Mr Willie Botha  
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Submitted via the website  
Uploaded on website  

Brussels, 4 July 2019  

Subject: IAASB Consultation on Proposed International Standard on Auditing 220 (ED-220)  

Dear Mr Botha,  

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.  

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, 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.  

Sincerely,  

Olivier Boutellis-Taft  
Chief Executive  

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APPENDIX

Question 1 - Do you support the focus on the sufficient and appropriate involvement of the engagement partner (see particularly paragraphs 11–13 and 37 of ED-220), as part of taking overall responsibility for managing quality on the engagement? Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?

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

(2) We also draw your attention to the definition of the engagement team. The definition, as drafted, may lead to confusion and inconsistencies with the provisions of ISA 600 regarding the component auditors. The wording should be revised to better reflect the fact that component auditors are not part of the engagement team, as this is not clear.

Question 2 - 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?

(3) 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.

(4) 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.

(5) 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.

(6) 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.
Question 3 - Do you support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level? (See paragraph 7 and A27–A29 of ED-220)

(7) Paragraph 7 is very sensible and difficult to argue against. Nevertheless, we wonder if it will really make a difference in practice and tend to think that this is more procedural than behavioural.

(8) We agree that paragraphs A27 to A29 properly belong to ISA 220 and are helpful.

Question 4 - Does ED-220 deal adequately with the modern auditing environment, including the use of different audit delivery models and technology?

(9) The engagement partner is responsible for the resources used, including technological resources. However, the engagement partner relies on the technological resources provided by the firm and sometimes even the network. This may create a gap between responsibility and authority when not all the technological resources are approved or available. It is stated in paragraph A58 that the engagement partner may apply professional judgement. This potential tension should be properly acknowledged in the standard.

(10) What has been included in ED-220 about the use of different audit delivery models and technology is light. These are increasingly important aspects of delivering audits and will become even more widespread in the years to come. If these suites of standards are going to be fit for tomorrow, then these aspects need to be more fully considered by the IAASB. Although ED-220 is not necessarily the only, or indeed, possibly right place to develop these, we believe it is at least a good place to emphasise whether service centres should be part of the engagement team or not. If service centres perform audit procedures, we think that it should be stated that they are part of the engagement team. If, on the other hand, service centres are supporting the process of the audit as an internal service, they should be dealt with at the firm level and in ED-ISQM 1.

(11) We also acknowledge the ongoing work of the technology working group and the audit evidence project that would complement what will have been done in the remit of this specific project.

Question 5 - Do you support the revised requirements and guidance on direction, supervision and review? (See paragraphs 27–31 and A68–A80 of ED-220)

(12) We support the revised requirements as developed in paragraphs 27–31 and A68–A80 of ED-220.

Question 6 - Does ED-220, together with the overarching documentation requirements in ISA 230, include sufficient requirements and guidance on documentation?

(13) When taking the requirements from ED-220 and ISA 230, we agree that the requirements and guidance on documentation are sufficient, but there is a need to properly address the interaction with ISA 230. As an example, the requirement included in paragraph 37 is part of a general requirement of ISA 230. We think the IAASB should review the consistency of the documentation requirements in a holistic manner and avoid quick fixes that would impair understandability.
Question 7 - Is ED-220 appropriately scalable to engagements of different sizes and complexity, including through the focus on the nature and circumstances of the engagement in the requirements?

(14) We do not think there is any overall issue linked to scalability in ED-220. In the case of a sole practitioner or a very small audit team, the requirements with regard to guidance on direction, supervision and review are not always relevant. As SMPs or very small audit teams will not easily navigate the standard, it would be preferable if the requirements in question could be reworded in such a way that it is clear that they are conditional.