

**ENHANCING AUDIT QUALITY IN THE PUBLIC INTEREST: A FOCUS ON
PROFESSIONAL SKEPTICISM, QUALITY CONTROL AND GROUP AUDITS**

TEMPLATE FOR RESPONSES—OVERVIEW

The following template is intended to facilitate responses to the IAASB’s Overview of the Invitation to Comment (ITC), *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*. The questions set out below are replicated from the questions in the Overview on pages 30–31. Question numbers are coded to the consultation topics as follows:

- **G = General Question**
- **PS = Professional Skepticism**
- **QC = Quality Control**
- **GA = Group Audits**

RESPONDENT’S INFORMATION

Name:	FACPCE
Description of the capacity in which you are responding (e.g., preparer, audit committee member, investor, IFAC member body, audit oversight body, firm, SMP, individual, etc.)	IFAC member body
Name of contact person at organization (if applicable):	Dr. José Luis Arnoletto
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Template for Responses–Overview

Name of Respondent:

G1. Table 1 describes what we believe are the most relevant public interest issues that should be addressed in the context of our projects on professional skepticism, quality control, and group audits. In that context:

- (a) Are these public interest issues relevant to our work on these topics?
- (b) Are there other public interest issues relevant to these topics? If so, please describe them and how, in your view, they relate to the specific issues identified.
- (c) Are there actions you think others need to take, in addition to those by the IAASB, to address the public interest issues identified in your previous answers? If so, what are they and please identify who you think should act.

G1(a)	Yes. We consider the issues described at Table 1 are relevant.
G1(b)	To promote institutional strengthen of accounting organizations of each country. To promote constructive dialogue between accounting organizations and regulatory or control authority (central banks, listed companies' regulators, etc.).
G1(c)	Are identified in the previous answer.

G2. To assist with the development of future work plans, are there other actions (not specific to the topics of professional skepticism, quality control, and group audits) that you believe should be taken into account? If yes, what are they and how should they be prioritized?

G2	Indicated in G1
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G3. Are you aware of any published, planned or ongoing academic research studies that may be relevant to the three topics discussed in this consultation? If so, please provide us with relevant details.

G3	We do not know to recommend publications
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PS1. Is your interpretation of the concept of professional skepticism consistent with how it is defined and referred to in the ISAs? If not, how could the concept be better described?

PS1	We believe that the definition of skepticism is consistent in the manner defined in the ISA
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PS2. What do you believe are the drivers for, and impediments to, the appropriate application of professional skepticism? What role should we take to enhance those drivers and address those impediments? How should we prioritize the areas discussed in paragraph 37?

PS2	<p>Would be necessary guides that help professionals to apply the concept of skepticism to apply complex accounting standards implementation.</p> <ul style="list-style-type: none"> - In the same sense of what was said in the previous point for new rules for calculating contingencies. - Develop standards in situations examples of application of professional skepticism - Requirements sufficient professional experience of all members of the audit team.
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PS3. What actions should others take to address the factors that inhibit the application of professional

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skepticism and the actions needed to mitigate them (e.g., the International Accounting Education Standards Board, the International Ethics Board for Accountants, other international or national standards setters, those charged with governance (including audit committee members), firms, or professional accountancy organizations)?

PS3	The actions of the different bodies involved must be aligned in order to achieve the goal of application of professional skepticism.
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QC1. We support a broader revision of ISQC 1 to include the use of a quality management approach (QMA) as described in paragraphs 51–66.

- (a) Would use of a QMA help to improve audit quality? If so why, and if not, why? What challenges might there be in restructuring ISQC 1 to facilitate this approach?
- (b) If ISQC 1 is restructured to require the firm’s use of a QMA, in light of the objective of a QMA and the possible elements described in paragraph 65, are there other elements that should be included? If so, what are they?
- (c) In your view, how might a change to restructure ISQC 1 impact the ISAs, including those addressing quality control at the engagement level?
- (d) If ISQC 1 is not restructured to require the firm’s use of a QMA, how can we address the call for improvements to the standard to deal with differences in the size and nature of a firm or the services it provides?

QC1(a)	<p>We believe that the QMA help improve audit quality because the leadership of the firm would be involved in an ongoing process of risk assessment of quality, which would force him to design controls and procedures to mitigate those risks, and in the case that those who they have been designed and were not efficient, should be detected by monitoring and remediated as circular continuity of the process quality risk assessment. We believe that incorporating the findings of the past to a process of improvement and remediation, rather that they remain as a photograph of the past, allow continuous improvement.</p> <p>The challenges would be in ISQC1 adapt its objectives and each of the stages of QMA.</p>
QC1(b)	<p>We believe that the periodicity which should carry out monitoring or reassessment of risks quality, or, failing that, that the strategy defined by the firm in the QMA clearly contemplates the periodicity should be included.</p>
QC1(c)	<p>We believe that the QMA is an approach to global strategy that includes compliance with the quality control system to firm level and of each custom level, so your application does not generate large additional changes listed in paragraphs 75-83.</p>
QC1(d)	<p>We believe that the QMA approach would be the best solution to try with the differences in sizes of firms and services provided.</p>

QC2. We are also thinking about revising our quality control standards to respond to specific issues about audit quality (see paragraphs 67–83).

- (a) Would the actions described in paragraphs 68–83 improve audit quality at the firm and engagement level? If not, why?
- (b) Should we take other actions in the public interest to address the issues in paragraphs 67–83?

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- (c) Should we take action now to tackle other issues? If yes, please describe the actions, why they need priority attention, and the action we should take.

QC2(a)	We believe that the actions mentioned in paragraphs 68-83 improve the quality of the audit firm level and at the level of custom.
QC2(b)	We believe that the actions taken would suffice.
QC2(c)	No, we believe that the issues included would be sufficient.

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

- (a) Should we increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements? Will doing so help to achieve the flexibility that is needed to allow for ISA 600 to be more broadly applied and in a wide range of circumstances (see paragraphs 84–97)? If not, please explain why. What else could we do to address the issues set out in this consultation?
- (b) Would the actions we are exploring in relation to ISA 600 improve the quality of group audits? If not, why?
- (c) Should we further explore making reference to another auditor in an auditor’s report? If yes, how does this impact the auditor’s work effort?
- (d) What else could the IAASB do to address the issues highlighted or other issues of which you are aware? Why do these actions need priority attention?

GA1(a)	ISA 600, like the others, is a standard based on principles and in this sense, we believe that is properly addressed in the rule that an audit of a group is affected by applying all ISAs. The audit of business groups has been difficult from changes in the administration of these groups caused by the need to seek efficiencies in management. The shared service centers, in its different variants and degrees of maturation in implementation, are a challenge for auditors of a group as it can be complex to achieve an appropriate understanding of what activities have been centralized, where they are carried, what geographic coverage and which components have financial reporting frameworks manage, and proper assessment of the risks arising from this centralization. So the NIA 600 may have greater guidance to assist the auditor of the group to establish the most appropriate audit strategy to respond to the audit risks arising from the organizational and administrative structure of the entity; especially considering that this leads to the greatest amount of audit work done by a team located in different geography audit service center. In addition, consider that there may be component level statutory audit requirements and that in turn require relying on audit evidence to be obtained by the auditor shared services center. This leads to the need for improving the process of communication between the auditor of the group and of each of the different components, mainly including the auditor service center, to establish that audit evidence is required to obtain at each location or component.
GA1(b)	We share that the issues identified by the IAASB, and the actions proposed will help improve the quality of audits.
GA1(c)	We should not explore the division of responsibilities in the audit report because it does not consider helping improve the quality of audits. Rather, it could have a counterproductive effect. However, they could be incorporated guidelines to be considered by the group

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	<p>auditor when there were pressures or other limitations imposed by the circumstances preventing conduct an appropriate review of the audit carried out in one or more components. The typical example is the audit of a holding entity that has only shares in the capital of several entities located in different geographies but over which it has no control, and auditing of the components is carried out by other auditors who do not belong to network auditor of the holding company. In circumstances like this, ISA 600 does not provide guidance on how it should proceed the auditor of the holding company and eventually the division of responsibility in the report could be a way to avoid the qualification of the audit report by the limitation on the scope and even more if we consider that these circumstances could arise from a situation of forced rotation of the audit firm of the holding entity.</p>
GA1(d)	<p>The document has not given relevance as a factor that threatens the quality of group audits, rotation of audit firms, which is beginning to occur in different geographies and different rotation periods, with different implications depending on whether change is the group auditor or auditor of any of the components. The change of auditor produces a loss of acquired knowledge about the operations and risks of the entity, and the skills of the auditor of the components achieved by rotation.</p>