

Agenda Item 2-A

The Task Force made changes to the draft of ISA 220¹ in response to comments made during the December 2019 IAASB meeting and offline comments sent by Board members. All comments received were considered by the Task Force and changes made are reflected in the marked draft in **Agenda Item 2-C**. The rationale for those changes is in **Agenda Item 2** or in the table below.

This paper also includes cross-references for the changes that are discussed in more detail in the relevant sections of **Agenda Item 2** (Issues Paper).

REFERENCE ²	CHANGES AND THE RATIONALE FOR THOSE CHANGES ³
Introduction (Paragraphs 1 – 12)	
3	See Agenda Item 2 , Section I-C for further discussion.
4	Edit to paragraph 4(b) to clarify that the engagement team is responsible for designing and implementing responses at the engagement level. Edit to 4(c) made for clarity.
6	Edits for clarity.
7	Minor changes to align with terminology used elsewhere.
8–9	These paragraphs were relocated from former paragraphs A29A–A30. See Agenda Item 2 , Section I-A for further discussion.
8	Edits for clarity.

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

² Reference is to the paragraph number in the March 2020 draft standard in **Agenda Item 2-C**.

³ Reasons also provided for why certain offline comments were not accepted.

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	A suggestion to refer to “small” in item (a) rather than “less complex” was not accepted the Task Force notes that it is only an example and wants to be consistent with language used in other IAASB standards.
8(b)	Simplified material to highlight that as the complexity of the engagement increases, the engagement partner may assign the design or performance of procedures, tasks or actions to other members of the engagement team. Wording also aligned with paragraph 9, which clarifies the approach and reiterates that the engagement partner remains ultimately responsible and therefore accountable for compliance with the requirements of proposed ISA 220 (Revised).
12(d)	Change made to combine sentences of the engagement team definition to make it more concise. The IAASB confirmed in December 2019 that component auditors are included in the engagement team definition, so no further changes were made to the definition. See Agenda Item 2 , Section I-B for further discussion.
Requirements	
Leadership Responsibilities (Paragraphs 13–15)	
14	Deleted “and encouraging” from 14(d), as it did not follow from the lead-in.
15	Clarified that the engagement partner directs and supervises their direct assignees and reviews those assignees’ work (who, in turn, directs, supervises and reviews their own assignees’ work). See Agenda Item 2 , Section I-A for further discussion.
Relevant Ethical Requirements, Including Those Related to Independence (Paragraphs 16–21)	
17	Edits for clarity. Suggestions to refer to “awareness” in paragraph 17 or “understanding” instead of “been made aware” was not accepted as both suggestions implied a different meaning from the original requirement.
17, 19	The term “actual or suspected” breaches was removed in response to a request from IESBA representatives, who noted

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	that the IESBA Code does not discuss actual or suspected breaches. See Agenda Item 2 , Section I-B for further discussion.
Acceptance and Continuance (Paragraphs 22–24)	
22	Deleted second “shall determine” as it is not needed given the first part of the sentence already contains the requirement.
24	<p>Simplified the reference to the engagement team.</p> <p>A suggestion was made to change the second part of this requirement from the engagement partner “shall communicate” to the engagement partner shall “take responsibility” for communicating. The Task Force did not agree that there was justification for changing the extant requirement, and that it was in fact important for the engagement partner to discuss the matter with the firm given that the engagement partner has overall responsibility for the engagement.</p>
Engagement Resources (Paragraphs 25–28)	
25	A suggestion to add more guidance related to group engagements was not accepted as such an explanation would be better placed in ISA 600.
26	The Task Force did not accept a suggestion to clarify whether the group engagement file will need to have documentation about the competence and capabilities of expert and internal auditors involved at the component auditor level as such clarification would be better placed in ISA 600.
Engagement Performance (Paragraphs 29–38)	
30	<p>The Task Force did not accept a suggestion to refer to network firms or non-network firms in this requirement because, in accordance with ISQM1, it is the responsibility of the firm to provide the engagement team with resources regardless of where the firm obtains them from.</p> <p>The Task Force also received a question about the relationship between paragraphs 29 and 30. The Task Force noted that paragraph 29 sets the overall responsibility for direction, supervision and review – but the engagement partner does not need to perform all the direction, supervision and review. Paragraph 30 is more detailed as the engagement partner needs to determine that the direction, supervision and review is conducted in accordance with paragraph 30(a)-(c).</p>

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31	Terminology changed for consistent use of “during”/”throughout”
32	A suggestion was received to clarify that the engagement partner is required to document his or her review before issuing the audit opinion. The Task Force believes that ISA 230 adequately addresses timing of documentation.
33	Edits made for clarity.
34	A suggestion was received to clarify that the intent is not that all communications need to be reviewed. The Task Force believes that paragraph A94 is clear on this issue.
36	A suggestion was received to add a new requirement for the engagement partner to address any issues or questions raised by the engagement quality reviewer. The Task Force does not believe that such a requirement is necessary as it does not impose any additional obligations and paragraph 36(d) prohibits the auditor from dating the auditor’s report before the engagement quality review is complete.
Taking Overall Responsibility for Managing and Achieving Quality	
40	Reference to paragraph 11 deleted to remove circularity, as paragraph A111 refers to the need for compliance with the requirements of proposed ISA 220 (Revised).
Application Material	
Scope of this ISA (Paragraphs A1–A2)	
A1	Additional explanation of when ISA 600 may be useful. See Agenda Item 2 , Section I-C for further discussion.
The Firm’s System of Quality Management and Role of Engagement Teams (Paragraphs A3–A15)	
A4	Edits made to clarify that national requirements for a firm’s responsibilities to design, implement and operate a system of quality management are at least as demanding as proposed ISQM 1 when they address the requirements of ISQM 1 and impose

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	obligations on the firm to achieve the objective of proposed ISQM 1.
A5	Edit made for clarity.
A7	Edit made for consistency with paragraph 4.
A8, A10–A11	Amended to clarify that it refers to the engagement team's determination, and not just the engagement partner's.
A9	Amended to clarify linkage to paragraph 27 regarding sufficiency and appropriateness of resources made available to the firm.
A11	Suggestions were received to change reference from “firm’s policies or procedures” to “firm’s system of quality management” and to refer to “the outcome of applying the firm’s policies or procedures.” These were not accepted. As agreed by the IAASB ISA 220 should continue to use the terminology “firm’s policies and procedures” throughout the standard, except when directly referencing ISQM1.
A14	A suggestion was to make heading “Scalability” to be consistent with that used in other standards. The Task Force concluded that the existing heading should be retained as ED responses supported the headings.
Definitions (Paragraphs A16–A27)	
Former paragraph A15A	Paragraph A15A from the draft standard presented at the December 2019 IAASB Meeting was deleted and will be addressed in proposed ISA 600 (Revised). This is because it is not an overall consideration to be addressed in proposed ISA 220 (Revised).
A17	Last sentence deleted as the reference to ISA 330 is not necessary and may be confusing. See Agenda Item 2 , Section I-B for further discussion of this paragraph.
A18	Edits made to improve clarity.
A20	Edits made to clarify who performs audit procedures by providing examples.

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A22	Edits made for consistency (external expert is listed before internal auditor providing direct assistance) throughout proposed ISA 220 (Revised).
A23–A25	<p>These paragraphs were relocated from the Relevant Ethical Requirements section (former paragraphs A32A–A32C). The paragraphs were redrafted and new guidance added to make clear how the firm’s policies or procedures may be applied to members of the engagement team from who are not from the firm.</p> <p>See Agenda Item 2, Section I-B for further discussion.</p>
A26	A comment was received about whether the construct of this paragraph was consistent with the construct of the engagement team definition in paragraph 12(d). The Task Force examined both paragraphs and recommend no change.
Leadership Responsibilities for Managing and Achieving Quality on Audits (Paragraphs A28–A38)	
A29	Added reference to “the engagement team” for clarity and to better link to the example.
A31–A33	Edits made for consistency with other wording in proposed ISA 220 (Revised).
A32	A suggestion was received to remove the text in new paragraph A32 explaining how the firm may use technology to facilitate more effective communication between different parties, for example to support appropriate direction, supervision and review. The Task Force has retained the text as other commentators supported the additional material and consider that various forms of technology, including email and forms of videoconferencing, are still relevant examples. See also communications detailed in the draft illustrative example in Agenda Item 2-D .
A34	Edits made to clarify the engagement partner’s responsibility for demonstrating the exercise of professional skepticism and for consistency with other wording in proposed ISA 220 (Revised).
A35	<p>The Task Force notes that the list of impediments in paragraph A35 is not intended to cover all possible examples and made the following changes:</p> <ul style="list-style-type: none"> • Amended paragraph A35 to clarify that overreliance on templates and automated tools may create an impediment to the exercise of professional skepticism.

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	<ul style="list-style-type: none"> A suggestion to add references in paragraph A35 to the fundamental principles in the IESBA Code was not accepted as it was felt that this was too detailed for this section. A suggestion to link each impediment to a possible action was not accepted. Some of the possible actions may be taken for more than one impediment, such actions will depend on the nature and circumstances of the engagement and the list of possible actions is not exhaustive.
A36	<p>The Task Force has considered material in the IESBA “role and mindset” project and has amended certain of the examples of bias for greater consistency with the likely changes to the IESBA Code.</p> <p>Edit made for consistency with other wording in proposed ISA 220 (Revised).</p>
A37	<p>Edits made for clarity.</p> <p>A suggestion for guidance on audit reporting on matters addressed in the last bullet point was not accepted as the first three bullets in paragraph A35 may be used to address relevant impediments during the engagement.</p>
Former Paragraphs A29A and A30	<p>Paragraphs A29A and A30 from the draft standard wording presented at the December 2019 IAASB Meeting were moved to paragraphs 8 and 9 in the Introduction. This was to highlight more prominently how proposed ISA 220 (Revised) distinguishes between the requirements that are expressly intended to be fulfilled by the engagement partner, and those when the engagement partner is permitted to assign the design or performance of procedures, tasks or actions to appropriately skilled or suitably experienced members of the engagement team.</p> <p>See Agenda Item 2, Section I-A for discussion of specific clarifications made to the wording.</p>
A38	<p>A suggestion was received to elevate (a) to a requirement as it would be read as a requirement. The Task Force noted the comment and changed from an (a), (b), (c) structure to unnumbered bullet points “•” to avoid the inference that this may be more than application material. The Task Force notes that there are several references to varying the nature, timing and extent of direction, supervision and review throughout proposed ISA 220 (Revised), including paragraphs 30, A13, A30, A37, A75, A78, A85, A90–A92 and A108.</p>

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Relevant Ethical Requirements (Paragraphs A39–A49)	
A39	A suggestion was received to delete the last sentence of paragraph A39 as the reference to ISA 600 was not seen as being helpful. It was not accepted as the Task Force is responding to comments that further linkage to ISA 600 is helpful, including from IESBA. There was also a request for the Task Force to reevaluate references to “firm” in paragraphs A39–A47 to see if any should refer instead to “network firm.” The Task Force concluded that no changes needed to be made, as, in accordance with ISQM1 the engagement team deals with the firm, not the network firm.
A40	There was a request to remove references to money laundering, corruption or bribery, as these examples were seen to be overly specific. The Task Force noted that these examples were requested by a PIOB observer as being areas of law or regulation that may be overlooked by some auditors.
–	Paragraphs A32A–A32C from the draft standard wording presented at the December 2019 IAASB Meeting have been relocated to the paragraphs A23–A25 under a separate heading (and edits were made to improve clarity of the intent of the guidance and how it applies given different engagement team structures). The illustrative example in Agenda Item 2-D is also intended to clarify the application of this material.
A41	Edits made for clarity.
A42	Edit made for consistency with paragraph A11.
A49	Edit made for clarity.
Acceptance and Continuance (Paragraphs A50–A59)	
A54	Lead-in to examples amended for clarity.
A56	Edits made for consistency within the paragraph.

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Engagement Resources (Paragraphs A60–A76)	
A61	Edit made to remove hidden requirement.
A62	Edit made for clarity.
A65	Edits made for clarity and to give further examples of actions that may be required by the firm's policies or procedures when using a technological resource that has not been approved by the firm.
A66	<p>Edit made for consistency with ISQM 1. A new example was added to provide further context.</p> <p>There was also a request to clarify the intent of the second bullet. The Task believes that further explanation would be too detailed for this standard. There was also a question as to whether the third bullet applies only to firm personnel. The Task Force intends for it to apply to firm personnel, as the paragraph deals with firm's approval of a technological resource.</p>
A71	Change made to address question about the circumstances when a project manager may be part of the engagement team.
A72	<p>Edits made in the lead-in for clarity.</p> <p>Removed reference to the assistance that project management may provide to the engagement partner because the term "assist" leaves open whether the project manager is performing audit procedures. The amendments to A71 described above provide a better explanation of how a project manager may be used in different engagements.</p>
A75	Moved up last bullet to reflect that changing the planned approach to the nature, timing, and extent of direction, supervision, and review is likely to be the first action taken in response to the requirement in paragraph 27.
A76	<p>Edits for clarity.</p> <p>There was a suggestion to clarify what the reference to the public interest is intended to convey. Public sector respondents did not raise concerns with this paragraph presumably as addressing the public interest is commonly understood by auditors of public sector entities.</p>

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Engagement Performance (Paragraphs A77–A103)	
Former paragraph A71A	Relocated former paragraph A71A from the draft standard wording presented at the December 2019 IAASB Meeting to paragraph A92.
A77	Incorporated into A90.
A81	Edits made for consistency.
A85	Edit made for clarity.
A86	Wording aligned with proposed change to ISA 300 (from ISA 600 conforming changes).
A88	Edit made for clarity.
A90	Moved material from former paragraph A77 from the draft standard wording presented at the December 2019 IAASB Meeting to this paragraph to remove duplication.
A91	Edit made to remove duplication with paragraph 30.
A92	Relocated from paragraph A71A and edited in response to question about whether the risk is at the financial statement level or at the assertion level. The Task Force notes that it is at the financial statement level as the paragraph is about the overall direction, supervision and review.
A94	There was a suggestion that this paragraph could be read as overriding paragraph 34 due to the reference to professional judgment. The Task Force noted the construct of this paragraph is similar to that used in other ISAs ⁴ in that it notes the role that professional judgment plays in determining which written communications are within the scope of paragraph 34.
–	Paragraph A83B from the draft standard wording presented at the December 2019 IAASB Meeting is included in Agenda

⁴ See, for example, paragraph A50 of ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and paragraph A15 of ISA 265, *Communicating Deficiencies in Internal Control to Those Charge With Governance and Management*.

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	Item 3-B , paragraph A120.
A96	Wording changed to clarify that it is not intended to be absolute.
A99	Deleted last sentence as it is addressed in paragraph 3.
A100	Amended for consistency with ISA 700 wording.
Taking Overall Responsibility for Managing and Achieving Quality (Paragraphs A110–A112)	
Documentation (Paragraphs A113–A116)	
A114	Edit made for clarity and to note that signoffs and records of the time the engagement partner spent is an example of how the engagement partner can support fulfilling the stand-back requirement in paragraph 40.