



July 1, 2019

Mr. Thomas Seidenstein, Chairman
Mr. Willie Botha, Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, New York 10017

Re: Exposure Drafts:

- Proposed International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*;
- Proposed International Standard on Quality Management 2, *Engagement Quality Reviews*; and,
- Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*.

Dear Mr. Seidenstein and Mr. Botha,

Mazars USA LLP (Mazars USA) welcomes the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB or the Board) Quality Management exposure drafts: Proposed International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ED-ISQM 1), Proposed International Standard on Quality Management 2, *Engagement Quality Reviews* (ED-ISQM 2), and Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements* (ED-220) (collectively, the Proposed Standards). Mazars USA acknowledges the IAASB's efforts to enhance the quality of engagements through the management of firm and engagement level quality and the performance of engagement level quality reviews. Establishing a risk-based and scalable approach to firm quality management and elevating engagement level quality begins to address the public interest issues that have been identified related to auditors' skeptical behavior and transparency and communication within firms and externally.

Currently, Mazars USA has over 100 partners and 800 professionals across the United States (U.S.) and is an independent member firm of the Mazars Group, an organization with 1,000 partners and 23,000 professionals in 89 countries around the world, and a member of Praxity, a global alliance of independent firms. As a member of an international network, we strive for continuous improvement by collaborating with our other member firms to set high standards of quality throughout the Mazars Group and tailoring these standards to meet U.S. Generally Accepted Auditing Standards established by the American Institute of Certified Public Accountants and the professional practice standards established by the Public Company Accounting Oversight Board.

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Our views on these interrelated and comprehensive Proposed Standards are driven by our position in the U.S. marketplace as a medium sized public accounting firm servicing mostly small to mid-size public and private businesses in a variety of industries and as a member firm in a global network.

We recognize the IAASB's extensive efforts related to addressing the topic of quality management including the considerations of the feedback received from the post-implementation review of the clarified ISAs in 2013 and the Invitation to Comment, *Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits* released in December 2015. We do believe that augmenting quality management puts the public interest first, enabling greater confidence in the audit report. As a member firm in a global network, we applaud the Board's efforts to collaborate with the U.S. and other standard setters, as this cooperation will promote consistent quality management and alignment across networks.

Our comment letter follows the request for comment response templates for the Quality Management Covering Explanatory Memorandum, ED-ISQM 1, ED-ISQM 2, and ED-220.

Quality Management Covering Explanatory Memorandum

Overall Questions

- 1) Do you support the approach and rationale for the proposed implementation period of approximately 18 months after the approval of the three standards by the Public Interest Oversight Board? If not, what is an appropriate implementation period?

Response: The sweeping changes expected from the implementation of the Proposed Standards to a firm's system of quality management and to the execution of audits and reviews and other engagements will require adequate time to assess, design, test, implement, develop guidance, and deliver training. Additional resources will be necessary as well as certain organizational changes. Firms will engage in a detailed and thoughtful exercise in order to successfully implement the Proposed Standards to achieve the intended results. For those firms, like ours, who belong to a global network, the implementation effort requires coordination with our other member firms including the tailoring of the network policies and procedures to ensure compliance with local regulations and standards. Any implementation period of less than 24 months after approval by the Public Interest Oversight Board (PIOB) would not allow enough time for firms to prepare for compliance with the Proposed Standards, potentially resulting in unintended consequences and quality results that are inconsistent with the intended impact of the Proposed Standards. The ability to effectively implement the Proposed Standards should not be compromised by an implementation period that is too short.

- 2) In order to support implementation of the standards in accordance with the IAASB's proposed effective date, what implementation materials would be most helpful, in particular for SMPs?

Response: Additional implementation materials would be helpful for small and medium sized practitioners whether members in global networks or regional or single office firms. The Board should consider preparation of fluid frequently asked questions (FAQs) documents made available during and after the implementation period. The IAASB should also consider webinars or other forums to discuss the

implementation process, other guidance, and the FAQs. Continuous clarifications and education would facilitate and potentially enhance implementation and promote greater consistency in application of the Proposed Standards.

Proposed ISQM 1

General Comments

We see several opportunities for maintaining the explanatory memorandum materials, either by embedding directly in the standard or the application section, or by providing supplemental guidance.

Overall Questions

- 1) Does ED-ISQM 1 substantively enhance firms' management of engagement quality, and at the same time improve the scalability of the standard?

Response: ED-ISQM 1 will result in significant changes in the approach to a firm's system of quality management and engagement execution. The standard is risk-based, demanding a customized approach and therefore improving scalability as compared to extant ISQC 1.

We expect ongoing guidance from the IAASB will be needed to support firms during their initial and implementation and ongoing maintenance of the firm's system of quality management.

In particular:

- (a) Do you support the new quality management approach? If not, what specific attributes of this approach do you not support and why?

Response: Overall, we support the quality management approach. Throughout our responses we have identified some specific modifications to ED-ISQM 1 to be considered before it is finalized. We indicated in certain circumstances additional guidance/examples are needed to support implementation and the intended quality improvements at the firm (and engagement) level.

- (b) In your view, will the proposals generate benefits for engagement quality as intended, including supporting the appropriate exercise of professional skepticism at the engagement level? If not, what further actions should the IAASB take to improve the standard?

Response: The Proposed Standards will generate benefits for engagement quality as intended. We note ED-ISQM 1 only includes guidance for exercising professional skepticism in the engagement performance component of the proposed standard (paragraph 36(b)) and the related application material (paragraphs A94 and A96). The IAASB should consider whether other components of ED-ISQM 1 should include requirements for professional skepticism.

- (c) Are the requirements and application material of proposed ED-ISQM 1 scalable such that they can be applied by firms of varying size, complexity and circumstances? If not, what further actions should the IAASB take to improve the scalability of the standard?

Response: Overall, ED-ISQM 1 is principles based and scalable due to the inherent flexibility within the proposed standard. We do have some concerns, especially for smaller firms, if in a network or not, whether they will be able to efficiently and effectively benefit from scalability. We recommend more guidance, including examples, be provided to illustrate how certain aspects of ED-ISQM 1 might be implemented in non-complex situations.

- 2) Are there any aspects of the standard that may create challenges for implementation? If so, are there particular enhancements to the standard or support materials that would assist in addressing these challenges?

Response: Overall, we support the objectives of ED-ISQM 1. The proposed standard is transformational, containing comprehensive changes to what exists in the quality control standards today. The challenges noted below continue to support our earlier comment regarding delaying the effective date to a minimum of 24 months and other comments herein with recommendations for additional guidance. While we recognize firms may begin planning for adoption prior to the PIOB's approval, significant challenges for implementation will include, but may not be limited to:

- Incremental costs due to additional resources and professional hours, and the multi-disciplinary organizational changes needed across network and member firms
- Resource constraints and a compressed implementation period could further impact adoption effectiveness in:
 - Planning and proper identification of quality objectives
 - Risk assessment and responses
 - Documentation requirements for quality objectives, identified risks, and responses
 - Piloting
 - Monitoring
 - Training and communication
 - Managing implementation of member firms within a global network

- 3) Is the application material in ED-ISQM 1 helpful in supporting a consistent understanding of the requirements? Are there areas where additional examples or explanations would be helpful or where the application material could be reduced?

Response: We found the graphics and certain other information in the Explanatory Memo Section of ED-ISQM 1 quite helpful in understanding the proposed standard. We would support retention of some of these materials in the application or other materials issued for implementation support. Specifically, more examples of quality risks, quality indicators, and how to evaluate deficiencies and findings would be helpful.

Specific Questions

4) Do you support the eight components and the structure of ED-ISQM 1?

Response: We support the eight components and the structure of ED-ISQM 1. The proposed standard's structure allows for customized integration of the eight components into the firm's system of quality management framework.

5) Do you support the objective of the standard, which includes the objective of the system of quality management? Furthermore, do you agree with how the standard explains the firm's role relating to the public interest and is it clear how achieving the objective of the standard relates to the firm's public interest role?

Response: Yes, we support the objective of the standard. We also agree with how the proposed standard explains the firm's role relating to the public interest. Achieving the objective of the proposed standard clearly relates to the firm's public interest role.

6) Do you believe that application of a risk assessment process will drive firms to establish appropriate quality objectives, quality risks and responses, such that the objective of the standard is achieved?

Response: We believe the application of a risk assessment process will support the objective of ED-ISQM 1; however, more guidance is needed on how to establish quality objectives and identify and assess quality risks to increase consistency of application and reduce contradictions in communication.

In particular:

(a) Do you agree that the firm's risk assessment process should be applied to the other components of the system of quality management?

Response: Yes, we agree the firm's risk assessment process should be applied to the other components of the system of quality management.

(b) Do you support the approach for establishing quality objectives?

Response: Yes, we support the approach for establishing quality objectives.

In particular:

i. Are the required quality objectives appropriate?

Response: Yes, the quality objectives are appropriate.

ii. Is it clear that the firm is expected to establish additional quality objectives beyond those required by the standard in certain circumstances?

Response: Yes, paragraphs 10, 26, and A49-A51 are clear; however, we would encourage guidance to assist firms in understanding that additional quality objectives may be the exception, not the rule. In part, paragraph 29 from the explanatory material could be added to the application material.

(c) Do you support the process for the identification and assessment of quality risks?

Response: Overall, we support the process of the identification and assessment of quality risks. We are not convinced the analogy to ED-315 (see explanatory memorandum paragraph 32) is appropriate. More guidance is needed to assist firms in how the risk assessment process will take place in the context of a system of quality management as opposed to following a process similar to what is in ED-315 for risks of material misstatement in financial statement audits.

(d) Do you support the approach that requires the firm to design and implement responses to address the assessed quality risks?

Response: Yes, we support the approach that requires the firm to design and implement responses to address the assessed quality risks. This process is critical to effective implementation of ED-ISQM 1 and requires enough time to perform with an effective outcome (more support for a minimum of 24 months implementation period).

In particular:

i. Do you believe that this approach will result in a firm designing and implementing responses that are tailored to and appropriately address the assessed quality risks?

Response: Yes, we believe that this approach will result in the firm designing and implementing responses that are tailored to and intend to appropriately address the assessed quality risks.

ii. Is it clear that in all circumstances the firm is expected to design and implement responses in addition to those required by the standard?

Response: While we understand this is implied and expected, we do not believe it is clear. Paragraph 30 should include the word “additional” and consideration should be given to other references in each component.

7) Do the revisions to the standard appropriately address firm governance and the responsibilities of firm leadership? If not, what further enhancements are needed?

Response: ED-ISQM 1 appropriately addresses firm governance and the responsibility of firm leadership.

8) With respect to matters regarding relevant ethical requirements:

- (a) Should ED-ISQM 1 require firms to assign responsibility for relevant ethical requirements to an individual in the firm? If so, should the firm also be required to assign responsibility for compliance with independence requirements to an individual?

Response: In practice, we believe this assignment is already largely in place, even if it is not the only responsibility for the individual(s). We agree with the concept and despite the prescriptive nature of this requirement, we agree ED-ISQM 1 should require assignment of responsibilities.

- (b) Does the standard appropriately address the responsibilities of the firm regarding the independence of other firms or persons within the network?

Response: Yes, the standard appropriately addresses the responsibilities of the firm regarding independence of other firms or persons within the network.

9) Has ED-ISQM 1 been appropriately modernized to address the use of technology by firms in the system of quality management?

Response: Yes, ED-ISQM 1 is appropriately modernized to address the use of technology by firms in their system of quality management.

10) Do the requirements for communication with external parties promote the exchange of valuable and insightful information about the firm's system of quality management with the firm's stakeholders? In particular, will the proposals encourage firms to communicate, via a transparency report or otherwise, when it is appropriate to do so?

Response: Other than objecting to the use of the words "transparency report" in ED-ISQM 1 paragraph 41(c)(iv), which are required by regulation in certain jurisdictions, we believe the requirements for communication promote the exchange of valuable and insightful information about the firm's system of quality management to stakeholders.

11) Do you agree with the proposals addressing the scope of engagements that should be subject to an engagement quality review? In your view, will the requirements result in the proper identification of engagements to be subject to an engagement quality review?

Response: Overall, we agree with the proposals addressing the scope of the engagements that should be subject to an engagement quality review. Additional guidance on distinguishing factors for the types of entities that would be considered a "significant public interest entity" versus "public interest entities" would be beneficial.

12) In your view, will the proposals for monitoring and remediation improve the robustness of firms' monitoring and remediation?

Response: Yes, the proposals for monitoring and remediation improve the robustness of the firms' monitoring and remediation.

In particular:

(a) Will the proposals improve firms' monitoring of the system of quality management as a whole and promote more proactive and effective monitoring activities, including encouraging the development of innovative monitoring techniques?

Response: Yes, we believe the proposals will promote proactive and effective monitoring activities. As intended by the proposed standard, firms will undertake a detailed and thoughtful exercise to redesign current monitoring practices for impact and relevance, including remediation processes. This response adds emphasis to our position that an effective date of a minimum of 24 months after PIOB approval would be necessary for the effective implementation of the Proposed Standards.

(b) Do you agree with the IAASB's conclusion to retain the requirement for the inspection of completed engagements for each engagement partner on a cyclical basis, with enhancements to improve the flexibility of the requirement and the focus on other types of reviews?

Response: We do not fully agree with IAASB's conclusion to retain certain requirements for inspection of completed engagements. The prescriptive nature of Paragraph 45(b) and the related application guidance in paragraph A169 (cyclical, completed engagements and every three years), contradicts the risk-based and customized quality management approach in ED-ISQM 1. At a minimum, we recommend removing the reference to every three years and placing more emphasis on the use of in-process engagement monitoring in the *Designing and Performing Monitoring Activities* section of the proposed standard.

(c) Is the framework for evaluating findings and identifying deficiencies clear and do you support the definition of deficiencies?

Response: The definition of a deficiency within paragraph 19(a) is not clear and neither is the framework for evaluating findings and identifying deficiencies. Findings are not defined within the standard; consideration should be given to adding a definition within paragraph 19.

Overall clarification and guidance are needed for how firms will evaluate findings and deficiencies in the context of the effectiveness of their systems of quality management to enhance the intended outcome and avoid inconsistencies in application of the standard.

(d) Do you agree with the new requirement for the firm to investigate the root cause of deficiencies?

Response: Yes, investigating the root cause of deficiencies enables the firm to focus on an issue and remediate more effectively and efficiently.

In particular:

i. Is the nature, timing and extent of the procedures to investigate the root cause sufficiently flexible?

Response: Yes, the procedures are sufficiently flexible.

ii. Is the manner in which ED-ISQM 1 addresses positive findings, including addressing the root cause of positive findings, appropriate?

Response: We appreciate the intent of addressing the root cause of positive findings, but we would prefer the recommendation to be only in the application guidance. This placement would allow for greater flexibility and lead to prioritizing the root cause analysis for negative findings.

(e) Are there any challenges that may arise in fulfilling the requirement for the individual assigned ultimate responsibility and accountability for the system of quality management to evaluate at least annually whether the system of quality management provides reasonable assurance that the objectives of the system have been achieved?

Response: Yes, there are challenges that could be addressed by more guidance addressing the triggers for more frequent evaluations.

13) Do you support the proposals addressing networks? Will the proposals appropriately address the issue of firms placing undue reliance on network requirements or network services?

Response: Overall, we support the proposals addressing networks. We have some concerns about the most efficient and effective way to manage implementation in smaller member firms, to avoid duplication and as well as over reliance by member firms on the network.

14) Do you support the proposals addressing service providers?

Response: We generally support the proposals addressing service providers. We do believe more guidance will be needed when information is not available to firms, and to define the different types of service providers, by complexity or significance, to support customized approaches as promoted throughout the standard.

15) With respect to national standard setters and regulators, will the change in title to "ISQM" create significant difficulties in adopting the standard at a jurisdictional level?

Response: We do not see any difficulties with the change in title and approach to a quality management framework.

Proposed ISQM 2

Questions

- 1) Do you support a separate standard for engagement quality reviews? Do you agree that ED-ISQM 1 should deal with the engagements for which an engagement quality review is to be performed, and ED-ISQM 2 should deal with the remaining aspects of engagement quality reviews?

Response: Overall, we support of the separate standard for engagement quality reviews. ED-ISQM 1 establishes the firm's responsibilities for its system of quality control, including procedures when engagement quality review should be performed as the response to assessed quality risks. ED-ISQM 2 sets the requirements for engagement quality review. We recommend the objective in ED-ISQM 2 paragraph 10 include emphasis on the engagement quality review and the engagement quality reviewer's ("EQR") responsibility in execution of the standard as opposed to only mentioning the firm.

- 2) Are the linkages between the requirements for engagement quality reviews in ED-ISQM 1 and ED-ISQM 2 clear?

Response: The linkage between the two standards is reasonably clear.

- 3) Do you support the change from "engagement quality control review/reviewer" to "engagement quality review/reviewer?" Will there be any adverse consequences of changing the terminology in respondents' jurisdictions?

Response: We support the change to engagement quality review/reviewer and do not see any adverse consequences to the change in terminology.

- 4) Do you support the requirements for eligibility to be appointed as an engagement quality reviewer or an assistant to the engagement quality reviewer as described in paragraphs 16 and 17, respectively, of ED-ISQM 2?

Response: We support the eligibility requirements for appointment as EQR or assistant thereto.

- (a) What are your views on the need for the guidance in proposed ISQM 2 regarding a "cooling-off" period for that individual before being able to act as the engagement quality reviewer?

Response: We support of the principles and flexibility in ED-ISQM 2 for firms to establish relevant and responsive cooling-off periods.

- (b) If you support such guidance, do you agree that it should be located in proposed ISQM 2 as opposed to the IESBA Code?

Response: We support having the guidance (same language) in both ISQM 2 and the IESBA Code.

Editorial Comment: We agree with the guidance in paragraphs 20-20(b) and A21 providing for when the EQR's eligibility becomes impaired, whether prior to or subsequent to commencing the engagement quality review, the EQR ceases performing the engagement quality review and notifies the appropriate individual. If the original EQR did not commence the review, then the replacement EQR performs the review from beginning to end. If the original EQR commenced the review, then eligibility became impaired, please consider application material to address if the replacement EQR should continue the engagement quality review from where the original EQR left off or does the replacement EQR need to reperform the original EQR's work. The final standard should address if the impairment of the original EQR and the assignment to the replacement EQR, should be documented.

- 5) Do you agree with the requirements relating to the nature, timing and extent of the engagement quality reviewer's procedures? Are the responsibilities of the engagement quality reviewer appropriate given the revised responsibilities of the engagement partner in proposed ISA 220 (Revised)?

Response: Overall, we agree with the requirements related to nature, timing, and extent of the engagement quality reviewer's procedures, with these precise recommendations for change: 1) Paragraph 22(c) should be aligned with PCAOB AS 1220 by inserting the word "evaluate" instead of "identify". As written, this requirement implies a higher level of responsibility for the EQR than we believe is intended, which is to be an objective challenger. 2) Paragraph 22(f) as written requires the EQR to "evaluate the basis for the engagement partner's conclusion..." for achieving audit quality. We believe this requirement should be removed in this context, as we see the implied EQR threshold responsibility as not possible to execute or practical to demonstrate compliance. Paragraph 23 seems to be a more appropriate place for the EQR to consider concerns related to execution of the engagement team's performance. Application and Other Explanatory Material should be modified accordingly.

- 6) Do you agree that the engagement quality reviewer's evaluation of the engagement team's significant judgments includes evaluating the engagement team's exercise of professional skepticism? Do you believe that ED-ISQM 2 should further address the exercise of professional skepticism by the engagement quality reviewer? If so, what suggestions do you have in that regard?

Response: It is reasonable to expect the EQR to exercise professional skepticism and professional judgment in execution of their role and to "consider" versus "evaluate" whether the engagement team's basis for significant judgments reflect the appropriate level of professional skepticism (Paragraph 22(d)(i)).

We would recommend more clarity in this standard on how the tenants of professional skepticism apply to the execution of the EQR. How would the EQR demonstrate their challenge of the engagement team, examples of behaviors and the related documentation requirements would be helpful for effective execution by the EQR.

- 7) Do you agree with the enhanced documentation requirements?

Response: Overall, we agree with the enhanced documentation requirements in Paragraphs 25-27 as well as the related application material in A36-39. Recommended modifications:

- Paragraph 24 should clarify the meaning of "complete" and add the requirement for the EQR to provide concurring approval for issuance. A similar modification should be made in paragraph 27(e) to include the date of concurring approval for issuance.
- Both ED-ISQM 1 and ED-200 should be aligned and indicate that the engagement quality review is the responsibility of the engagement partner to ensure the exercise takes places.
- Paragraph A38 outlines various methods the EQR may use to document the procedures performed, including documenting the engagement quality reviewer's procedures in the minutes of the engagement team's discussions. While these minutes are appropriate to include in the final engagement file, they may not be sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed by the EQR, as discussed in paragraph 27.

8) Are the requirements for engagement quality reviews in ED-ISQM 2 scalable for firms of varying size and complexity? If not, what else can be done to improve scalability?

Response: Overall, the requirements of ED-ISQM 2 are scalable for firms of varying sizes and complexities as long as the firm may utilize non-partners within the firm and external individuals, as noted in paragraph 11(b), or have others assist in completing the EQR responsibilities.

Proposed ISA 220 (Revised)

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: The engagement partner's overall responsibility for managing quality at the audit engagement level is uncontroverted. We support the focus in ED-220 of the involvement of the engagement partner and other senior members of the engagement team. We do, however, have certain recommendations for specific changes that would help to support scalability and practicality as intended by ED-220 paragraph A30 for the execution and compliance with the Proposed ISA 220 (Revised):

- ED-220 creates some challenges for audit engagement leaders for compliance, practically, with extant ISA 600. ED-220 should be directionally aligned with current ISA 600 and interim guidance should be provided for those that lead group audits, specifically, outlining how extant ISA 600 would continue to integrate and be applied under ED-220. This comment response presumes the current project for ISA 600 results in new guidance after ED-220 is effective.
- ED-220 is intended to be a principles-based standard, allowing for practical application. In this context, Paragraph 13 should end after the first sentence and 13(a) and (b) should be deleted. As written,

complying with the standard would require a significant increase in the level of work performed solely by the partner, which we do not believe is the intent. We also do not see the possibility of applying (a) and (b) in a group audit environment.

- Paragraph 37, including review of paragraphs A99- A101, will be difficult to apply. To avoid a “checking the box” or risk of “form over substance” exercise the application materials in paragraphs A99-A101 should include explanatory guidance on how the “standing back” activity should be executed. The Board should consider the effectiveness of the engagement partner self-judging the appropriateness of the overall responsibility taken.

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: ED-220 is intended to provide linkage with the ISQMs by clarifying, but not duplicating, the requirement to assess the firm’s quality management system as designed and applied to each audit engagement. ED-ISQM 1 and ED-ISQM 2 require the firm and the partner, respectively, to communicate and inform engagement teams regarding their responsibilities and responses that are required at the engagement level. We caution:

- Paragraph A8 should not imply the partner has the burden of determining reliance on the firm’s system of quality management on each engagement. ED-ISQM 1 requires the firm to inform engagement partners of instances where reliance is not appropriate.
- Paragraph A9 should be expanded to provide illustrations of other circumstances or factors that would trigger a change in professional judgment by the engagement partner during the engagement that would result in additional personnel and procedures added at the engagement level as well as the documentation required.

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: The exercise of professional skepticism is mandatory in managing quality at the engagement level. We support the material in ED-220 paragraph 7 and throughout the Proposed Standards, but do have cautionary suggestions related to the application guidance:

- Paragraphs A27 and A29 could be perceived as finite lists. The final standards should clarify these are not all inclusive nor the only circumstances that could impede professional skepticism to avoid checklist mentality or applicability regardless of engagement size.
- Consider whether A103 should be included as part of the standard for when professional skepticism is required as well as the related documentation of the circumstance.

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

Response: As written, ED-220 is sufficiently flexible with respect to the modern auditing environment, including the use of different audit delivery models.

Separately, consideration should be given in ED-220 and across all the auditing standards as to whether engagement resources and teams are consistently defined, including technological resources, or implied in the standards themselves, and not only covered in the application or explanatory material.

- 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: Overall, we support the revised requirements and guidance on direction, supervision and review, but we are concerned that the lists in paragraphs A72-A73, and A75 could evolve into a “checking the box” approach to documentation. In addition, revisions to extant ISA 600 should appropriately and realistically scale the direction, supervision and review requirements outlined in ED-220. See our response to ED-220 question 1 above.

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

Response: We support the documentation requirements of ED-220, inclusive of the overarching documentation requirements of ISA 230, but suggest the following modifications:

- ED-220 paragraph 33(d) and ED-OSQM-2 paragraph 24 should be conformed and clear on the meaning of “completion”.
- Determination of “concurring approval” should come from the EQR and this notification should be documented.
- Please note our responses to question 2) above.

- 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: ED-220 as written and noted in some of our prior comments, the engagement partner requirements for direction, review and supervision will be a challenge for group, multi-location, large and complex engagements.



Overall, we strongly support the Proposed Standards, individually and collectively, and recognize the intended improvements resulting from implementation will address the key public interest issues raised as it relates to firms' system of quality management and execution of engagements. We appreciate the Board's continuous efforts in extending this opportunity to comment, and we respectfully ask the Board for modification, clarification, and consideration of additional guidance in certain areas. An implementation date of at least 24 months following PIOB approval, alignment of existing standards (IAASB and IESBA, across all ISA's and specifically to extant ISA 600), the targeted changes and clarity requested herein, and additional guidance will enhance all firms' ability to adopt the Proposed Standards effectively.

We would be pleased to discuss our comments with you at your convenience. Please direct any questions to Wendy Stevens, Practice Leader, Quality & Risk Management, at (212) 375-6699 (wendy.stevens@mazarsusa.com) or Bonnie Mann Falk, Quality & Risk Management, at (212) 375-6552 (bonnie.mannfalk@mazarsusa.com).

Very truly yours,

A handwritten signature in black ink that reads "Mazars USALLP".

Mazars USA LLP