems should be more clearly articulated in the standard, as well as what is required of an engagement partner where they choose to rely on those firm systems.

CAASB

Canadian stakeholders are supportive of paragraphs A7 and A8 that indicate the engagement partner may rely on firm level responses to quality risks that are not performed at the engagement level. For example, if the engagement team is relying upon employees in a service delivery center to perform certain audit procedures, the engagement team will be relying on firm level procedures to assess the competence and capabilities of these engagement team members.

ED-ISQM 2 paragraph 22 sets out a number of procedures that the EQR is required to perform. Further, paragraph 23 requires the EQR to notify the engagement partner of any concerns related to significant judgments. However, ED-ISA 220 paragraph 33(c) only deals with discussing significant matters arising during the engagement with the EQR. The remaining requirements in paragraph 33 address ensuring an EQR has been appointed, cooperating with the EQR and not dating the auditor's report until the completion of the review. There is no requirement for the engagement partner to respond to issues raised by the EQR. We believe ED-ISA 220 should require the partner to respond to issues raised by the EQR to establish a stronger linkage to the requirement in ED-ISQM 2. We do not believe any changes are necessary to ED-ISQM 2.

CNCC-CSOEC

The linkages between ED-220 and the ISQMs are complex and not easy to describe. For example, we consider that the link with ISQM1 should be done in paragraphs 14 to 19.

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

We support the requirements 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. The "depend on the firm's policies or procedures" approach can avoid the risk that the engagement team blindly relies on the firm's system of quality management without taking into account whether the firm's quality management policies or procedures are "fit-for-purpose" in the specific circumstances of the engagement.

IDW

The engagement team is responsible for implementing applicable firm responses to quality risks. However, the team should remain alert to situations where those responses are inappropriate or do not suffice.

In this draft the IAASB is moving from the current presumption in extant ISA 220, in which the engagement team may rely on the firm's quality control unless information provided by the firm or other parties suggests otherwise, to requiring the engagement team to determine in every case whether to design and implement responses beyond those set forth in the firm's policies and procedures (paragraph 4 (b)). In contrast,

paragraph A8 does suggest that the engagement partner may depend upon the firm's policies and procedures in certain circumstances similar to those contemplated in extant ISA 220.

In our view, imposing a responsibility on the engagement team "to determine" in every case whether to design and implement responses beyond those set forth in the firm's policies and procedures is disproportionate. In our view, engagement teams should not be placed into a position in which they need to question the appropriateness of applicable firm responses to quality risks in every case. Rather, the general presumption in extant ISA 220 should be retained, but strengthened, in that the engagement team may rely on the applicable firm responses unless the team becomes aware that those responses are inappropriate or do not suffice. The engagement team may become aware of such situations through, for example, information provided by the firm or other parties, the team's experience with the responses, or the team's consideration of the responses needed to address quality risks.

We refer to the section in the body of our comment letter entitled "The engagement team is responsible for implementing applicable firm responses to quality risks. However, the team should remain alert to situations where those responses are inappropriate or do not suffice".

We therefore do not agree with the requirement and application material as written in the draft regarding when the engagement team may depend upon firm policies and procedures.

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).

KSW

The linkages between ED-220 and the ISQMs are not easy to be dealt with and this is linked to the overall tension between capability, resources and competences. It is difficult to get a clear picture of what the network should do, what the firm should do, what the engagement partner should do, and what the engagement quality reviewer should do.

ED-220 seems to put a lot of responsibility back to the engagement partner and the team and this could be seen as undermining and contradicting what is currently proposed in ISQM 1.

We can identify an overlap between ED-220, ISQM 1 and ISQM 2 and wonder if this overlap is necessary. If the IAASB has not already done so, we think that it would be useful to analyse the different overlaps in detail and assess whether they are necessary or if, in contrary, they might give rise to uncertainties on who should do what.

In general, we support the work that has been done in ED-220. Nevertheless, we think 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.

Overall, we support the work that has been done in ED-220. We recommend however that some changes are considered to both this and ISQM1 and ISQM2 in order to provide better clarity between the responsibilities of the different actors within the internal quality chain, being the engagement partner, the EQR and the audit firm and network

MAASB

We believe that ED-220 has the appropriate linkages with ISQMs. We support the IAASB's approach on situation where the engagement partner may depend on the firm's policies or procedures as it relates to specific circumstances of the engagement.

4. Accounting Firms

BDO

Yes, we believe that the linkages between ED-220 and the proposed ISQMs are appropriate. Further, we appreciate the consistency in formatting, as the ISA is structured in a similar manner to ED-ISQM 1 around the elements of quality control.

We understand the IAASB decision to clarify 'significant judgments' versus 'significant matters'. More clarity (whether in ISA 200 or ISQM 2) about the interaction between the engagement partner and engagement quality reviewer with respect to significant matters and the expected level of documentation supporting the audit work or treatment of these matters would be helpful.

A firm's policies and procedures provide support to engagement teams and promote consistent and expected behaviours; therefore, we support the various requirements in ED-220 to follow the firm's policies and procedures and the ability for an engagement partner to depend on the firm's policies and procedures when appropriate (e.g. paragraphs 16, 20, 27, 32, 35, and 36).

Yes, we believe that the linkages between ED-220 and the proposed ISQMs are appropriate. Further, we appreciate the consistency in formatting, as the ISA is structured in a similar manner to ED-ISQM 1 around the elements of quality control.

We understand the IAASB decision to clarify 'significant judgments' versus 'significant matters'. More clarity (whether in ISA 200 or ISQM 2) about the interaction between the engagement partner and engagement quality reviewer with respect to significant matters and the expected level of documentation supporting the audit work or treatment of these matters would be helpful.

A firm's policies and procedures provide support to engagement teams and promote consistent and expected behaviours; therefore, we support the various requirements in ED-220 to follow the firm's policies and procedures and the ability for an engagement partner to depend on the firm's policies and procedures when appropriate (e.g. paragraphs 16, 20, 27, 32, 35, and 36).

BTI

Further, we find references to situations in which the engagement partner may depend on the firm's policies and procedures to be helpful, e.g. para A61 highlights that the engagement partner may be able to depend on the firm's policies and procedures when using the firm's approved technology.

The linkages to the ISQMs via reference to following the firm's policies and procedures, for example as regards acceptance and continuance procedures and consultation, are appropriate. We note, however, that there is inconsistency in whether the firm's policies and procedures are referred to in requirements or only in the application material (e.g. relating to EQCR).

BTVK

We believe that it is appropriate for engagement partners to be able to rely on their firm's policies and procedures unless they have knowledge that those policies and procedures are not in compliance with applicable professional standards. While it appears that this was the intent of the proposed standard, we believe that this should be further clarified in order to avoid any misinterpretations.

We believe that it is appropriate for engagement partners to be able to rely on their firm's policies and procedures unless they have knowledge that those policies and procedures are not in compliance with applicable professional standards. While it appears that this was the intent of the proposed standard, we believe that this should be further clarified in order to avoid any misinterpretations.

CG

We consider that the linkages are appropriate. We agree with the requirements to follow the firm's policies and procedures and with the material referring to when the engagement partner may depend on the firm's policies or procedures. There should be an expectation that the engagement partner can rely on the firm's effective system operating as required by ISQM 1, unless the partner was aware of deficiencies in that system.

The standard would also benefit from additional clarification regarding the audit partner and senior engagement team members' responsibility for the firm's quality controls as it pertains to multi location audit delivery models, including group auditors, whereby it may not be practical for the partner to have full visibility of specific quality and training protocols.

We consider that the linkages are appropriate. We agree with the requirements to follow the firm's policies and procedures and with the material referring to when the engagement partner may depend on the firm's policies or procedures. There should be an expectation that the engagement partner can rely on the firm's effective system operating as required by ISQM 1, unless the partner was aware of deficiencies in that system.

DTTL

DTTL is supportive of the interrelationship between the quality management standards and believes ED-220 has the appropriate linkages with the ISQMs. Further, we support the requirements to follow the firm's policies and procedures and agree with the statement in paragraph 4 of ED-220 regarding the responsibility of the engagement team, led by the engagement partner, for implementing the firm's responses to quality risks that are applicable to the audit engagement.

DTTL is supportive of the interrelationship between the quality management standards and believes ED-220 has the appropriate linkages with the ISQMs. Further, we support the requirements to follow the firm's policies and procedures and agree with the statement in paragraph 4 of ED-220 regarding the responsibility of the engagement team, led by the engagement partner, for implementing the firm's responses to quality risks that are applicable to the audit engagement. In addition, we recognize some firm-level responses to quality risks are not performed at the engagement level but are nevertheless relevant when complying with the requirements in ED-220. While we agree it would not be appropriate to "blindly rely" on the firm's system of quality management, DTTL believes the engagement partner is entitled to rely on the firm's policies or procedures unless the engagement partner has reason to believe it is not appropriate to do so. This belief may be based on those matters in paragraph A8, such as the engagement partner's knowledge or understanding of, or practical experience with, such policies or

procedures or information obtained about the effectiveness of such policies or procedures. We recommend that paragraph A8 be revised to clarify that the engagement partner may depend on the firm's policies and procedures, unless the engagement partner has reason to believe it is not appropriate to do so.

EYG

Yes, we agree that ED-ISA 220 has the appropriate linkages with the ISQMs and fully support the requirements to follow the firm's policies or procedures. We also support the removal of the material from extant ISA 220, which states that engagement teams are entitled to rely on the firm's system of quality control, and replacing it with the guidance in paragraph A8 that states that the engagement partner may depend on the firm's policies or procedures and should take into account the engagement partner's knowledge or understanding of such policies and procedures and the information obtained from the firm about the effectiveness of such policies or procedures. We agree that this approach will assist the engagement partner when making his or her own determination as to whether the firm's policies or procedures are appropriate in the specific circumstances of the engagement.

Yes, we agree that ED-ISA 220 has the appropriate linkages with the ISQMs and fully support the requirements to follow the firm's policies or procedures. We also support the removal of the material from extant ISA 220, which states that engagement teams are entitled to rely on the firm's system of quality control, and replacing it with the guidance in paragraph A8 that states that the engagement partner may depend on the firm's policies or procedures and should take into account the engagement partner's knowledge or understanding of such policies and procedures and the information obtained from the firm about the effectiveness of such policies or procedures. We agree that this approach will assist the engagement partner when making his or her own determination as to whether the firm's policies or procedures are appropriate in the specific circumstances of the engagement.

GTIL

We are of the view that extant ISA 220 paragraph 4, which included a statement that "engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise" is clearer than what is currently proposed in ED-220. In our view, it is not clear that paragraph 4(a) of ED-220 is addressing the reliance by the engagement partner on the firm's policies and procedures. This only becomes apparent when read in conjunction with paragraph A8. We would therefore recommend that a similar statement be incorporated into paragraph 4(a) ED-220, appropriately amended to address the issue of 'blind reliance.' This would then be supported by application material paragraphs A7 and A8 of ED-220, which would reinforce that action was expected on behalf of the engagement partner to determine whether it was appropriate to place reliance on all of, or aspects of, the firm's system of quality management.

KPMG

We believe, in general, that ED ISA 220 (Revised) has appropriate linkages with the proposed ISQMs. In particular, we consider that there is significantly clearer delineation between responsibilities of the firm as opposed to those of the Engagement Partner at the engagement level, and how these interrelate, taking into account the specific nature and circumstances of the audit engagement.

We welcome the recognition within the ED, for example, at paragraph A6, that in describing policies and procedures established by a firm, these may also include those established by a network, on the basis that a firm is responsible for taking the necessary action to enable engagement teams to implement or use network resources or services or the work of network resources or services. We consider this to be a very important aspect of the enhancements made to the suite of standards (including EDs ISQM 1 and 2) since many audit engagements increasingly involve cross-border elements.

In particular we welcome the significantly clearer delineation of responsibilities for quality management between those of the firm and those that specifically relate to the Engagement Partner at the engagement level, as well as how these interrelate, taking into account the specific nature and circumstances of the audit engagement, such that the Engagement Partner is responsible for matters that are directly within his/her control.

We are supportive of the increased clarity as to the policies and procedures that are required to be established by the firm, such that the Engagement Partner is responsible for matters that are directly within his/her control, and also clarification in requirements that although the Engagement Partner may “rely on” the firm’s system of quality control, he/she must “be satisfied” that certain policies and procedures established at the firm level have been followed, and must also make determinations as to whether the firm’s policies and procedures in respect of quality management are sufficient and appropriate for the particular audit engagement, taking into account its nature and circumstances. For example, this may involve consideration as to whether the firm has made available to the engagement team, on a timely basis, sufficient and appropriate resources to perform the engagement. We believe the application material, which sets out matters that the Engagement Partner may consider in this regard, to be helpful.

As we note in our comment letter on ED ISQM 2, the proposed requirements in that standard may change the overall balance of responsibility, in terms of identifying significant matters, between the Engagement Partner and EQ Reviewer, i.e. the extent to which the EQ Reviewer needs to actively identify significant matters versus the extent to which the Engagement Partner and team would bring these matters to his/her attention. In connection with this, the description of responsibilities of the Engagement Partner at ISA 220.33 includes language that appears relatively “soft” in that it refers to “cooperation” with the EQ Reviewer and requirements to “discuss significant matters arising”. In considering the requirements in both standards together in relation to this area, the balance of responsibility appears to have shifted towards more responsibility for the EQ Reviewer to take steps to identify such matters, and it is also unclear, in relation to certain aspects, where the EQ Reviewer’s responsibility would ultimately stop.

Such lack of clarity may result in inconsistencies in practice as procedures performed by the EQ Reviewer in order to identify “significant matters” become more extensive in order to fulfil the revised requirements. As a result, some may interpret this to mean that significantly more involvement is needed from the EQ Reviewer throughout the audit, such that a fully parallel process may even be necessary.

We suggest that ISA 220 (Revised) place greater emphasis on the responsibility of the Engagement Partner to draw the EQ Reviewer’s attention to areas of significant judgement and to go beyond simply “cooperation” with the EQ Reviewer to take a more “active” role in this process. We do not believe that this would diminish the EQ Reviewer’s responsibility in any way, for example, this would not detract from the responsibility of the EQ Reviewer to challenge the Engagement Partner as to whether there may be other areas involving significant judgements, in addition to the ones identified by the Engagement Partner and engagement team, that the EQ Reviewer, based on his/her knowledge and experience, including industry expertise, would expect the engagement team to have identified. Instead, we believe that drawing the EQ Reviewer’s attention to such matters would assist them in properly executing their role.

We also set out proposals in our comment letter on ED ISQM 2 regarding complementary clarifications that we suggest be made to ED ISQM 2 in relation to the nature of the role of the EQ Reviewer.

As we note in our comment letter on ED ISQM 2, the description of responsibilities of the Engagement Partner at ED ISA 220.33 includes language that appears relatively “soft” in that it refers to “cooperation” with the Engagement Quality (EQ) Reviewer and requirements to “discuss significant matters arising”.

It is important to clarify the extent to which the EQ Reviewer needs to actively identify significant matters versus the extent to which the Engagement Partner and team would bring these issues to his/her attention. We note that in the revised suite of standards, the balance has potentially shifted towards more

responsibility for the EQ Reviewer to take steps to identify such matters, and it is also unclear, in relation to certain aspects, where the EQ Reviewer's responsibility would ultimately stop.

Such lack of clarity may result in review procedures performed by the EQ Reviewer in order to identify significant matters becoming significantly more extensive in order to fulfil the revised requirements. As a result, this may create difficulties in practice since, in order to fulfil the requirements, some may interpret this to mean that significantly more involvement is needed from the EQ Reviewer throughout the audit, such that a fully parallel process may even be necessary.

We suggest, therefore, that ISA 220 (Revised) place greater emphasis on the responsibility of the Engagement Partner to draw the EQ Reviewer's attention to areas of significant judgement and to go beyond simply "cooperation" with the EQ Reviewer to take a more "active" role in this process. We do not believe that this would diminish the EQ Reviewer's responsibility in any way, for example, this would not detract from the responsibility of the EQ Reviewer to challenge the Engagement Partner as to whether there may be other areas involving significant judgements, in addition to the ones identified by the Engagement Partner and engagement team, that the EQ Reviewer, based on his/her knowledge and experience, including industry expertise, would expect the engagement team to have identified. Instead, we believe that drawing the EQ Reviewer's attention to such matters would assist them in properly executing their role.

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MNP

We believe that paragraph 32's requirements should be expanded to include that the engagement partner shall not date the auditor's report until the completion of any outstanding consultation, similar to the requirement in paragraphs 33(d) and 35(c) relating to the completion of the engagement quality review and resolution of differences of opinion, respectively. Furthermore, in paragraph 33, we believe the requirements relating to the engagement partner's responsibility where an engagement quality review is required should be expanded to include discussion with the engagement quality reviewer on all matters on which a consultation was deemed required.

Yes, the linkages between ED-220, ED-ISQM 1 and ED-ISQM 2 are clear.

Proposed ISA 220 requires that the engagement partner assess the degree to which they may rely on the firm's policies or procedures in the application of risk management at the engagement level. We agree with this requirement as it provides flexibility to tailor the audit approach to achieve quality based on the nature and circumstances of each individual engagement.

Paragraph 36 of ED-220 requires the engagement partner to ensure the results of the firm's monitoring and remediation process have been communicated to the engagement team and determine the relevance of the results and effect on the audit engagement. As commented above in our response to ISQM 2, we agree that an understanding of such findings can provide useful information in assisting the engagement partner and the engagement team to determine the nature and extent of their procedures, but we do not believe this should be one of the procedures the engagement partner is required to perform.

MSI

We believe there is some inconsistency in the drafting since not all references to the firm's policies and procedures are contained in requirements, in some cases these are in the application material instead.

We have specific concerns with para A8. The first bullet implies that an engagement partner may not have knowledge or understanding of (some of) the firm's policies and procedures. While this is probably possible we believe that should this be revealed to be the case then the engagement partner would need to obtain the missing knowledge or understanding – and more importantly, in a situation where the engagement partner was unaware of policies and procedures that partner would not be in a position to determine whether or not they were going to depend on those policies and procedures. So the whole thing is somewhat illogical. The second bullet seems to envisage a situation where policies and procedures have been deemed deficient but the deficiencies have not been remedied, in such a situation engagement partners obviously would not be depending on them and that should be stated clearly.

We believe there is some inconsistency in the drafting since not all references to the firm's policies and procedures are contained in requirements, in some cases these are in the application material instead.

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MZRS

Globally in agreement, even if we recommend a cross check between this standard and ISQM1 and 2, to ensure there are no overlaps or omissions.

MZRSUS

ED-220 is intended to provide linkage with the ISQMs by clarifying, but not duplicating, the requirement to assess the firm's quality management system as designed and applied to each audit engagement. ED-ISQM 1 and ED-ISQM 2 require the firm and the partner, respectively, to communicate and inform engagement teams regarding their responsibilities and responses that are required at the engagement level. We caution:

Paragraph A8 should not imply the partner has the burden of determining reliance on the firm's system of quality management on each engagement. ED-ISQM 1 requires the firm to inform engagement partners of instances where reliance is not appropriate.

Paragraph A9 should be expanded to provide illustrations of other circumstances or factors that would trigger a change in professional judgment by the engagement partner during the engagement that would result in additional personnel and procedures added at the engagement level as well as the documentation required.

Paragraph A8 should not imply the partner has the burden of determining reliance on the firm's system of quality management on each engagement. ED-ISQM 1 requires the firm to inform engagement partners of instances where reliance is not appropriate.

PKFI

Our two key observations on the linkages are as follows:

In its opening paragraph ED-220 states that ISA 220 should be read in conjunction with relevant ethical standards. In our view, in order to provide an appropriate emphasis on ED-ISQMs, an equivalent

statement should be made in the opening paragraph of ED-220 that the standard should also be read in conjunction with ED-ISQMs.

Under ED-220, given the linkages between the proposed standard and ED-ISQM 1, it is unclear how a group auditor, performing a group audit under ISA 600, could use a component auditor from another firm in any circumstance where the component auditor firm does not comply with the requirements of ED-ISQM 1. In other words, if any firm, including a component audit firm, does not comply with the requirements of ED-ISQM 1, then it will not be in a position to issue an audit opinion that is fully compliant with the ISAs.

This will have a significant impact on a group audit engagement team which may otherwise intend to use a component auditor from a firm that does not operate a firm-wide system of quality management which is compliant with ED-ISQM 1. Given the unique system of quality management proposed by ED-ISQM 1, including its risk assessment component, it may be unlikely that any other system of quality management would be "at least as demanding" as ED-ISQM 1.

We are aware that ISA 600 is currently being revised and the final version may address our concern. In the interim we recommend the IAASB issues guidance alongside ED-220 and ED-ISQMs to clarify the implications to group auditors of using a component audit firm which does not comply with ED-ISQMs.

We support the requirements 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.

PKFSA

In its opening paragraph ED-220 states that ISA 220 should be read in conjunction with relevant ethical standards. Therefore, in order to provide an appropriate emphasis on ED-ISQMs, an equivalent statement should be made in the opening paragraph of ED-220 that the standard should also be read in conjunction with ED-ISQMs.

PwC

We do not believe the proposed standard appropriately acknowledges that robust policies and procedures are expected to be established at the firm level and are often appropriately designed to support engagement partners in bringing quality to the engagement (including, for example, by specifying what audit documentation the engagement partner is expected to review or setting out responsibilities for interactions with component auditors or others in an audit delivery model).

Specifically, we do not support the guidance in paragraph A7-A8 that appears to call into question whether or not the engagement partner can rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of words "whether, and the degree to which" the partner may depend on such policies and procedures implies a firm has not adequately complied with ISQM 1, including through its monitoring and remediation process, for establishing a system of quality management that achieves the objectives of that standard. We believe that any implication that the engagement partner is not entitled to rely on the firm's processes related to independence monitoring and communication is particularly problematic, especially for large or complex engagement structures.

It is both unnecessary and impractical to require all engagement partners to make an independent judgement with respect to the firm's policies and procedures that support quality. We are concerned about how an engagement partner would evidence their determination, in particular if suggesting a "degree" of dependence.

Engagement teams should be able to rely on the firm's policies and procedures, e.g., its methodology and approved standard tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm's system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered

by clarifying that an engagement team can rely on the firm's policies and procedures unless advised to the contrary.

We believe that the linkages with the ISQMs are sufficiently clear. However, we believe that further clarifications are needed in several areas, as explained in the following comments.

Linkage to ISQM 1

We support the principles set out in paragraphs 3 and 4 that explain that a system of quality management would be established by the firm, with engagement teams implementing the firm's responses to quality risks and considering if responses beyond what is required by the firm's policies and procedures may be necessary in the engagement circumstances.

However, while we agree that the engagement partner may need to consider additional responses to quality risks at the engagement level, based on the specific circumstances of the engagement (paragraphs A9-A10), we do not support the guidance in paragraph A8 that appears to call into question whether or not the engagement partner can in fact rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of words "whether, and the degree to which" the partner may depend on such policies and procedures implies a firm has not adequately complied with ISQM 1, including through its monitoring and remediation process, for establishing a system of quality management that achieves the objectives of that standard.

We believe that it is both unnecessary and impractical to require all engagement partners to assess the adequacy of the firm's policies and procedures that support quality. Absent having been informed about information that is relevant to the engagement team's responsibilities from the firm's monitoring and remediation (per ISQM 1 para 53), engagement teams should be able to rely on the firm's policies and procedures, e.g., its methodology and approved tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm's system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered, by clarifying that an engagement team can rely on the firm's policies and procedures unless advised to the contrary. We understand, based on paragraph A10, that the consideration of the need for additional responses at the engagement level may most likely be in relation to the Engagement Performance section of the ISA. That seems reasonable but could be made clearer.

We also note that all of this guidance is attached to Introductory material to the proposed ISA and the linkage of these principles through to the underlying requirements is unclear.

We do not believe the proposed standard appropriately acknowledges that robust policies and procedures are expected to be established at the firm level and are often appropriately designed to support engagement partners in bringing quality to the engagement (including, for example, by specifying what audit documentation the engagement partner is expected to review or setting out responsibilities for interactions with component auditors or others in an audit delivery model).

Specifically, we do not support the guidance in paragraph A7-A8 that appears to call into question whether or not the engagement partner can rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of words "whether, and the degree to which" the partner may depend on such policies and procedures implies a firm has not adequately complied with ISQM 1, including through its monitoring and remediation process, for establishing a system of quality management that achieves the objectives of that standard. We believe that any implication that the engagement partner is not entitled to rely on the firm's processes related to independence monitoring and communication is particularly problematic, especially for large or complex engagement structures.

It is both unnecessary and impractical to require all engagement partners to make an independent judgement with respect to the firm's policies and procedures that support quality. We are concerned about

how an engagement partner would evidence their determination, in particular if suggesting a “degree” of dependence.

Engagement teams should be able to rely on the firm’s policies and procedures, e.g., its methodology and approved standard tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm’s system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered by clarifying that an engagement team can rely on the firm’s policies and procedures unless advised to the contrary.

Paragraph 4(a) Implementing firm responses to quality risks at the engagement level (refer to our response to question 2): It is unclear how the principles established in this paragraph flow through to the underlying requirements. In addition, we disagree with paragraph A8 (and also in A34, A52 & A61) that appears to call into question whether or not the engagement partner can in fact rely on the firm’s policies and procedures and system of quality management, as determined in accordance with ISQM 1. We suggest that the standard needs to clarify that an engagement team can rely on the firm’s policies and procedures unless advised to the contrary.

Paragraph 36 Monitoring and remediation (refer to our response to question 2):

We note that individual engagement teams should be able to rely on remedial actions put in place by the firm and suggest this be made clearer in the application material. We also note that ISA 600 (Revised) will need to provide further application material with respect to the monitoring and remediation of network firms that are component auditors.

Firm policies and procedures

We believe that it is both unnecessary and impractical to require all engagement partners to assess the adequacy of the firm’s policies and procedures that support quality. Absent having been informed about information that is relevant to the engagement team’s responsibilities from the firm’s monitoring and remediation (per ISQM 1 para 53), engagement teams should be able to rely on the firm’s policies and procedures, e.g., its methodology and approved tools, allowing them to focus on the important significant judgements in conducting the audit, rather than diverting their attention to evaluating the validity of the firm’s system of quality management. We believe that this represents a significant risk to quality and needs to be reconsidered, by clarifying that an engagement team can rely on the firm’s policies and procedures unless advised to the contrary. We understand, based on paragraph A10, that the consideration of the need for additional responses at the engagement level may most likely be in relation to the Engagement Performance section of the ISA. That seems reasonable but could be made clearer.

RSMI

We believe there could be improved clarification regarding the linkage to the requirements in ED-ISQM 1 and ED-ISQM 2 related to the scope of ISA 220. This would improve the clarity between the responsibilities of the network, the individual firm, the engagement partner and the engagement quality reviewer.

In addition, paragraph 37(e)(iii)(b) of ED-ISQM 1 includes the consideration that an engagement quality review may be required for “audits or other engagements for which...The firm determines that an engagement quality review is an appropriate response to assessed quality risks, based on the reasons for the assessment given to those risks” but paragraph 33 simply states that the procedures in the paragraph are applicable for engagements in which an engagement quality review is required by ED-ISQM 1.

We therefore have concerns that some practitioners reading the standards without cross-referencing back may fail to realise that engagements which are subject to engagement quality review in accordance with

the firm's determination of their risks are also included in the concept of engagement quality reviews that are required by ED-ISQM 1. We believe that the guidance in paragraph A88 provides a helpful explanation of the interrelationship among the standards, but could be further clarified. We recommend adding the following language to paragraph A88 to clarify the scope of applicability of the procedures in paragraph 33:

A88. Proposed ISQM 1 requires that the firm establish policies or procedures that require an engagement quality review for certain types of engagements, including in response to firm assessed quality risks.

5. Public Sector Organizations

ACAG

ACAG believes the linkages between ED-220 and ISQMs can be made more explicit to enhance clarity and understandability, with linkages to specific paragraph references.

ACAG supports the requirements to follow the firm's policies and procedures and the requirement in paragraph 4(b) that the engagement team and engagement partner must consider the firm's policies and procedures in the context of the nature and circumstances of the audit engagement. ACAG believes the onus should continue to be placed on the firm to ensure that it has an appropriate system of quality management in place as required in ISQM 1, to allow the engagement partner to fulfil their responsibilities in accordance with professional standards.

AGSA

We support replacing the material that stated that "the engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firms or other parties suggest otherwise" with application material that explains that in certain circumstances, the engagement partner "may depend on the firms' policies or procedures in complying with the requirements of ED-220" as this will ensure that the engagement partners do not blindly rely on firm policies and procedures and will prompt the engagement partners to scrutinise the policies and procedures to determine whether they are appropriate.

GAO

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 believe that the IAASB should consider whether it is practical to require the engagement quality review to be completed by the report date rather than the report release date. It may not be feasible to complete the engagement quality review by the auditor's report date given the requirements for obtaining certain audit evidence up to the date of the auditor's report that are included in ISA 560, Subsequent Events, and the requirements in proposed ISA 220 for the engagement partner's audit documentation review.

OAGA

We do not support removing the concept that engagement teams are entitled to rely on the firm's system of quality control, unless information suggests otherwise. The risk of "blind reliance" on this is probably overstated, or simply should be evaluated as a risk itself under ISQM. Engagement partners by virtue of being a partner at a firm have decided that the firm is an entity they want to be associated with, and can depend upon. The new application material implies that each partner should also do their own "ISQM" with respect to whether they can depend upon the firm, which is too much to impose on a partner and fundamentally inconsistent with their decision to join and remain at a particular firm. The phrase "shall be satisfied" is problematic in that it could imply each engagement leader should individually evaluate the firm's entire ISQM, always and continually.

It is good that application guidance A9 and A10 encourages engagement leaders to consider if there are particular risks to a specific engagement that should be respond to, but these paragraphs can also be taken as encouraging engagement leaders to override firm policies in particular circumstances. The key concept in 4 (b) is “beyond those set forth” but A9 and A10 do not provide any explanation of what “beyond” means and this is perhaps too important to leave to an informal judgment by each engagement leader. It would be useful if A9 or A10 said that the engagement leader must evaluate and document how “going beyond” clearly improves quality, and also explain that “going beyond” is something that further reduces the risk of professional standards and applicable legal and regulatory requirements not being met and/or reduces the risk of the inappropriate audit report being issued in the firm. In other words, it should be clear that “going beyond” cannot increase any risk(s) of non-compliance with standards or the report being inappropriate.

We do not support removing the concept that engagement teams are entitled to rely on the firms system of quality control, unless information suggests otherwise. The risk of “blind reliance” on this is probably overstated, or simply should be evaluated as a risk itself under ISQM. Engagement partners by virtue of being a partner at a firm have decided that the firm is an entity they want to be associated with, and can depend upon. The new application material implies that each partner should also do their own “ISQM” with respect to whether they can depend upon the firm, which is too much to impose on a partner and fundamentally inconsistent with their decision to join and remain at a particular firm. The phrase “shall be satisfied” is problematic in that it could imply each engagement leader should individually evaluate the firm’s entire ISQM, always and continually.

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OAGC

Appropriate linkages have been established with ISQMs in important areas such as ethics, acceptance and continuance, consultation, quality reviews and differences of opinion. We did note, however, one opportunity to improve linkages concerning the discussion with the engagement quality reviewer at paragraph 33. We feel it would be more helpful if the engagement leader would identify and discuss significant matters and their views concerning significant judgments with the quality reviewer, rather than only the broader significant matters. This would not prohibit the quality reviewer from forming their own opinion on significant judgments present in the engagement but would serve to provide important insight about the engagement leader’s involvement including the extent to which they believe significant judgments are present in the engagement.

OAGNZ

We consider ED-220 would be better if it made it clear that the engagement partner should be able to rely on the firm’s system of quality management, unless information provided by the firm or other parties suggest otherwise.

While paragraph 4(b) in the proposed standard provides the necessary scope at the engagement level to respond to quality risks at the engagement level, the current scoping of paragraph A10 could be confusing and seems to be about tailoring the audit approach to the audit risks rather than a quality risk at the system of quality management level.

In addition, while the proposed standard addresses the responsibility of the engagement partner to determine whether the audit engagement has sufficient resources, the focus seems to be on obtaining more, or changing the reporting time, rather than requiring consideration about whether the audit fee may be insufficient to perform the required audit work. We note that these are separate considerations but we consider it would be useful to consider this.

SNAO

Yes. Though suggestion to exclude the following requirement 4. b) Given the nature and circumstances of the audit engagement, determining whether to design and implement responses beyond those set forth in the firm's policies or procedures; and (Ref: Para. A9–A10). We do not believe that the engagement partner should identify other responses than those defined by the firm. If a situation arises that additional responses are necessary, the engagement partner should notify the responsible person/persons for the QM system before doing so.

Yes. Though suggestion to exclude the following requirement 4. b) Given the nature and circumstances of the audit engagement, determining whether to design and implement responses beyond those set forth in the firm's policies or procedures; and (Ref: Para. A9–A10). We do not believe that the engagement partner should identify other responses than those defined by the firm. If a situation arises that additional responses are necessary, the engagement partner should notify the responsible person/persons for the QM system before doing so.

6. Member Bodies and Other Professional Organizations

ACCA-CAANZ

Concerns were raised around how the EP would evidence the requirements in relation to being satisfied with the firm's policies and procedures. While we accept that the EP should be happy with the firm's quality management, there is potential for the work effort required for the EP to question and document their considerations of these matters to be excessive when the objective of the ISQM series of standards is that firms should have suitable policies and procedures on which all EPs can rely. Similar to the issues in ISQM 1 in relation to network firms relying on network policies and procedures our stakeholders were uncertain of the cost versus benefit of implementing these requirements and expressed concerns that firms would simply develop boilerplate documentation for EPs to use.

AE

Without clear linkage with ISQM1, ED-220 could be interpreted in isolation and possibly undermining or contradicting the role of the firm in ISQM 1. As explained in our response to question 2, a possible solution could be to emphasise that the engagement partner and the engagement team should generally rely on the quality management system of the firm and should apply the relevant quality management's responses to the engagement.

The linkages between ED-220 and the ISQMs are complex and not easy to describe but the effectiveness of quality control depends on the relative tensions between capability, resources and competences between all these parties. As drafted though, it is difficult to get a clear picture of what the network should do, what the firm should do, what the engagement partner should do, and what the engagement quality reviewer should do.

The proposed objective also lacks a linkage to ISQM1. It might be reworded since the engagement partner is required to apply the firm's quality management's responses in order to achieve the objective of the

audit (ISA 200) and to take further measures if necessary. Therefore, the focus of the engagement partner should not be on compliance with individual requirements.

The focus of ED-220 is rightly on the responsibilities of the engagement partner and the team. However, without a linkage back to ISQM1, it could be seen in isolation and possibly undermining or contradicting the role of the firm in ISQM 1. A possible solution could be that the engagement partner and the engagement team can generally rely on the quality management system of the firm and should apply the relevant quality management's responses to the engagement, i.e. no general questioning of the quality management system of the firm without specific indications. This principle does not contradict the fact that the engagement partner and the engagement team should remain alert of any gaps that occur at the firm level e.g., whether or not the engagement team has sufficient resources (especially with regard to personnel and IT systems) and the necessary capabilities (especially expertise and specialist skills), to carry out the engagement in accordance with legal requirements, professional standards and the expectations of stakeholders.

Although the three quality standards could be better dovetailed, we can identify an overlap between them and wonder if this overlap is necessary, or even appreciated. If the IAASB has not already done so, we think that it would be useful to analyse the different overlaps in detail and assess whether they are necessary or if they might give rise to uncertainties on who should do what.

Overall, we support the work that has been done in ED-220. We recommend though that some changes are considered to both this ED-220, but also ISQM1 and ISQM2 in order to provide better clarity between the responsibilities of the different actors within the internal quality chain, being the engagement partner, the EQCR and the audit firm and network.

CaICPA

Do you support the requirements 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?

Where is this in the standard? A7? If this is it, it is insufficient.

No. We believe the standard could more clearly differentiate that which is handled at the firm level and allow the EP to place reliance on the firm systems unless the EP has reason to believe the firm systems are not appropriately designed or are not operating properly.

CAQ

In instances where the engagement partner has been made aware of issues around the design, implementation, and operation of the system of quality management, we recommend providing additional guidance in ED-220 paragraph A9. The guidance should include factors for the engagement partner to consider in determining the extent of procedures necessary and the level of documentation required to evidence the conclusions reached. We believe this would increase scalability and reduce the risk of a one-size-fits-all approach to meeting the requirements.

Overall, we support the linkage with the ISQMs to emphasize the importance of the engagement partner's and engagement team's role in promoting audit quality; however, we recommend the following:

As written, the application guidance outlined in ED-220 paragraph A8 states "the engagement partner may depend (emphasis added) on the firm's policies or procedures in complying with the requirements of this ISA" which understates the process outlined in ED-ISQM 1. ED-ISQM 1 requires the firm to inform, communicate, and monitor the design, implementation, and operation of the system of quality management, which encompasses the adherence to policies and procedures. Specifically, paragraph 40(b) in ED-ISQM 1 states that "the firm communicates relevant and reliable information to personnel, the nature, timing and extent of which is sufficient to enable personnel to understand and carry out their

responsibilities related to the performance of engagement or activities within the system of quality management.”

Based on this understanding of the requirements of ED-ISQM 1, it is not clear if A8 is intended to require all engagement partners to determine whether the engagement partner can depend on the firm’s policies and procedures in complying with the requirements of ED-220. We believe ED-220 paragraph A8 should be written to clarify that compliance with ED-220 paragraph 4(a) entitles an engagement partner to rely on the firm’s policies and procedures, unless information provided by the firm or other parties suggests otherwise, consistent with extant ISA 220.

The use of the term “completion” in paragraph 33(d) of ED-220 to describe the engagement partner’s responsibility over the work performed by the EQR may not be consistently applied. There is a risk that “completion” may not indicate that open issues have been appropriately resolved. We suggest clarifying in paragraph 24 that the EQR is required to provide the engagement partner “concurring approval for issuance only if, after performing with due professional care the review required by the standard, he or she is not aware of a significant engagement deficiency.”¹⁰

The requirement proposed above to obtain “concurring approval for issuance...” (or as revised based on the Board’s final determination) from the EQR should be clarified as a responsibility of the engagement partner in both ED-ISQM 2 and ED-220 and the language in ED-220 paragraph 33(d) and ED-ISQM 2 paragraph 24 should conform as appropriate.

CCC-ICPARD

Yes, it has adequate links. A simple, practical guide would clearly support policies and procedures for small firms and individual professionals without employees, supporting the generation of a quality management culture.

CICC-AIC

Yes, it has adequate links. A practical and simple guide would allow to clearly support the policies and procedures for small firms and individual professionals without employees, supporting the generation of quality management culture.

CNDCEC

CNDCEC deems that the issue of the roles and responsibilities of the different parties involved in the system of quality management (firm, network, engagement partner, engagement team, engagement quality reviewer) is more relevant to audit firms other than the sole practitioner.

In consideration of the above, CNDCEC shares IAASB’s approach, aimed at avoiding the risk that the engagement partner entirely and uncritically relies on the firm’s system of quality management, without considering whether this is appropriate to the specific circumstances of the engagement. However, there is need for a further clarification of the circumstances in which the engagement partner is required to act directly, as compared to those in which he/she may depend on the firm’s policies and procedures.

CPAA

The IAASB has removed the engagement team’s entitlement to rely on the firm’s system of quality control and replaced it with application material paragraphs A7 and A8. However, this application material is not linked to a requirement, but only to introductory material. In addition, the application material provides some examples of when the engagement partner may depend on the firm’s policies and procedures which are not comprehensive. Coupled with that, the criteria for determining whether or the degree to which they can depend on the firm’s policies and procedures in paragraph A8 is not definitive. For example, criteria include the partner’s “knowledge or understanding of, or practical experience with, such policies or procedures” but is not clear whether a deeper understanding enables them to depend on those policies

and procedures and the degree of confidence they need to have gained. Whilst we agree that the engagement team should not blindly rely on the firm's system of quality management, we do not consider that the proposed standard provides the necessary requirements or guidance regarding when or how the engagement partner determines whether the firm's quality management policies or procedures are "fit-for-purpose" in the specific circumstances of the engagement, as suggested in paragraph 12 of the explanatory memorandum. We encourage the IAASB to articulate how this determination is made, otherwise there are likely to be very disparate outcomes.

Whilst the terminology and components in ISQM 1 are reflected in ISA 220, there could be more explicit cross-references to the ISQM 1 requirements in the ISA 220 requirements.

FSR

We believe that the linkages with the ISQMs are sufficiently clear. However, we do not support guidance in paragraph A8 that appears to call into question whether or not the engagement partner can in fact rely on the firm's policies and procedures and system of quality management, as determined in accordance with ISQM 1. The use of the words "whether, and the degree to which" the partner may depend on such policies and procedures implies that a firm has not adequately complied with ISQM 1.

IBRACON

Yes. We appreciate the consistency in formatting with similar structure of ISQM 1 in relation to the elements of quality control/management.

We are only concerned about paragraph A8, since it appears to question if the engagement partner in fact rely on the firm's policies according to ISQM1. It is not clear if the intention of ED-220 was that all audit partners are required to question the adequacy of the firm's that support quality. This needs to be made clear.

ICAEW

We agree with the requirements to follow the firm's policies and procedures, in relation to acceptance and continuance procedures (para 20) and consultation (para 32 (a)), for example. In terms of links to ISQMs, both paragraphs refer directly to 'the firm's policies and procedures'. In other cases though, this reference is in the application guidance.

Para 33 refers to audit engagements for which an engagement quality review is required, and only the application material refers to the firm's policies and procedures - rather than para 33 saying 'For audit engagements where the firm's policies and procedures require an engagement quality review...'. This seems inconsistent.

References to situations in which the engagement partner may depend on the firm's policies and procedures are helpful, for example para A61 which explains that the engagement partner may be able to depend on the firm's technological development and maintenance programs when using firm approved technology.

However, some have read para A8 as implying that the engagement partner does not need to follow the firm's policies or procedures. It might be helpful in any case to note in the second bullet that positive and negative outcomes of monitoring and remediation processes are both relevant in this context.

ICAP

We believe that ED-220 is appropriately linked with the ISQMs. Further, we support the requirement to follow firm's policies and procedures. We also concur with the material explaining when the engagement partner may depend on such policies and procedures.

ICAS

There does appear to be some overlap between ED 220, ISQM 1 and ISQM 2 and wonder if this is necessary. We believe that a useful exercise would be to identify the various instances of overlaps in the standards and determine whether they are necessary or indeed, might create uncertainty and confusion over the responsibilities of all involved in the performance of the engagement. There may also be situations where the linkages could be improved as we have highlighted in our response to ED-ISQM2.

There does appear to be some overlap between ED 220, ISQM 1 and ISQM 2 and question if this is necessary. We believe that a useful exercise would be to identify and then review the various instances of overlaps in the standards for necessity and consistency.

ED-220 appears to place a lot of the responsibility for quality management on the engagement partner and the team which could be seen as undermining and indeed contradictory to what is currently proposed in ED-ISQM 1. A possible solution could be that the engagement partner and the engagement team can generally rely on the quality management system of the firm and should apply the relevant quality management's responses to the engagement. This principle does not contradict the fact that the engagement partner and the engagement team should remain alert of any gaps. This might include whether or not the engagement team has sufficient resources (especially with regard to personnel and IT systems) and the necessary capabilities (especially expertise and specialist skills), to carry out the engagement in accordance with legal requirements, professional standards and the expectations of stakeholders.

ICJCE

Similarly to what happened in ISQC1 and ISA 220, there are some redundant aspects related to quality. We are of the opinion that requirements are adequately linked but they are repetitive.

NRF

The proposed changes are intended to avoid the risk that the engagement partner blindly relies on the firm's quality management policies and procedures. However, we believe that the way this is drafted in the application material (para. A7-A8), makes the responsibilities between the firm and the engagement partner unclear. It gives the impression that it is the engagement partner's responsibility to evaluate and second-guess the firm's quality control management. This is especially apparent in the proposed drafting of para. A8. We are concerned that the proposed approach will cause confusion and inefficiency in the organization.

In our view, a preferred approach would be that the engagement partner, as a starting point, should be able to rely on the firm's policies and procedures, unless there are indications of the opposite. Such an approach would clarify the overall responsibilities of the firm in relation to the engagement partner's and still include a requirement for the engagement partner to take action, when necessary.

We believe that the interrelationship between the firm's and the engagement partner's responsibilities needs to be clarified. The same concerns we have about para. A7 and A8 (see our response to question 2) are, in our view, also relevant with regard to the approach taken in para. A52. The engagement partner should be entitled to rely on the firm's policy and procedures unless there are indications of the opposite and the engagement partner has reason to believe it is not appropriate to do so.

SAICA

SAICA is satisfied that ED-220 has appropriate linkages with the ISQMs. We support the approach taken whereby ED-220 is intended to operate as part of the broader SOQM established at firm level in accordance with ED-ISQM 1. We welcome the application material that clarifies that the engagement partner may be able to depend on the firm's policies or procedures in certain instances.

One area that perhaps requires further attention relates to Monitoring and Remediation. ED-220 deals how results of firm monitoring activities are dealt with at engagement level, but it is not clear how results of monitoring activities at engagement level impact on the firm SOQM.

SMPC

We noted that the responsibilities of the engagement partner now exceed those of extant ISA 220. Under extant ISA 220, the engagement team can rely on the firm's quality control unless there are indications to the contrary. In our view, this remains a pragmatic approach. We believe it is appropriate for the engagement partner and the engagement team to be required to go through an exercise of evaluation on a case-by-case basis as to whether the firm has implemented sufficient QM responses to quality risks and, if so, whether additional measures need to be taken to address any 'gaps' so identified. This should be confined to certain areas only at the engagement level.

However, the engagement partner and the engagement team should be required to remain alert for such indications of gaps. For example, we agree that it is essential that the engagement team has sufficient resources and the necessary capabilities to carry out the engagement in accordance with legal requirements, professional standards and the expectations of stakeholders and so cannot disclaim responsibility e.g., being "allocated" inappropriate or insufficient staff.

While the over-arching Explanatory Memorandum briefly covers the inter-relationship between ISQM 1 and ISA 220 (Revised), more detail could be included in the objective of the standard to better explain the dynamic between these two standards. This could include how some quality objective(s) and the corresponding response(s) to risks can/ should be established at the firm level, whereas others will be more appropriately dealt with at the engagement level, and in some cases, responses could be even at both levels. Para 9 as it is currently worded makes no such inference.

The SMPC generally supports the direction being taken vis-à-vis the requirements to follow the firm's policies and procedures as described in para A8 and the drafting of the standard that refers to instances when the engagement partner can depend on the firm's policies and procedures as per the proposed para A7.

WPK

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.

The linkages between ED-220 and ISQM 1 and ISQM 2 are not easy to understand.

We would like to raise the question whether the requirements of the 3 proposed standards International Standard on Quality Management 1 (ISQM 1), International Standard on Quality Management 2 (ISQM 2) and International Standard on Auditing 220 (Revised) should be included in one single Standard on Quality Management.

It is difficult to get a clear picture of what the network should do, what the firm should do, what the engagement partner should do, and what the engagement quality reviewer should do.

8. Academics

UNSW

While not commenting on the appropriateness of the assignment of responsibility for managing quality at the engagement level, or whether the proposed standard appropriately reflects the role of other senior members of the engagement team, we express support for the leadership responsibilities expressed in

paragraphs 11, 12 and 13, but note below a number of opportunities for improvement (we note that paragraph 12c is missing from the proposed standard).

We support the requirement to encourage an open and robust communication within the engagement team (paragraph 12d), but note that research highlights that auditors are often reluctant to ‘speak up’ (e.g., Gold, Gronewold and Salterio 2014), and actions of the engagement partner can influence the likelihood of engagement team members doing so. To illustrate, Nelson and Proell (2018) show that while speaking up is rewarded in ex-post performance evaluations, it is sometimes met with irritation at the time the issue is raised. Speaking up, however, is more likely when the engagement partner is team oriented (i.e., emphasizes a group identity and team accomplishment) (Nelson, Proell and Randel 2016), emphasizes intrinsic versus extrinsic goals (Kadous, Proell, Rich and Zhou 2019) and when engagement team members anticipate receiving feedback on the resolution of the issue raised (Griffith, Kadous and Proell 2019). We therefore recommend that the explanatory material in paragraphs A25 and A26 be expanded to recognize the importance of the engagement partner’s actions in actively motivating members of the engagement team to speak up (notwithstanding the possibility that such actions may also be recognized at the firm level at a later date).

We also support the requirement for engagement partners to emphasize the importance of exercising professional skepticism (paragraph 12e) in that our own research (Harding and Trotman 2017) and that of others (e.g., Carpenter and Reimers 2013) highlight that this may be effective in elevating professional skepticism among engagement team members. We note, however, that this emphasis most likely needs to be more nuanced, focusing on the encouragement of the appropriate mindset and attitude underlying the effective exercise of professional skepticism (see Nolder and Kadous 2018). In this regard, we suggest that paragraph 12e be revised to highlight the importance of emphasizing the adoption of the appropriate mindset and attitude underlying the effective exercise of professional skepticism (rather than an omnibus encouragement to be skeptical), with additional elaboration in the application and other explanatory material.

9. Individuals and Others

CAA-TAS

We agree with linking to ISQM 1 for firms’ policies and procedures since quality objectives, risks and responses are addressed at firm level and each engagement can be tailor made to that and add any that may affect the client specifically.

We do not support this notion because in some instances firm`s policies might not yield the highest desired level of quality so if alternative(s) exists to that effect its worthy volumes of logic to pursue that avenue.

Conclusion: The ED should emphasize on the need for the firm policy to be more thorough and also to include conditions that may warranty adopting another alternative.

Q2 – Disagree

3. National Standard Setters

CAASB

No.

ED-ISQM 2 paragraph 22 sets out a number of procedures that the EQR is required to perform. Further, paragraph 23 requires the EQR to notify the engagement partner of any concerns related to significant judgments. However, ED-ISA 220 paragraph 33(c) only deals with discussing significant matters arising during the engagement with the EQR. The remaining requirements in paragraph 33 address ensuring an EQR has been appointed, cooperating with the EQR and not dating the auditor’s report until the completion of the review. There is no requirement for the engagement partner to respond to issues raised

by the EQR. We believe ED-ISA 220 should require the partner to respond to issues raised by the EQR to establish a stronger linkage to the requirement in ED-ISQM 2. We do not believe any changes are necessary to ED-ISQM 2.

IDW

We refer to the section in the body of our comment letter entitled “The engagement team is responsible for implementing applicable firm responses to quality risks. However, the team should remain alert to situations where those responses are inappropriate or do not suffice”.

We therefore do not agree with the requirement and application material as written in the draft regarding when the engagement team may depend upon firm policies and procedures.

9. Individuals and Others

VM

Excessive linkages and repetitions.

No, Para.2-7 are excessive and should be excluded. There is no need to repeat requirements of the Code of Ethics and other ISAs. Para.A2. A27-A29 are enough.