



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

May 24, 2021

International Auditing and Assurance Standards Board

529 Fifth Avenue
New York, New York 10017
United States of America

Yours sincerely,

Re: Exposure draft – Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards

Thank you for the opportunity to provide feedback on the above Exposure Draft. I am responding on behalf of the Office of the Auditor General of Canada.

Our response to the specific questions posed in the Exposure Draft is provided below. Responses are limited to questions of relevance to our Office and legislative audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Lissa Lamarche".

Lissa Lamarche, CPA, CA
Assistant Auditor General

1) Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the IAASB’s Other Standards and Framework, and the changes made by the IAASB in developing and approving the new and revised QM standards?

We have reviewed the proposed conforming and consequential amendments and have comments on the proposed amendments to ISAE 3000.

General comment

For financial audit engagements, ISA 220 (Revised) Quality Management for an Audit of Financial Statements was published in December 2020. This ISA defines the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement leader. It is a rigorous standard that bridges and integrates the requirements of ISQM 1 and ISQM 2 at the firm level to requirements specific at the engagement level. The proposed changes and amendments for Assurance Engagements Other than Audits or Reviews of Historical Financial Information should achieve the same level of integration and robustness as ISA 220.

In our view, the actual proposal creates and maintains inconsistencies between quality for financial statement audits and other engagements. Quality for financial statement audits is higher even though quality is as important in other engagements. With the changes in the system of quality management and the emphasis on quality in our profession, the IAASB has the opportunity to bring the same level of quality requirements at the engagement level for the other engagements.

Below are two specific examples demonstrating that ISA 220 (Revised) requirements are more robust than ISAE 3000 (Proposed).

ISA 220 (Revised)	ISAE 3000 (Proposed)
Review	
31. The engagement partner shall review audit documentation at appropriate points in time during the audit engagement, including audit documentation relating to: (a) Significant matters; (b) Significant judgments, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached; and (c) Other matters that, in the engagement partner’s professional judgment, are relevant to the engagement partner’s responsibilities.	33. The engagement partner shall take overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. This includes responsibility for: (c) Reviews being performed in accordance with the firm’s policies or procedures and reviewing the engagement documentation <u>on or before the date</u> of the assurance report;
Comments: ISA 220.33(c) clearly states the engagement partner shall review audit documentation at appropriate points in time during the audit engagement. ISAE 3000.33 states “on or before the date of the assurance report”. We believe the approach outlined in ISA 220 to review audit document throughout the engagement better supports engagement quality objectives.	

ISA 220 (Revised)	ISAE 3000 (Proposed)
Consultation	
<p>35. The engagement partner shall: (Ref: Para. A99–A102)</p> <p>(a) Take responsibility for the engagement team undertaking consultation on:</p> <p>(i) Difficult or contentious matters and matters on which the firm’s policies or procedures require consultation; and</p> <p>(ii) Other matters that, in the engagement partner’s professional judgment, require consultation;</p> <p>(b) Determine that members of the engagement team have undertaken appropriate consultation during the audit engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm;</p> <p>(c) Determine that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and</p> <p>(d) Determine that conclusions agreed have been implemented.</p>	<p>33. The engagement partner shall take overall responsibility for...</p> <p>(e) Appropriate consultation being undertaken by the engagement team on difficult or contention matters.</p>
<p>Comments: ISAE 3000 is missing many elements included in ISA 220.35 which, in our view, are a more robust approach to engagement quality.</p>	

We believe audit quality is as important for the other engagements as for financial statement audits. We suggest that the same level of quality requirements and guidance that are in ISA 220 (Revised) be incorporated into the other engagement standards when applicable.

2) Do respondents support the proposed effective date?

Yes, we support the proposed effective date if the exposure draft is adopted as is. If the Board is considering the changes we are proposing a later effective date would be necessary giving the extent of changes that needs to be implemented.