



IAASB Invitation to Comment (ITC) – Enhancing Audit Quality in the Public Interest

Below you will find the Financial Audit Subcommittee (FAS) of INTOSAI's response to the ITC – Enhancing Audit Quality in the Public Interest.

FAS has focused its analysis on the questions that it has concluded are most relevant and important to the public sector therefore a response has not been provided for each question presented in the ITC. Please see our responses in the following sections below.

- [Group Audits](#)
- [Professional Skepticism](#)
- [Quality Control](#)

We are very supportive of the efforts being made to improve the quality of the auditing standards in these areas and we look forward to the future improvements that will be proposed as a result of this project.

Khalid Hamid
Chair of FAS

May 8, 2016



Group Audits

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits. 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 194–198)? If not, please explain why. What else could we do to address the issues set out in this consultation?

We support the IAASB’s interest to increase the emphasis in ISA 600 on the need to apply all relevant ISAs. We believe improving the emphasis in the requirements and application guidance of ISA 600, particularly for relevant ISAs such as ISA 220, ISA 315, ISA 320, and ISA 330, would improve the guidance for group audit. In addition, we believe guidance and examples in the application guidance should be considered to address identified challenges, such as addressing matters related to an entity’s use of a shared service center and establishing expectations in relation to consolidations performed at the regional or segment level.

Acceptance and Continuance of the Group Audit Engagement

GA2. Which of the possible actions outlined in paragraphs 215–217 would be most meaningful in addressing issues related to acceptance and continuance procedures?

Supreme audit institutions do not necessarily have the option to not accept or continue an audit due to law or regulation, so it is important to ensure that it is allowable in the requirements in the event that the group auditor has to accept or is unable to withdraw from a group audit that the group auditor is able to disclaim an opinion on the group financial statements. We believe ISA 600 should include guidance or requirements for applying all relevant ISAs in the consideration of acceptance or continuation of the group audit. We believe any additional changes for the acceptance and continuance of a group audit in ISA 600 should be focused in providing additional guidance to the group auditor in the application guidance rather than increasing the requirements.

Communications between the Group Engagement Team and Component Auditors

GA3. Which of the possible actions outlined in paragraph 224 would be most meaningful in addressing issues relating to communication between the group engagement team and the component auditor?

We believe that adding application guidance related to competency of the group engagement team, particularly having staff and an engagement partner at the group auditor able to handle component auditors using different language, standards or regulatory framework, would address some of the issues related to group and component auditor communication. Instead of creating an additional standard for the component auditor, we suggest the following to improve the quality and timeliness of communication and documentation access to meet the needs of the group auditor.

- *Create additional application guidance to improve the timely and effective two-way communication between the group and component auditor,*
- *Provide additional guidance and examples in the required and additional matters included in the group engagement team’s letter of instruction, specifically related to the timeliness of the communications and access to documentation,*
- *In the Communication with the Component Auditor section of the application guidance, the component auditor cooperating with the group auditor guidance, listed in A59, can be expanded to include examples of the types of documentation and the timeliness of the access to the documentation.*



Using the Work of the Component Auditors

GA4. Which of the possible actions outlined in paragraph 234 and 242 would be most meaningful in addressing issues related to using the work of the component auditor?

We believe ISA 600 should require an explicit determination about whether the group engagement team can use the work of a potential component auditor and should include examples in the application guidance covering determinations such as based on the group engagement team's understanding of the component auditor, and the nature and extent of the work the component auditor will be requested to perform. We believe including more specific examples, related to the component auditors' compliance with relevant ethical standards, competence and capacity, may provide the group auditor additional guidance to determine and evaluate the competence and ethics of the component auditor.

Identifying and Assessing the Risks of Material Misstatement in a Group Audit

GA5. Which of the possible actions outlined in paragraphs 251–253 would be most meaningful to address issues relating to identifying significant risks for the group audit?

We support providing examples in ISA 600 related to group audit materiality and the risk of material misstatement, but if ISA 315 and ISA 330 are revised, we would also support providing examples in them related to group audit materiality and the risk of material misstatement. The addition of application guidance related to significant risks identified at the component should be considered to ensure significant risks at the component level are considered by the group auditor, as listed in paragraph 253(b).

Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits

GA6. Do you agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in a group audit? If not, please indicate which actions are not appropriate and describe why.

We believe that adding application guidance in ISA 600 reflecting different levels of materiality applicable to the component would help clarify issues related to materiality. The guidance should also link to ISA 320. We believe that if ISA 320 is considered for revision additional guidance and examples to reflect the materiality considerations at both the group and component auditor level should be included.

Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)

GA7. Which of the actions outlined in paragraphs 272–273, 279, 288 and 292 would be most meaningful to address issues relating to responding to identified risks of material misstatement in a group audit?

We believe the responsibility for identification of risk and adequate communication with the component auditor is the responsibility of the group auditor. As it relates to a large number of non-significant components existing in an audit, we believe an example for the group auditor should be added to the application guidance showing how the group auditor can re-evaluate significance when a large number of individually non-significant components make up significant amount in the aggregate. We believe that requirements and application guidance should be considered for consolidation of investments using the equity method, including considering whether to treat the investments at cost or fair value.



Review and Evaluation of the Work of Component Auditors by the Group Engagement Team

GA8. Which of the actions outlined in paragraphs 299 and 303 would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team?

We support additional information and examples in the application guidance to provide more clarity on when reviews of component auditor's audit documentation by the group engagement team would be appropriate, as well as procedures that the group engagement team would perform as part of the review. In addition, we believe application guidance should be considered for instances where the group auditor is also the component auditor.

The Impact of New and Revised Auditing Standards

GA9. How should the matters set out in paragraphs 304–305 be addressed in our plans to revise ISA 600? Are there any other implications from our new or revised standards that should be considered?

We support the development of additional requirements and application guidance for communicating key audit matters by the group engagement team in the auditor's report on the group financial statements.

The following questions are overall questions relating to group audits

GA10. Are there any other issues relating to group audits that we have not identified? If yes, please provide details. What actions should we take to address these issues?

GA11. Are there any other specific actions that others could take in relation to group audits? If yes, please provide details.

GA12. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

GA13. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

We support the consideration of creating additional guidance, such as an audit guidebook, for the group audit to better link ISAs with the group audit. This will help expand on the application guidance and address other ISAs that a group audit includes, such as materiality, competence, quality control, etc., as well as the requirements and guidance provided in ISA 600.



Professional Skepticism

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?

FAS' interpretation of the overall theoretical concept of professional skepticism is consistent with how it is defined and referred to in the ISAs. Though we believe that the concept could be further clarified by:

- *Describing the linkage between the ISAs and the other standards (to demonstrate the complexity of professional skepticism but also indicate potential drivers for not applying professional skepticism). This description could be included in the ISAs and preferably in ISA 200 and/or 220.*
- *More explicitly indicating that lack of skepticism can either be the result of a failure in problem recognition (lack of skeptical judgment) or a failure to act on a problem recognized (lack of skeptical action) as this distinction might be helpful when discussing drivers and actions*
- *How professional skepticism affects the whole audit process/flow*

The concept itself needs to be further developed into actions, where possible, and we believe that several of the suggested improvements to the ISAs and areas to be explored in the ITC will be a step forward, and at least bring some more clarity on the understating of the drivers but also how to ensure proper actions and documentation.

The figure "how professional skepticism drives action" is very helpful and might be used as a future model for describing how professional skepticism is addressed in the ISAs and how it could be applied. We believe that a better understanding of the concept would improve the applicability.

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?

Drivers for not applying professional skepticism might be several and their origin can be on either individual or firm/institutional level. We believe that the mentioned external factors such as tight deadlines etc. are not external factors per se as they are rather influenced by firm/institutional level and refer to proper staffing and planning for work overload.

Drivers on individual level (examples):

- *Lack of skills and no proper training, juniors are assigned to missions where they confront senior managers and their capacity to be sceptical and use their questioning mind might be limited (partly firm/institutional level)*
- *Lack of understanding of the concept of professional skepticism*
- *Lack of courage to question seniors within the audit teams (tone-at-the-top)*
- *Personal gains*

Drivers on the firm/institutional level (examples):

- *To ensure financial gains – engagements are accepted even when the firm might not get all the relevant audit evidence, not enough resources are devoted to the audit teams which might affect the use of the questioning mind-set*
- *Lack of competent staff in overall*



When it comes to specific drivers for not applying professional skepticism within the public sector we believe that all the drivers mentioned in the ITC (and above) are relevant for us. On the other hand we need to address the driver related to political gains. As we operate in a political environment there might be political connections and strains between the top management of a supreme audit institution and the government, though political bias is an issue for all the staff within the office. The appointment of the Head of the SAI (Auditor General or President of the Court) is critical and the procedures are different within the various jurisdictions. This driver (political bias) can partially be addressed by improving the standards when it comes to requirements on audit documentation and the rationale for applying professional skepticism (on the engagement level) but as this issue also might relate to the appointment of the Head of the SAI (Auditor General or President of the Court), we would suggest to address political bias in the ISQC as well. For example mentioning that the management should ensure that the decisions made within the audit of public sector are free from financial and political bias.

Another issue for the public sector is that our client base is the same over the years. Even if we have rotation rules and policies we still remain in the same domain year after year. This may cause auditors to be too familiar with the domains and not apply the professional skepticism as needed.

One of the most complicated driver/-s to address for not applying professional skepticism both in the private and public sector might be the intentional behaviour (looking the other way for personal or firms gains) and perhaps also cultural aspects as cultural aspects might be linked to a strong behavioural attitude within the society which is not so simple to change nor address by standards. As other drivers such as competency, skills etc. might (to a level) be addressed with education, training and better planning.

To change attitude and behavioural we believe that several stakeholders need to address this matter, for example the top management of firms and supreme audit institutions, universities, national standard-setters, audit quality reviewers etc.

When it comes to the role of the IAASB as a standard-setter we believe that IAASB could more clearly define the concept of professional skepticism and its relation to professional judgement and audit quality:

- *IAASB could by requiring relevant actions and audit documentation (ex. that the auditor needs to document how they have challenged the management on critical matters such as estimates etc.) ensure that the level of transparency would increase. The most important thing is the documentation of the logical application of professional skepticism in the audit file. IAASB could also consider to write requirements which requires a more challenging mindset than how they are written today. Though we recognize that this might cause our audits to be more time consuming.*
- *IAASB could point at the close links between education, skills, confidence and application of professional skepticism and professional judgement.*
- *IAASB could also clarify links between audit quality and professional skepticism in ISQC 1 and 220.*

When it comes to priorities, all the suggested actions in par.37 are relevant and they are integrated with each other. As this matter is of the highest interest both for the stakeholders but also for us auditors, we believe that all the actions should be included in the future work. Though we would like to suggest that IAASB makes it a priority to improve the audit standards, and not to develop a framework. That could be done as a result of the improvements and clarification in the standards or perhaps just revise the Audit Quality framework with parts relevant for professional skepticism.



When it comes to priorities we would suggest the following:

1. **Clarity on the concept and whether the current requirements and guidance are clear as to what is expected from auditors.**
 2. **Actions on firm/institutional level to enhance application of professional skepticism**
 3. **Role of the staff coaching and reviewing audit work have a very important role to play as the Engagement Leader/Partner and EQC reviewer does not review every working paper and as a result, is not best positioned to build in or challenge the application of missed skepticism. The first line of defence is the first level reviewer and site supervisor.**
 4. **Role of engagement partners, EQC reviewers, audit committees, audit oversight bodies and others influencing the appropriate application of professional skepticism.**
 5. **Local norms and culture is an important factor as you might have the best technically skilled auditor, but their cultural context might prohibit them from asking the right question.**
 6. **Training etc. of auditors**
 7. **Use of technology and its impact on the application of professional skepticism.**
- PS3.** Is the listing of areas being explored in paragraph 38–40 complete? If not, what other areas should we or the Joint Working Group consider and why? What do you think are the most important area to be considered?

We would like to emphasize the importance of including a professional skepticism discussion in the revision of ISA 315. The risk assessment is crucial and the application of professional skepticism as it is only mentioned once in 315 and in paragraph A116.

- PS4.** Do you believe the possible actions we might take in the context of our current projects relating to quality control and group audits will be effective in promoting improved application of professional skepticism? No If not, why?

This question is very difficult to answer. Though we believe that the suggested revisions and actions is a step forward, starting with requiring more audit evidence on conclusions, clearer responsibilities for the leadership etc.

- PS5.** What actions should others take to address the factors that inhibit the application of professional skepticism and the actions needed to mitigate them (e.g., the IAESB, the IESBA, other international standards setters or NSS, those charged with governance (including audit committee members), firms, or professional accountancy organizations)? Are there activities already completed or underway of which we and the Joint Working Group should be aware?

Education – the education instances needs to address professional skepticism more prominently and to further underline the role of the auditor working in the public interest. The education system will sow the seed for the professional skepticism attitude and the auditors will be better equipped to question whether the firm or audit institutions has the right tone-at-the-top and be encouraged to.

Inspections – Inspection instances could enhance their actions and inspections on issues relating to professional skepticism more prominently. Though their work is affected by how clear and defined the requirements are in the standards.

National Standard-Setters – National standard setters plays a major role and there needs to be a consistency in how the concept of professional skepticism is defined. EU has for example stated the importance of using professional skepticism by referring to it in the law.



Firms (and independent audit institutions) – the management is responsible for creating an environment in which issues related to professional skepticism are addressed and auditors encouraged to speak up if they see any signs of omitting application of professional skepticism. It has to be part of the culture and the leadership needs to acknowledge that this is one of the most important values to be maintained. The transparency reporting could be a great supplement and we believe that it should also include an overall summary form the inspections.

Other standard setting boards – obviously IESBA and IAESB plays an important role and having them on board for this project would enhance their work on developing further guidance on professional skepticism. There needs to be a consistency between the different standards. We also believe that closer co-operation with standard setters in other jurisdictions might be helpful, as this matter are universal and relevant for all jurisdictions. If we see a universal movement towards the same direction we believe that the effects might be greater.



Quality Control

Use of a Quality Management Approach (QMA)

QC1(a). Would use of a QMA help to improve audit quality? If not, why not? What challenges might there be in restructuring ISQC 1 to facilitate this approach?

The use of a QMA appears to be an opportunity to better integrate organizational (Supreme Audit Institution (SAI)) risk management and audit quality risk management (which is a subset or organizational risk management). The improved integration of the audit system of quality control and firm/SAI governance and risk management is a worthwhile exercise as currently, an audit system of quality control can operate in isolation or addition to the organization's overall risk management framework, particularly where the organization's mandate is broader than an audit practice. Further, a public sector SAI may be subject to additional requirements (such as whistleblowing or other integrity provisions) that overlap but are not limited to audit engagements and that may not completely address requirements set out in audit standards such as ISQC1. This may create duplication and complexity as the firm/SAI must implement policies and procedures that completely address a requirements of professional standards, law, regulation and public sector policy. Improved integration of risk management and monitoring would likely ultimately improve audit quality.

Challenges in restructuring ISQC1 to facilitate a more risk based approach to audit quality include appropriately responding to the risk of inconsistent system design as each firm/SAI designs and implements policies and procedures relevant to the activities of the firm/SAI and their assessment of risk.

QC1(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 paragraphs 64 and Table 3, are there other elements that should be included? If so, what are they?

We hold the view that a restructured ISQC1 needs to continue to align to the elements found in best practice internal control frameworks such as the COSO framework.

If monitoring activities are recognized to include the results of external inspections, guidance as to whether these activities may reduce management monitoring activities should be provided.

QC1(c). In your view, how might a change to restructure ISQC 1 impact the ISAs, including those addressing quality control at the engagement level?

Engagement quality control requirements should be directly linked to those established in ISQC 1. As a result, we would expect a change to restructure ISQC 1 would have a direct flow through effect on engagement quality standards. We encourage the Board to address any revisions to ISA 220 simultaneously with ISQC1 in order to ensure their continued integration. We also note there is no discussion of other assurance engagements in this document for comment. Engagements other than audits of historical financial information, conducted in accordance with other international assurance standards would be equally impacted by changes to ISQC 1. We would therefore encourage the engagement quality elements of these standards also be revised simultaneously with ISQC 1 to ensure proper integration.



QC1(d). If ISQC 1 is not restructured to require the firm's use of a QMA, do you believe that we should otherwise address the matters described in paragraph 59 and table 2, and if so, how?

If ISQC 1 is not restructured to require the use of a QMA, we would prioritize monitoring and the application of ISQC 1 in a non-audit context. We do not believe these are dependent on a QMA approach and that the important improvements noted in table 2 in respect of the above could be achieved within the existing structure of ISQC1. We also would recommend the Board ensure ISQC 1 requirements are consistent and properly integrated with engagement level quality requirements.

Engagement partner roles and responsibilities

QC2(a). Paragraphs 69–86 set out matters relating to the roles and responsibilities of the engagement partner.

(i) Which of the actions outlined in paragraphs 85–86 would be most meaningful to address issues related to engagement partner responsibilities?

From a public sector perspective, the most meaningful issues to explore is the matter of the expected performance requirements for individuals other than the engagement partners who sign or are named in the auditor's report as this issue impacts the public sector, and further guidance concerning the role of the engagement leader throughout the engagement.

(ii) Why do you believe these actions are necessary?

We do not believe the majority of the actions outlined in paragraphs 85-86 are needed to enhance audit quality issues specific to the public sector beyond those already supported by existing firm and engagement level standards for audit quality.

For example, we believe the discretion currently afforded the engagement partner in respect of audit documentation review is appropriate. We also believe current audit quality requirements in respect of ensuring the capacity and competence of the audit team are adequate and that actions in respect of professional skepticism will have a greater impact on audit quality.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

No unique public sector considerations were noted.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

In respect of the matter outlined in paragraph 86 (expected performance requirements for individuals other than the engagement partners who sign or are named in the auditor's report), we support the view that in addressing this issue, there is a risk of confusing stakeholders and detracting from of the fundamental roles and responsibilities of the engagement partner. As such, we would recommend that actions taken in this area be directed at reinforcing the roles and responsibilities of the engagement partner and their applicability notwithstanding another individual other than the engagement partner is signing or is named in the auditor's report.



QC2(b). Do you think it is necessary for the ISAs to include requirements or otherwise address the circumstances described in paragraph 79 in which an individual other than the engagement partner is required to or otherwise customarily sign(s) the auditor's report or is named therein? If yes, please explain why, and provide your views about how this could be done (including describing the work effort you believe would be necessary for such an individual).

As noted above, we support the value of such guidance and feel it is very relevant to the public sector.

In the public sector, the Head of the SAI (Auditor General or President of the Court) often signs auditor's reports for engagement performed on his or her behalf by individuals assigned to the role of engagement partner. A Head of the SAI (Auditor General or President of the Court) may have specific authority or obligations in respect of reporting established in law, regulation or custom. Engagement partners may be delegated authority to sign an auditor's report acknowledging the delegation in the published report.

Our views as to how to address the circumstances described in paragraph 79 are outlined in our response to question 2 (a)(iv). We believe there is no specific work effort incremental to that of the engagement partner that should be consistently applied other than that already established by a firm's system quality control. A properly designed and implemented system should result in a firm environment that appropriately promotes and maintains the necessary inputs to quality engagements. We would guide such individuals to apply their knowledge of the results of monitoring the system of quality control and external inspections, the maturity of the audit firm practice, the maturity of the accounting environment of the preparer (for example, the maturity and quality of applicable accounting frameworks and preparers' understanding of these frameworks), and the risks of particular engagements in order to properly assign/delegate engagement partners and Engagement Quality reviewers (where needed) to individual engagements. This same information should also be used to ensure the continued relevance and effectiveness of the firms' system of quality control.

Others involved in the audit

QC3(a). Paragraphs 87–104 set out matters relating to involvement of others in the audit:

(i) Which of the actions outlined in paragraphs 100–104 would be most meaningful to address issues related to others participating in the audit?

From a public sector perspective, we would consider most meaningful the actions outlined in paragraph 100 to consider whether specific requirements and application material for scenarios where other auditors (that are not component auditors or not otherwise part of the engagement team) are involved in the engagement, and the actions outlined in paragraph 101 concerning the ability to use another auditor's report as audit evidence in certain circumstances.

(ii) Why do you believe these actions are necessary?

These actions are believed to be meaningful as both scenarios arise in practice and would benefit from either additional, practical guidance or confirmation of previous conclusions.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

No unique public sector considerations were noted.

(iv) Describe any potential consequences of possible actions that you believe we need to consider further.

No potential consequences of possible actions have been identified.



QC3(b). Should we develop further requirements or application material for circumstances when other auditors are involved in an audit engagement (i.e., auditors that don't meet the definition of component auditors)?

We support the development of additional requirements or application material in respect of circumstances when other auditors are involved in an audit engagement that are not component auditors as it should serve to improve and clarify the application of the audit quality standard to various team composition and emerging audit delivery models.

Engagement Quality Control Review (EQCR) and reviewers

QC6(a). Paragraphs 136–146 set out matters relating to engagement quality control reviews and engagement quality control reviewers.

(i) Which of the possible actions outlined in paragraphs 143–146 would be most meaningful in addressing issues related to EQC reviews and EQC reviewers?

We support all of the actions outlined in paragraphs 143-146. From a public sector perspective, the actions that would be most meaningful are those directed at supporting a firm's identification of engagements other than audits of listed entities where an EQCR would be most valuable.

(ii) Why do you believe these actions are necessary?

In the public sector, audits of listed entities are rare. As a result, there is a significant risk that many public sector engagements will not be selected for engagement quality control review. Further, other assurance engagements (such as direct engagements) could be more explicitly addressed in current requirements.

(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

The Invitation to Comment discussion of monitoring and remediation appropriately identifies that there are a variety of both pre-issuance and post issuance reviews performed by firms attempting to address audit quality concerns or risks. We would support the Board considering how pre-issuance reviews or other pre-issuance activities could be integrated more explicitly into the system of quality control engagement performance elements in addition to the Board's current consideration that they may be an input to monitoring.

We do not support the proposed action of communicating in the auditor's report whether the engagement was subject to an EQC review. An EQC review is only one of the multitude of actions and procedures applied to address risks to audit quality. As such, it would appear inappropriate to draw specific attention to this specific element of the firm's system of quality control in the auditor's report.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

It is important the Board recognize the integration of certain classification decisions and the consequences on the applicability of other requirements. If changes are made to the concept or definition of listed entity, impacts on other standards such as auditor reporting must also be considered.

**QC6(b).** Specifically:

(i) Should ISQC 1 mandate the performance of EQC reviews beyond audits of listed entities? If yes, what other entities *should be considered and how could we best define these entities? If no, please explain your reasoning.*

We agree that ISQC 1 could mandate the performance of EQR beyond audits of listed entities provided appropriate criteria and definitions are established that can be consistently applied in various jurisdictions. We do not believe the IAASB should only define the entity, but rather that the criteria should outline the nature of the engagement that would be most appropriately supported by the appointment of an engagement quality control reviewer as an additional requirement to audit quality risks. This criteria could include, as one element, the form of entity being audited (eg. a pension plan).

(ii) Do you believe it is necessary for ISQC 1 to require that firms define the minimum period of time between when an individual has been the engagement partner and when that individual would be eligible to serve as the EQC reviewer on the same engagement? If yes, how do you think this should be done and why? If no, please explain why.

We agree a cooling off period between the period of time an individual has been the engagement partner and when that individual would be eligible to serve as the EQC reviewer on the same engagement is appropriate. This issue could be addressed as a component of the IESBA code of ethics discussion of long association and rotation.

(iii) Would you support the development of a separate EQC review standard? Please explain the reasoning for your response.

We would support the development of a separate EQC review standard. This would serve to provide firms with more detailed requirements and guidance to support their implementation of the role. A separate standard would elevate the importance of the role and provide the opportunity to expand on how other activities of a firm, such as pre-issuance reviews, should be properly integrated into the system of quality control.

Monitoring and Remediation**QC7(a).** Paragraphs 147–159 set out matters relating to monitoring and remediation.

(i) Which of the possible actions outlined in paragraphs 156–159 would be most meaningful in addressing issues related to monitoring and remediation?

From a public sector perspective, the actions that would be most meaningful are those directed at how the performance of pre-issuance and post-issuance reviews, and the results thereof, may factor into the firm's system of quality control, the role and results of external reviews and how these interact with the internal monitoring system, and the implementation of requirements to obtain an understanding of causal factors of identified audit deficiencies.

(ii) Why do you believe these actions are necessary?

The above actions would be an opportunity to improve the overall efficiency of monitoring the system of quality control given the extent of post-issuance reviews currently being performed. Public sector auditors also often elect to participate in independent peer reviews whose results are currently not a recognized component of monitoring. Further, public sector auditors may operate in an environment of organizational risk management and control in addition to that set out in ISQC 1. Both the AQM approach and a review of monitoring and remediation are an opportunity to further integrate these overlapping requirements to improve efficiency and effectiveness.



(iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.

No unique public sector considerations were noted.

(iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

No potential consequences were noted for consideration.

QC7(b). Specifically:

(i) Do you support the incorporation of a new requirement(s) in ISQC 1 for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews? If not, why? Are there any potential consequences or other challenges of taking this action that you believe we need to consider?

We support the consideration of causal factors as best practice and new requirements to for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews.

(ii) Do you support the incorporation of a new requirement(s) in ISQC 1 for the results of the firm's monitoring of the effectiveness and appropriateness of the remedial actions to be considered in the design and assessment of the effectiveness of the firm's system of quality control? Please provide further detail to explain your response.

We support this incorporation as an appropriate monitoring consideration as this would align system monitoring with the design expectation.

Transparency Reporting

QC10(a). Do you believe we are able to positively contribute to the evolving developments related to transparency reporting? If so, what, in your view, would be the most appropriate action we could take at this time?

At this time, we would encourage the Board to continue to monitor industry developments in respect of transparency reporting. We do not see a role for the Board at this time.

QC10(b). If you would not support us taking actions as described in paragraph 190(b), please explain why, including any potential consequences of those actions that you believe we need to consider.

We support the actions described in paragraph 190(b).

Overall Question Related to Quality Control

QC14. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

We have identified public sector considerations related to the issues and potential actions in respect of audit quality in the above responses.