Exposure Draft
International Standard on Auditing 220 (Revised),
Quality Management for an Audit of Financial Statements
1 July 2019

The Technical Director
IAASB Technical Director

Dear Sir/Madam

Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS) Submission – Exposure Draft, International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements

In response to your request for comments for Exposure Draft, International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

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Project Director CAA                   Project Director (TAS)

Project team: Leonard Mapenda and Tapiwa Kuyaziwa
Response To: Proposed ISA 220 (Revised)

Note to Respondents:

- The questions below are from the exposure draft of proposed International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements, which is available at www.iaasb.org/quality-management.
- Respondents are asked to respond separately to each of the exposure drafts and the overall explanatory memorandum.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents’ comments.

General Comments on Proposed ISA 220 (Revised)

[Please include here comments of a general nature and matters not covered by the questions below.]

Questions

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?

Response:

a. The proposed IAS did not appropriately reflect the role of other senior members of the engagement team to our satisfaction and the fear is that the EP might become too involved in the performance of the engagement which might be detrimental to the objective of professionally servicing the client (Because too much/unrestrained involvement might impinge on the engagement team’s morale and when the team become demotivated quality of the engagement suffers).

b. However, we feel that objective of sufficient and appropriate involvement is still achievable through delegating but without abdicating the ultimate responsibility.

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?

Response:

a. We agree with linking to ISQM 1 for firms’ policies and procedures since quality objectives, risks and responses are addressed at firm level and each engagement can be tailor made to that and add any that may affect the client specifically.
b. We do not support this notion because in some instances firm’s policies might not yield the highest desired level of quality so if alternative(s) exists to that effect its worthy volumes of logic to pursue that avenue.

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

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)

Response:

a. We do, and at the same time believe that professional skepticism has been adequately addressed since more specificity was proffered. The responsibility of the this has also been put on the partner to address his overall responsibility on the engagement and ways in which he can address the sufficiency and appropriateness of his monitoring and review process for professional judgements exercised and the skepticism applied.

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

Response:

a. We do not believe that the ED comprehensively the issue at stake especially in light of instantaneous changes in innovation and technology which has amplified audit risk e.g. bitcoin (cryptocurrency).

b. We are of the opinion that the ED does not address how technology can be leveraged to achieve sufficient and appropriate involvement by the EP when it comes to monitoring of the engagement especially if the EP is absent since the ED made submission that engagement team can working on the same engagement whilst they are in different location(s).

c. The ED does not address the Partner’s responsibility when it comes to the use of technology for example some network firm or firm procedures may dictate application control testing or IT expert testing which the audit team may not have specialized understanding of. According to our experience most EPs tend to file reports without application of the results from the specialists or firm technology due to a lack of understanding of how the results impact their audits. The standard need to be explicit and specific on the EPs responsibility in responding to technology risks and circumstances for each engagement based on a full understanding of any of the technology used in the engagement.

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

Response:

a. Yes, more clarity was offered on how direction, supervision and review can be achieved in a constructive manner which supports both the achievement of audit quality plus the transformation and development through nurturing of especially less-experienced engagement members. E.g. timing of reviews was clearly and explicitly stated in para 29

   • Significant matters.
   • Other areas involving significant judgments, especially those relating to difficult or contentious matters identified during the course of the engagement, and the conclusions reached; and
Other matters that, in the engagement partner’s professional judgment, are relevant to the engagement partner’s responsibilities.

b. Par 30 includes review of management representation letter and Other Information (e.g. directors’ report etc.) and audit differences that goes with the audit report where applicable.

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

Response:
We do not think the documentation is not addressing the following:

a. Specific quality risks and responses that have been identified and addressed in the engagement by other procedures other than EQCR

b. It also needs to address any specific circumstances, risks, nature and extent of engagement specific issues that may not have been addressed by firm specific issues

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?

Response:

a. Yes, the appendix on scalability is comprehensive.

b. However, the new ISQM 1 addresses firm level risks and there are no overarching standards for engagement level risk and responses for those outside the auditing profession because the only changes made were ISQM 1, 2 and ISA 230 hence no other standards were changed that affect other accountants (like TAS). Please check if this is a future project in any of the EDs so that we can put the appropriate comment.

Editorial Comments on Proposed ISA 220 (Revised)

[Please include here comments of an editorial nature.]