

Conforming Amendments to ISAs Arising from Quality Management Projects:

Appendix 2

Updated From Posted Agenda Item 6

Note to IAASB: This paper shows final alignment changes to the conforming amendments arising from revisions to the Quality Management standards arising from the Board discussion in the week of September 14th, 2020, updating of paragraph cross-references, and minor editorials. New changes since those in posted Agenda Item 6 are highlighted in green. Footnotes will be renumbered when the changes are made to the IAASB's Handbook.

Preface to the International Quality ~~Control~~ Management, Auditing, Review, Other Assurance, and Related Services Pronouncements

Introduction

1. This preface to the *International Quality ~~Control~~ Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* is issued to facilitate understanding of the scope and authority of the pronouncements the International Auditing and Assurance Standards Board (IAASB) issues, as set forth in the IAASB's Terms of Reference.

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The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board

10. International Standards on Quality ~~Control~~ Management (ISQCMs) are to be applied for all services falling under the IAASB's Engagement Standards.

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International Standards on Quality ~~Control~~ Management

12. ISQCMs are written to apply to firms in respect of all their services falling under the IAASB's Engagement Standards. The authority of ISQCMs is set out in the introduction to ~~the~~ each ISQCM.⁴⁸⁻¹⁰

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Applicability of the International Standards

19. International Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:
 - (a) Within the body of an International Standard in the case of ISAs and ISQCMs; or
 - (b) In a Public Sector Perspective (PSP) appearing at the end of other International Standards.

¹⁰ ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph ~~48-10~~ and ISQM 2, Engagement Quality Reviews

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ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing

Introduction

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Requirements

Ethical Requirements Relating to an Audit of Financial Statements

14. The auditor shall comply with relevant ethical requirements, including those ~~pertainin~~related to independence, relating to financial statement audit engagements. (Ref: Para. A16–A19)

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Application and Other Explanatory Material

Ethical Requirements Relating to an Audit of Financial Statements (Ref: Para. 14)

A19. International Standard on Quality Control/Management (ISQCM) 1,⁴⁹¹¹ or national requirements that are at least as demanding,²⁹¹² deal with the firm's responsibilities to ~~establish~~design, implement and maintain its~~operate~~ a system of quality control for audit engagements. ISQC 1 sets out the responsibilities of management that provides the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel ~~comply~~fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements. As part of its system of quality management, ISQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those pertainingrelated to independence.²⁴¹³ ISA 220 (Revised) sets out the engagement partner's responsibilities with respect to relevant ethical requirements, including those related to independence.²²¹⁴ These include remaining alert, through observation and making inquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team, determining the appropriate action if matters come to the engagement partner's attention that indicate that members of the engagement team have breached relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement.⁴⁵²³ ISA 220 recognizes that the engagement team is entitled to rely on a firm's system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm

¹¹ ISQCM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements*

¹² ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*, paragraph 23

¹³ ISQCM 1, paragraph 20–25

¹⁴ ISA 220 (Revised), paragraphs 16–21, 44–49

⁴⁵ ISA 220, paragraphs 9–12

~~or other parties suggests otherwise.~~ ISA 220 (Revised) also describes when the engagement team may depend on the firm's policies or procedures in managing and achieving quality at the engagement level.^{16,23}

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Professional Judgment (Ref: Para. 16)

A27. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the auditor. Consultation on difficult or contentious matters during the course of the audit, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, such as that required by ISA 220 (Revised),^{17,24} assist the auditor in making informed and reasonable judgments.

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Sufficient Appropriate Audit Evidence and Audit Risk (Ref: Para. 5 and 17)

Sufficiency and Appropriateness of Audit Evidence

A30. Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit^{25,18}) or through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement ~~firm's quality control procedures for client acceptance or continuance~~. In addition to other sources inside and outside the entity, the entity's accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions. In addition, in some cases, the absence of information (for example, management's refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence. Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence.

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Conduct of an Audit in Accordance with ISAs

Contents of the ISAs (Ref: Para. 19)

A64. An ISA may include, in a separate section under the heading "Definitions," a description of the meanings attributed to certain terms for purposes of the ISAs. These are provided to assist in the consistent application and interpretation of the ISAs, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the ISAs. The Glossary of Terms relating to International Standards issued by the International Auditing and Assurance Standards

¹⁶ ISA 220, paragraph A104

¹⁷ ISA 220 (Revised), paragraph 4~~8~~35

¹⁸ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 16

Board in the *Handbook of International Quality Control Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* published by IFAC contains a complete listing of terms defined in the ISAs. It also includes descriptions of other terms found in ISAs to assist in common and consistent interpretation and translation.

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ISA 210, *Agreeing the Terms of Audit Engagements*

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes establishing that certain preconditions for an audit, responsibility for which rests with management and, where appropriate, those charged with governance, are present. ISA 220 (Revised)^{25A19} deals with those aspects of engagement acceptance that are within the control of the auditor. (Ref: Para. A1)

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Requirements

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Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

A1. ~~ISQM 1^{25B20} deals with the firm's responsibilities regarding the acceptance and continuance of client relationships and specific engagements. Assurance engagements, which include audit engagements, may only be accepted when the practitioner considers that relevant ethical requirements such as independence and professional competence will be satisfied, and when the engagement exhibits certain characteristics.~~^{25B21} The auditor's responsibilities in respect of relevant ethical requirements, including those related to independence, in the context of the acceptance of an audit engagement and ~~in-so-far-insofar~~ as they are within the control of the auditor are dealt with in ISA 220 (Revised).²⁶²² This ISA deals with those matters (or preconditions) that are within the control of the entity and upon which it is necessary for the auditor and the entity's management to agree.

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ISA 230, *Audit Documentation*

Introduction

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¹⁹ ISA 220 (Revised), *Quality Control Management for an Audit of Financial Statements*

²⁰ ISQM 1, paragraph 4.3

²¹ ~~International Framework for Assurance Engagements~~, paragraph 17

²² ISA 220 (Revised), paragraphs 9–11, 16–21

Nature and Purposes of Audit Documentation

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3. Audit documentation serves a number of additional purposes, including the following:
- Assisting the engagement team to plan and perform the audit.
 - Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with ISA 220 (Revised).²⁷²³
 - Enabling the engagement team to be accountable for its work.
 - Retaining a record of matters of continuing significance to future audits.
 - Enabling the conduct of engagement quality control reviews,²⁸²⁴ other types of engagement reviews²⁵ and monitoring activities under the firm's system of quality management inspections in accordance with ISQC 1²⁹²⁶ or national requirements that are at least as demanding.³⁰²⁷
 - Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

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Requirements

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Application and Other Explanatory Material

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

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Form, Content and Extent of Audit Documentation (Ref: Para. 8)

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Documentation of Compliance with ISAs (Ref: Para. 8(a))

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- A7. Audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:
- The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.

²³ ISA 220 (Revised), *Quality Control for an Audit of Financial Statements*, paragraphs 15–17, 29–33

²⁴ International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

²⁵ ISQM 1, paragraph 8, 32–34

²⁶ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraphs 32–33, 35–38, and 48

²⁷ ISA 220, paragraph 2

- The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance.
- An auditor's report containing an appropriately qualified opinion on the financial statements demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs.
- In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:
 - For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with the ISAs. For example, in relation to accounting estimates, when the audit evidence obtained includes evidence that both corroborates and contradicts management's assertions, documenting how the auditor evaluated that evidence, including the professional judgments made in forming a conclusion as to the sufficiency and appropriateness of the audit evidence obtained.
 - Similarly, that the engagement partner has taken responsibility for the nature, timing and extent of direction, and supervision and performance of the audit in compliance with engagement team and the ISAs review of their work performed²⁸ may be evidenced in a number of ways within the audit documentation. This may include documentation of that evidences the engagement partner's timely sufficient and appropriate involvement in aspects of the audit, such as participation in the engagement team discussions required by ISA 315 (Revised 2019).^{34,29}

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A13. ISA 220 (Revised) contains requirements and guidance on the requires the auditor to review the audit work performed through review of the audit documentation.^{32,30} The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

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Matters Arising after the Date of the Auditor's Report (Ref: Para. 13)

A20. Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor's report but which existed at that date and which, if known at that date, might have caused the financial statements to be amended or the auditor to modify the opinion in the auditor's report.^{33,31} The resulting changes to the audit documentation are reviewed in accordance with the review responsibilities set out in ISA 220 (Revised),^{34,32} with the engagement partner taking final responsibility for the changes.

²⁸ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraph 29

²⁹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 17

³⁰ ISA 220 (Revised), paragraphs 4729–32

³¹ ISA 560, *Subsequent Events*, paragraph 14

³² ISA 220 (Revised), paragraph 4629–34

Assembly of the Final Audit File (Ref: Para. 14–16)

A21. ISQGM 1 (or national requirements that are at least as demanding) requires firms' systems of quality management to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement reports have been finalized for the timely completion of the assembly of audit files.³⁵³³ An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.³⁶³⁴

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A23. ISQGM 1 (or national requirements that are at least as demanding) requires firms' systems of quality management to establish a quality objective to address the appropriate maintenance and retention of engagement documentation to meet the needs of the firm and to comply with law, regulation, relevant ethical requirements, or other professional standards.³⁷³⁵ The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report on the group financial statements, when applicable.³⁸³⁶

A24. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal activities or external parties inspections.

Appendix (Ref: Para. 1)

Specific Audit Documentation Requirements in Other ISAs

This appendix identifies paragraphs in other ISAs that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 210, *Agreeing the Terms of Audit Engagements* – paragraphs 10–12
- ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements* – paragraphs 24–41

ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Introduction

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Requirements

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³³ ISQGM 1, paragraph 45 ³⁵³³ (f)

³⁴ ISQGM 1, paragraph A54 ³⁶³⁴

³⁵ ISQGM 1, paragraph 47 ³⁷³⁵ (f)

³⁶ ISQGM 1, paragraph A64 ³⁸³⁶

Application and Other Explanatory Material

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Evaluating the Implications of Identified or Suspected Non-Compliance (Ref: Para. 22)

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A25. In certain circumstances, the auditor may consider withdrawing from the engagement, where permitted by law or regulation, for example when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances or the identified or suspected non-compliance raises questions regarding the integrity of management or those charged with governance, even when the non-compliance is not material to the financial statements. The auditor may consider it appropriate to obtain legal advice to determine whether withdrawal from the engagement is appropriate. When the auditor determines that withdrawing from the engagement would be appropriate, doing so would not be a substitute for complying with other responsibilities under law, regulation or relevant ethical requirements to respond to identified or suspected non-compliance. Furthermore, paragraph A9~~A49A54~~ of ISA 220 (Revised)³⁹³⁷ indicates that some ethical requirements may require the predecessor auditor, upon request by the proposed successor auditor, to provide information regarding non-compliance with laws and regulations to the successor auditor.

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ISA 260 (Revised), *Communication with Those Charged with Governance*

Introduction

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Requirements

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Application and Other Explanatory Material

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Matters to Be Communicated

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Significant Findings from the Audit (Ref: Para. 16)

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Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(e))

A28. To the extent not already addressed by the requirements in paragraphs 16(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality control reviewer, if one has been appointed, in accordance with ISA 220.⁴⁰³⁸

³⁷ ISA 220, *Quality Control for an Audit of Financial Statements*

³⁸ See paragraphs 19–22 and A23–A33 of ISA 220, *Quality Control for an Audit of Financial Statements*.

Auditor Independence (Ref: Para. 17)

A29. The auditor is required to comply with relevant ethical requirements, including those ~~pertaining~~related to independence, relating to financial statement audit engagements.³⁹

Appendix 1

Specific Requirements in ISQCM~~1~~ and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQCM~~1~~⁴⁴⁴⁰ and other ISAs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISQCM~~1~~, *Quality ~~Control~~Management for Firms that Perform Audits ~~and~~ Reviews of Financial Statements, ~~and~~ Other Assurance ~~and~~ Related Services Engagements* – paragraph 30(a) ~~4440A310~~

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ISA 300, *Planning an Audit of Financial Statements*

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to plan an audit of financial statements. This ISA is written in the context of recurring audits. Additional considerations in an initial audit engagement are separately identified.

The Role and Timing of Planning

2. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate~~Quality~~ management at the engagement level in accordance with ISA 220 (Revised), in conjunction with adequate planning in accordance with this ISA, benefits the audit of financial statements in several ways, including the following: (Ref: Para. A1A0–A3)
 - Helping the auditor to devote appropriate attention to important areas of the audit.
 - Helping the auditor identify and resolve potential problems on a timely basis.
 - Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner.
 - Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them.
 - Facilitating the direction and supervision of engagement team members and the review of their work.

³⁹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

⁴⁰ ISQCM~~1~~, *Quality ~~Control~~Management for Firms that Perform Audits ~~and~~ Reviews of Financial Statements, ~~and~~ Other Assurance ~~and~~ Related Services Engagements*

- Assisting, where applicable, in coordination of work done by auditors of components and experts.

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Requirements

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Preliminary Engagement Activities

6. The auditor shall undertake the following activities at the beginning of the current audit engagement:
 - (a) Performing procedures required by ISA 220 (Revised) regarding the acceptance and continuance of the client relationship and the specific audit engagement;⁴²⁴¹
 - (b) Evaluating compliance with relevant ethical requirements, including those related to independence, in accordance with ISA 220 (Revised);⁴³⁴² and
 - (c) Establishing an understanding of the terms of the engagement, as required by ISA 210.⁴⁴⁴³ (Ref: Para. A5–A7)

Planning Activities

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8. In establishing the overall audit strategy, the auditor shall consider the information obtained from complying with the requirements of ISA 220 (Revised) and:
 - (a) Identify the characteristics of the engagement that define its scope;
 - (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
 - (c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;
 - (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and
 - (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement.^{44A44} (Ref: Para. A8–A11)
9. The auditor shall develop an audit plan that shall include a description of:
 - (a) The nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work. (Ref: Para. A16–A17)

⁴¹ ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*, paragraphs ~~12–13~~22–24

⁴² ISA 220 (Revised), paragraphs ~~9–11~~16–21

⁴³ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraphs 9–13

⁴⁴ ISA 220 (Revised), paragraph 25

- (ab) The nature, timing and extent of planned risk assessment procedures, as determined under ISA 315 (Revised 2019).^{44A45}
- (bc) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330.^{44B46}
- (ed) Other planned audit procedures that are required to be carried out so that the engagement complies with ISAs. (Ref: Para. A12-A14)

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~~11. The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work as required by ISA 220 (Revised). (Ref: Para. A16–A17)~~

11A. The engagement partner shall review the overall audit strategy and audit plan.

Documentation

- 12. The auditor shall include in the audit documentation.^{44D47}
 - (a) The overall audit strategy;
 - (b) The audit plan; and
 - (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, including any significant changes to the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work,^{44E48} and the reasons for such changes. (Ref: Para. A18–A21)

Additional Considerations in Initial Audit Engagements

- 13. The auditor shall undertake the following activities prior to starting an initial audit:
 - (a) Performing procedures required by ISA 220 (Revised) regarding the acceptance of the client relationships and the specific audit engagements;⁴⁵⁴⁹ and
 - (b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements. (Ref: Para. A22)

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Application and Other Explanatory Material

A0. ISA 220 (Revised) deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner. Information obtained from complying with the requirements of ISA 220 (Revised) is relevant to this ISA. For example, in accordance with ISA 220 (Revised), the engagement partner is required to determine that sufficient and appropriate

⁴⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁴⁶ ISA 330, *The Auditor's Responses to Assessed Risks*

⁴⁷ ISA 230, *Audit Documentation*, paragraphs 8–11, and A6

⁴⁸ ISA 220 (Revised), paragraphs ~~29–34~~30 and A92–A93

⁴⁹ ISA 220 (Revised), paragraphs ~~42–43~~22–24

resources to perform the engagement have been assigned or made available to the engagement team, given taking into account the nature and circumstances of the audit engagement. Such a determination is directly relevant when ascertaining the nature, timing and extent of resources necessary to perform the engagement in the overall strategy, as required by paragraph 8 of this ISA.

The Role and Timing of Planning (Ref: Para. 2)

A1. The nature and extent of planning activities will vary according to the size and complexity of the entity, the key engagement team members' previous experience with the entity, and changes in circumstances that occur during the audit engagement. In planning the audit, the auditor may use project management techniques and tools. ISA 220 (Revised)⁴⁶⁵⁰ describes how such techniques and tools may support the ~~engagement partner and the other members of the~~ engagement team in managing the quality of the engagement.

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A3. The auditor may decide to discuss elements of planning with the entity's management to ~~facilitate the conduct and management of the audit engagement~~ help the auditor manage and achieve quality at the engagement level (for example, to coordinate some of the planned audit procedures with the work of the entity's personnel). Although these discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussing matters included in the overall audit strategy or audit plan, care is required in order not to compromise the effectiveness of the audit. For example, discussing the nature and timing of detailed audit procedures with management may compromise the effectiveness of the audit by making the audit procedures too predictable.

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Preliminary Engagement Activities (Ref: Para. 6)

A5. Performing the preliminary engagement activities specified in paragraph 6 at the beginning of the current audit engagement assists the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to ~~plan and perform the audit engagement~~ manage and achieve quality at the engagement level in accordance with ISA 220 (Revised).

A6. Performing these preliminary engagement activities enables the auditor to plan an audit engagement ~~for which~~ in order to, for example:

- ~~The auditor maintains~~ Maintain the necessary independence and ability to perform the engagement.
- ~~There~~ Determine that there are no issues with management integrity that may affect the auditor's willingness to continue the engagement.
- ~~There~~ Determine that there is no misunderstanding with the client as to the terms of the engagement.

~~A7. The auditor's consideration of client continuance and relevant ethical requirements, including independence, occurs throughout the audit engagement as conditions and changes in circumstances occur. Performing initial procedures on both client continuance and evaluation of relevant ethical requirements (including independence) at the beginning of the current audit engagement means that~~

⁵⁰ ISA 220 (Revised), paragraphs A743–A724

they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

Planning Activities

The Overall Audit Strategy (Ref: Para. 7–8)

A8. The process of establishing the overall audit strategy ~~assists the auditor to determine~~, subject to the completion of the auditor's risk assessment procedures, may include such matters as:

- The nature of resources (human, technological or intellectual) to ~~deploy~~ be deployed for specific audit areas, ~~such as. For example, the use~~ deployment of appropriately experienced team members for high risk areas, or the ~~involvement~~ assignment of experts ~~to~~ address complex matters;
- The amount of resources to ~~allocate~~ be allocated to specific audit areas, ~~such as. For example,~~ the number of team members assigned to ~~observe~~ attend the physical inventory count at ~~material~~ multiple locations, the extent of review of other auditors' work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
- When these resources are to be deployed, such as whether at an interim audit stage or at key cutoff dates; and
- How such resources are ~~managed, directed and, supervised,~~ such as or used. For example, when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site), ~~and whether to complete engagement quality reviews.~~

A8A. ISA 220 (Revised) contains requirements and guidance on engagement resources and engagement performance (including direction and supervision of the members of the engagement team and the review of their work).

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Direction, Supervision and Review (Ref: Para. 11)

A16. ISA 220 (Revised) deals with ~~establishes requirements and provides guidance on~~ the engagement partner's responsibility for the nature, timing and extent of direction and supervision of the members of the engagement team and the review of their work.^{47/51} ~~The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors, including:~~

- ~~The size and complexity of the entity.~~
- ~~The area of the audit.~~
- ~~The assessed risks of material misstatement (for example, an increase in the assessed risk of material misstatement for a given area of the audit ordinarily requires a corresponding increase in the extent and timeliness of direction and supervision of engagement team members, and a more detailed review of their work).~~

⁵¹ ISA 220 (Revised), paragraphs 29–31

- ~~The capabilities and competence of the individual team members performing the audit work.~~ ISA 220 contains further guidance on the direction, supervision and review of audit work.^{48 52}

Considerations Specific to Smaller Entities

~~A17. If an audit is carried out entirely by the engagement partner, questions of direction and supervision of engagement team members and review of their work do not arise. In such cases, the engagement partner, having personally conducted all aspects of the work, will be aware of all material issues. Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performs the entire audit. If particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to consult with other suitably experienced auditors or the auditor's professional body.~~

Documentation (Ref: Para. 12)

A18. The documentation of the overall audit strategy is a record of the key decisions ~~considered necessary to properly plan the audit and~~ in managing quality at the engagement level and a means to communicate significant matters to the engagement team. For example, the auditor may summarize the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.

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A20A. Documentation of the direction and supervision of engagement team members and the review of their work in accordance with ISA 220 (Revised) may also provide a record of the significant changes to the planned nature, timing and extent of the direction, supervision and review.

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Additional Considerations in Initial Audit Engagements (Ref: Para. 13)

A22. The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For an initial audit engagement, additional matters the auditor may consider in establishing the overall audit strategy and audit plan include the following:

- Unless prohibited by law or regulation, arrangements to be made with the predecessor auditor, for example, to review the predecessor auditor's working papers.
- Any major issues (including the application of accounting principles or of auditing and reporting standards) discussed with management in connection with the initial selection as auditor, the communication of these matters to those charged with governance and how these matters affect the overall audit strategy and audit plan.
- The audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances.^{49 53}

⁵² ~~ISA 220, paragraphs 15–17~~

⁵³ ISA 510, *Initial Audit Engagements—Opening Balances*

- Other ~~procedures required~~ responses designed and implemented by the firm's system of quality control ~~firm~~ for initial audit engagements (for ~~example, e.g.,~~ the firm's system of quality control ~~management~~ may include responses that require the involvement of another partner or senior individual with appropriate authority to review the overall audit strategy prior to commencing significant audit procedures or to review reports prior to their issuance).

Appendix

(Ref: Para. 7–8, A8–A11)

Considerations in Establishing the Overall Audit Strategy

This appendix provides examples of matters the auditor may consider in ~~establishing the overall audit strategy~~ managing quality at the engagement level. Many of these matters will ~~also~~ influence the auditor's overall audit strategy and detailed audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required by other ISAs, not all matters are relevant to every audit engagement and the list is not necessarily complete.

Nature, Timing and Extent of Resources

- The ~~selection~~ human, technological and intellectual resources assigned or made available to the engagement (e.g., assignment of the engagement team (including, where necessary, the engagement quality control reviewer) and the assignment of audit work to the team members, including the assignment of appropriately experienced team members to areas where there may be higher risks of material misstatement).
- Engagement budgeting, including considering the appropriate amount of time to set aside for areas where there may be higher risks of material misstatement.

...

ISA 315 (Revised 2019)

...

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities

...

Other Relevant Sources

Information from Other Sources

A38. Other relevant sources of information include:

- The auditor's procedures regarding acceptance or continuance of the client relationship or the audit engagement in accordance with ISA 220 (Revised), including the conclusions reached thereon.⁵⁴

⁵⁴ ISA 220, *Quality Control* ~~Management~~ for an Audit of Financial Statements, paragraphs ~~4222–24~~

...

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 28–37)

...

Industry, Regulatory and Other External Factors (Ref: Para. 19(a)(ii))

Industry Factors

...

A69. The industry in which the entity operates may give rise to specific risks of material misstatement arising from the nature of the business or the degree of regulation.

Example:

In the construction industry, long-term contracts may involve significant estimates of revenues and expenses that give rise to risks of material misstatement. In such cases, it is important that the engagement team include members with ~~sufficient relevant knowledge and experience~~ the appropriate competence and capabilities.⁵⁵

Assessing Risks of Material Misstatement at the Assertion Level

Significant Risks (Ref: Para. 32)

Why significant risks are determined and the implications for the audit

A218. The determination of significant risks allows for the auditor to focus more attention on those risks that are on the upper end of the spectrum of inherent risk, through the performance of certain required responses, including:

- ...
- Timely review of audit documentation by the engagement partner at the appropriate stages during the audit allows significant matters, including significant risks, to be resolved on a timely basis to the engagement partner's satisfaction on or before the date of the auditor's report.⁵⁶...

...

ISA 500, Audit Evidence

...

Application and Other Explanatory Material

Sufficient Appropriate Audit Evidence (Ref: Para. 6)

...

⁵⁵ ISA 220 (Revised), paragraphs 44–25–~~26~~ ~~27~~.

⁵⁶ ISA 220 (Revised), paragraphs 47–32 and A49–A87.

A5. Audit evidence is necessary to support the auditor’s opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has evaluated whether such information remains relevant and reliable as audit evidence for the current audit^{50 57}) or ~~a firm’s quality control procedures for client acceptance and continuance~~through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement. In addition, the entity’s accounting records and other sources internal to the entity are important sources of audit evidence. Information that may be used as audit evidence may have been prepared using the work of a management’s expert or be obtained from an external information source. Audit evidence comprises both information that supports and corroborates management’s assertions, and any information that contradicts such assertions. In addition, in some cases the absence of information (for example, management’s refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence.

...

Information to Be Used as Audit Evidence

Relevance and Reliability (Ref: Para. 7)

A30. As noted in paragraph A1, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources ~~such as, for example, previous audits, in certain circumstances, a firm’s quality control procedures for client acceptance and continuance and~~through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement and in complying with certain additional responsibilities under law, regulation or relevant ethical requirements (e.g., regarding an entity’s non-compliance with laws and regulations). The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

...

ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Introduction

...

Requirements

...

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities

Specialized Skills or Knowledge (Ref: Para. 15)

⁵⁷ ISA 315 (Revised 2019), paragraph 16

A61. Matters that may affect the auditor's determination of whether the engagement team requires specialized skills or knowledge, include, for example:⁵⁴⁻⁵⁸

- The nature of the accounting estimates for a particular business or industry (for example, mineral deposits, agricultural assets, complex financial instruments, insurance contract liabilities).

...

ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Introduction

Scope of this ISA

...

4. In accordance with ISA 220 (Revised),⁵²⁻⁵⁹ the group engagement partner is required to ~~determine~~^{be satisfied} that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities, including sufficient time. The group engagement partner is also responsible for the direction ~~and~~, supervision ~~of members of the group engagement team~~ and ~~performance of the group audit engagement~~review of their work.⁶⁰

5. The group engagement partner applies the requirements of ISA 220 (Revised) regardless of whether the group engagement team or a component auditor performs the work on the financial information of a component. This ISA assists the group engagement partner to meet the requirements of ISA 220 (Revised) where component auditors perform work on the financial information of components.

...

Requirements

12. In applying ISA 220 (Revised), the group engagement partner shall determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained in relation to the consolidation process and the financial information of the components on which to base the group audit opinion. For this purpose, the group engagement team shall obtain an understanding of the group, its components, and their environments that is sufficient to identify components that are likely to be significant components. Where component auditors will perform work on the financial information of such components, the group engagement partner shall evaluate whether the group engagement team will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence. (Ref: Para. A10–A12)

...

⁵⁸ ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*, paragraphs 4425–26 and ISA 300, *Planning an Audit of Financial Statements*, paragraph 8(e)

⁵⁹ ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*, paragraphs 25–26

⁶⁰ ISA 220 (Revised), paragraphs 29–31

ISA 610 (Revised 2013), *Using the Work of Internal Auditors*

...

Requirements

...

Using Internal Auditors to Provide Direct Assistance

...

34. The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220 (Revised)^{53 61}. In so doing:
- (a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this ISA; and
 - (b) The review procedures shall include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors.

The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor ~~to determine to be satisfied~~ that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. (Ref: Para. A40–A41)

Application and Other Explanatory Material

...

Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used

Evaluating the Internal Audit Function

...

Application of a Systematic and Disciplined Approach (Ref: Para. 15(c))

...

- A11. Factors that may affect the external auditor's determination of whether the internal audit function applies a systematic and disciplined approach include the following:
- The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.
 - Whether the internal audit function has appropriate quality control policies and procedures, for example, ~~such as these policies and procedures in ISQC 1~~^{54 62} that would be applicable to an

⁶¹ ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*

⁶² ~~International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*~~

internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

ISA 620, *Using the Work of an Auditor's Expert*

Introduction

Scope of this ISA

...

2. This ISA does not deal with:

- (a) Situations where the engagement team includes a member, or consults an individual or organization, with expertise in a specialized area of accounting or auditing, which are dealt with in ISA 220 (Revised);⁵⁶⁶³ or
- (b) The auditor's use of the work of an individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements (a management's expert), which is dealt with in ISA 500.⁵⁶⁶⁴

...

Requirements

...

Nature, Timing and Extent of Audit Procedures

8. The nature, timing and extent of the auditor's procedures with respect to the requirements in paragraphs 9–13 of this ISA will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)
- (a) The nature of the matter to which that expert's work relates;
 - (b) The risks of material misstatement in the matter to which that expert's work relates;
 - (c) The significance of that expert's work in the context of the audit;
 - (d) The auditor's knowledge of and experience with previous work performed by that expert; and
 - (e) Whether that expert is subject to the auditor's firm's system of quality control policies and proceduresmanagement. (Ref: Para. A11–A13)

...

Application and Other Explanatory Material

Determining the Need for an Auditor's Expert (Ref: Para. 7)

⁶³ ISA 220 (Revised), *Quality Control Management for an Audit of Financial Statements*, paragraphs A11, A21–A23A1920

⁶⁴ ISA 500, *Audit Evidence*, paragraphs A45–A59

...

- A6. If the preparation of the financial statements involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit those financial statements. The engagement partner is required to ~~determine~~ ~~be satisfied~~ that the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.⁵⁷⁶⁵ Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement.⁵⁸⁶⁶ The auditor's determination of whether to use the work of an auditor's expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor's expert.
- A7. An auditor who is not an expert in a relevant field other than accounting or auditing may nevertheless be able to obtain a sufficient understanding of that field to perform the audit without an auditor's expert. This understanding may be obtained through, for example:

...

- Education or professional development in the particular field. This may include formal courses, or discussion with individuals possessing expertise in the relevant field for the purpose of enhancing the auditor's own capacity to deal with matters in that field. Such discussion differs from consultation with an auditor's expert regarding a specific set of circumstances encountered on the engagement where that expert is given all the relevant facts that will enable the expert to provide informed advice about the particular matter.⁶⁷

...

Nature, Timing and Extent of Audit Procedures (Ref: Para. 8)

- A10. The nature, timing and extent of audit procedures with respect to the requirements in paragraphs 9–13 of this ISA will vary depending on the circumstances. For example, the following factors may suggest the need for different or more extensive procedures than would otherwise be the case:
- The work of the auditor's expert relates to a significant matter that involves subjective and complex judgments.
 - The auditor has not previously used the work of the auditor's expert, and has no prior knowledge of that expert's competence, capabilities and objectivity.
 - The auditor's expert is performing procedures that are integral to the audit, rather than being consulted to provide advice on an individual matter.
 - The expert is an auditor's external expert and is not, therefore, subject to the firm's system of quality control policies and procedures management.

The Auditor's Firm's System of Quality Control Policies and Procedures Management (Ref: Para. 8(e))

⁶⁵ ISA 220 (Revised), paragraph 44~~25~~–28

⁶⁶ ISA 300, *Planning an Audit of Financial Statements*, paragraph 8(e)

⁶⁷ ISA 220, paragraph A22 ~~ISA 220, A10~~

- A11. An auditor's internal expert may be a partner or staff (i.e., personnel), including temporary staff, of the auditor's firm, and therefore subject to the system of quality control policies and procedures management of that firm in accordance with ISQM 1⁶⁹⁶⁸ or national requirements that are at least as demanding.⁶⁹⁶⁹ ~~Alternatively, an~~ An auditor's internal expert may also be a partner or staff, including temporary staff, of a network firm, and is subject to the firm's policies or procedures for network requirements and network services in accordance with ISQM 1. In some instances, the auditor's internal expert of a network firm may be subject to which may share common quality control management policies and/or procedures as the auditor's firm, given that they are part of the same network.
- A12. ISQM 1 requires the firm to address the use of resources from a service provider, which includes the use of an external expert.^{69A70} ~~An auditor's external expert is not a member of the engagement team and it may not be~~ subject to quality control policies and procedures in accordance with ISQC 1.⁶⁴⁷⁴ ~~In some jurisdictions, however, the firm's policies or procedures under its system of quality management.~~⁶²⁷² Furthermore, the firm's policies or procedures for relevant ethical requirements may include policies or procedures that apply to the auditor's external expert.^{63A73} In some cases, Relevant ethical requirements or law or regulation may require that an auditor's external expert be:
- Treated as a member of the engagement team (i.e., the external expert may therefore be subject to relevant ethical requirements, including those ~~pertainin~~g~~related~~ to independence);
or
 - Subject to other professional requirements, as determined by that law or regulation.
- A13. ~~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.~~⁶⁴⁷⁴ ~~The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor's procedures with respect to such matters as~~ As described in ISA 220 (Revised),⁶⁶ quality management at the engagement level is supported by the firm's system of quality management and informed by the specific nature and circumstances of the audit engagement.⁷⁵ ~~The~~ For example, the auditor may, for example, be able to depend on the firm's related policies or procedures in respect of:
- Competence and capabilities, through recruitment and training programs.
 - Objectivity. Auditor's internal experts are subject to relevant ethical requirements, including those ~~pertainin~~g~~relating~~ to independence.
 - The auditor's evaluation of the adequacy of the auditor's expert's work. For example, the firm's training programs may provide auditor's internal experts with an appropriate understanding of

⁶⁸ ISQM 1, Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements, paragraph 42 ~~311 (a)~~

⁶⁹ ISA 220 (Revised), paragraph 23

⁷⁰ ISQM 1, paragraph 3 ~~311 (a)~~

⁷¹ ISQC 1, paragraph 12(f)

⁷² ISQM 1, paragraph 1 ~~311 (a)~~ (f)

⁷³ ISQM 1, paragraph ~~311 (a)~~ (b)

⁷⁴ ISA 220, paragraph 4

⁷⁵ ISA 220 (Revised), paragraph A4

the interrelationship of their expertise with the audit process. Reliance on such training and other firm processes, such as protocols for scoping the work of auditor's internal experts, may affect the nature, timing and extent of the auditor's procedures to evaluate the adequacy of the auditor's expert's work.

- Adherence to regulatory and legal requirements, through monitoring processes.
- Agreement with the auditor's expert.

~~Such reliance~~ Matters that the auditor may take into account when determining whether to depend on the firm's policies or procedures are described in ISA 220 (Revised), ~~55A76~~ 55A76. Depending on the firm's policies or procedures does not reduce the auditor's responsibility to meet the requirements of this ISA.

The Competence, Capabilities and Objectivity of the Auditor's Expert (Ref: Para. 9)

...

A15. Information regarding the competence, capabilities and objectivity of an auditor's expert may come from a variety of sources, such as:

- Personal experience with previous work of that expert.
- Discussions with that expert.
- Discussions with other auditors or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Published papers or books written by that expert.
- The auditor's firm's system of quality control policies and procedures ~~management~~ (see paragraphs A11–A13).

...

Agreement with the Auditor's Expert (Ref: Para. 11)

...

A26. When there is no written agreement between the auditor and the auditor's expert, evidence of the agreement may be included in, for example:

- Planning memoranda, or related working papers such as the audit program.
- The policies ~~and/or~~ procedures of the auditor's firm's system of quality management. In the case of an auditor's internal expert, the ~~established policies and procedures to which that expert is subject~~ firm's system of quality management may include particular policies ~~and/or~~ procedures ~~in relation~~ relating to ~~that~~ the expert's work. The extent of documentation in the auditor's working papers depends on the nature of such policies ~~and/or~~ procedures. For example, no documentation may be required in the auditor's working papers if the auditor's firm has detailed protocols covering the circumstances in which the work of such an expert is used.

⁷⁶ ISA 220 (Revised), paragraphs 4(~~5~~) and A104–A12

ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

...

Application and Other Explanatory Material

...

Auditor's Report (Ref: Para. 20)

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

...

Relevant Ethical Requirements

A36. Law or regulation, national auditing standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those ~~pertaining~~related to independence, that applied to the audit of the financial statements.

Name of the Engagement Partner (Ref: Para. 46)

A61. ~~ISQC 1⁶⁶⁷⁷ requires that~~ The objective of the firm establish policies in ISQM 1⁶⁷⁷⁸ is to design, implement and procedures to provide operate a system of quality management that provides the firm with reasonable assurance that ~~engagements are performed:~~

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding ~~these~~the objective of ISQM 1 requirements, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report on financial statements of a listed entity.

ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

...

Application and Other Explanatory Material

...

Determining Key Audit Matters (Ref: Para. 9–10)

⁷⁷ ~~ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, paragraph 32~~

⁷⁸ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 134

...

Matters that Required Significant Auditor Attention (Ref: Para. 9)

...

A15. Various ISAs require specific communications with those charged with governance and others that may relate to areas of significant auditor attention. For example:

- ISA 260 (Revised) requires the auditor to communicate significant difficulties, if any, encountered during the audit with those charged with governance.⁶⁸⁷⁹ The ISAs acknowledge potential difficulties in relation to, for example:
 - Related party transactions,⁶⁹⁸⁰ in particular limitations on the auditor's ability to obtain audit evidence that all other aspects of a related party transaction (other than price) are equivalent to those of a similar arm's length transaction.
 - Limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.⁷⁰⁸¹
- ISA 220 (Revised) establishes requirements for the engagement partner in relation to undertaking appropriate consultation on difficult or contentious matters and matters on which the firm's policies or procedures require consultation~~matters where the firm's policies or procedures require consultation.~~⁷⁴⁸² difficult or contentious matters~~,~~ and other matters that in the engagement partner's professional judgment, require consultation. For example, the auditor may have consulted with others within the firm or outside the firm on a significant technical matter, which may be an indicator that it is a key audit matter. The engagement partner is also required to discuss, among other things, significant matters and significant judgments arising during the audit engagement with the engagement quality control reviewer.⁷²⁸³

...

Communication with Those Charged with Governance

...

A63. The requirement in paragraph 17(b) to communicate with those charged with governance when the auditor has determined there are no key audit matters to communicate in the auditor's report may provide an opportunity for the auditor to have further discussion with others who are familiar with the audit and the significant matters that may have arisen (including the engagement quality control reviewer, where one has been appointed). These discussions may cause the auditor to re-evaluate the auditor's determination that there are no key audit matters.

ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information

⁷⁹ ISA 260 (Revised), paragraphs 16(b) and A21

⁸⁰ ISA 550, *Related Parties*, paragraph A42

⁸¹ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 49(d)

⁸² ISA 220 (Revised), *Quality Control/Management for an Audit of Financial Statements*, paragraph 48~~35~~

⁸³ ISA 220 (Revised), paragraph 49~~36~~

...

Application and Other Explanatory Material

...

Reading and Considering the Other Information (Ref: Para. 14–15)

...

A24. In accordance with ISA 220 (Revised),⁷³ the engagement partner is required to take responsibility for the ~~direction, supervision and performance of the audit engagement~~ nature, timing and extent of the direction and supervision of the members of the engagement team and the review of their work performed,⁸⁴ and be satisfied determine that the nature, timing and extent of such direction, supervision and review is planned and performed in compliance-accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements.⁸⁵ In the context of this ISA, factors that may be taken into account when determining the appropriate engagement team members to address the requirements of paragraphs 14–15, include:

- The relative experience of engagement team members.
- Whether the engagement team members to be assigned the tasks have the relevant knowledge obtained in the audit to identify inconsistencies between the other information and that knowledge.
- The degree of judgment involved in addressing the requirements of paragraph 14–15. For example, performing procedures to evaluate the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.
- Whether, in the case of a group audit, it is necessary to make inquiries of a component auditor in addressing the other information related to that component.

ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

...

Application and Other Explanatory Material

...

Considerations When Accepting the Engagement

Application of ISAs (Ref: Para. 7)

A5. ISA 200 requires the auditor to comply with (a) relevant ethical requirements, including those ~~pertaining related~~ to independence, relating to financial statement audit engagements, and (b) all ISAs relevant to the audit. It also requires the auditor to comply with each requirement of an ISA unless,

⁸⁴ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraphs 29–30

⁸⁵ ISA 220 (Revised), ~~*Quality Control/Management for an Audit of Financial Statements*~~, paragraph 4530(a)

in the circumstances of the audit, the entire ISA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.

IAPN 1000, *Special Considerations in Auditing Financial Instruments*

Contents

International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*, should be read in conjunction with the *Preface to the International Quality Control Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*. IAPNs do not impose additional requirements on auditors beyond those included in the International Standards on Auditing (ISAs), nor do they change the auditor's responsibility to comply with all ISAs relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

...

Section II—Audit Considerations Relating to Financial Instruments

Planning Considerations⁷⁴⁸⁶

*Using Those with Specialized Skills and Knowledge in the Audit*⁷⁵⁸⁷

78. A key consideration in audits involving financial instruments, particularly complex financial instruments, is the competence of the auditor. ISA 220 (Revised)⁷⁶⁸⁸ requires the engagement partner to ~~determine~~be satisfied that members of the engagement team, and any auditor's experts who are not part of the engagement team, collectively have the ~~appropriate~~ competence and capabilities, including sufficient time, to perform the audit engagement ~~in accordance with professional standards and applicable legal and regulatory requirements and to enable an auditor's report that is appropriate in the circumstances to be issued~~. Further, relevant ethical requirements⁷⁷⁸⁹ require the auditor to determine whether acceptance of the engagement would create any threats to compliance with the fundamental principles, including the professional competence and due care. Paragraph 79 below

⁸⁶ ISA 300, *Planning an Audit of Financial Statements*, deals with the auditor's responsibility to plan an audit of financial statements

⁸⁷ When such a person's expertise is in auditing and accounting, regardless of whether the person is from within or external to the firm, this person is considered to be part of the engagement team and is subject to the requirements of ISA 220 (Revised), *Quality Control Management for an Audit of Financial Statements*. When such a person's expertise is in a field other than accounting or auditing, such person is considered to be an auditor's expert, and the provisions of ISA 620, *Using the Work of an Auditor's Expert*, apply. ISA 620 explains that distinguishing between specialized areas of accounting or auditing, and expertise in another field, will be a matter of professional judgment, but notes the distinction may be made between expertise in methods of accounting for financial instruments (accounting and auditing expertise) and expertise in complex valuation techniques for financial instruments (expertise in a field other than accounting or auditing).

⁸⁸ ISA 220 (Revised), paragraph 4426

⁸⁹ International Ethics Standards Board of Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* paragraphs 320.1–320.10 A1

provides examples of the types of matters that may be relevant to the auditor’s considerations in the context of financial instruments.

...

80. The nature and use of particular types of financial instruments, the complexities associated with accounting requirements, and market conditions may lead to a need for the engagement team to consult⁹⁰ with other accounting and audit professionals, from within or outside the firm, with relevant technical accounting or auditing expertise and experience, taking into account factors such as:
- The capabilities and competence of the engagement team, including the experience of the members of the engagement team.
 - The attributes of the financial instruments used by the entity.
 - The identification of unusual circumstances or risks in the engagement, as well as the need for professional judgment, particularly with respect to materiality and significant risks.
 - Market conditions.

⁹⁰ ISA 220 (Revised), paragraph 48(b)35, requires the engagement partner to ~~be satisfied~~ determine that members of the engagement team have undertaken appropriate consultation during the ~~course of the audit~~ engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm.