

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?

In general the AUASB is supportive of the IAASB clarifying the engagement partner's responsibilities and emphasising that the engagement partner has ultimate responsibility for the engagement. However, the AUASB considers that it may be difficult to practically meet the requirements in paragraphs 11-13 in a larger audit engagement, particularly with the broader *Engagement Team* definition. The AUASB specifically draws attention to paragraph 13(b) outlining the engagement partner's responsibility to monitor and review the work of assignees which may be difficult to meet with an expanded engagement team.

With regard to the roles of other senior members, including other partners, the AUASB would like the IAASB to provide further guidance dealing with situation where there are multiple partners on an engagement, especially where the audit opinion is signed by more than one partner. It would be beneficial to clarify the extent of review expected by the engagement partner of the work of other partners to avoid a duplication of effort.

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?

Overall the AUASB considers that ISA 220 links, where appropriate, to the ISQMs. However, the AUASB raises that the term *Engagement Team* could be interpreted differently under ISA 220 and ISQM 1. The inconsistency arises due to application and explanatory material present in ISA 220 not replicated in ISQM 1 (paragraphs A16-A19).

The AUASB notes that in the context of each standard, the different definitions of *Engagement Team* may be appropriate (for example, an *Engagement Quality Reviewer* (EQR) is excluded from the engagement team under ISA 220 and considered part of it under ISQM 1) however, having a term with multiple definitions across linked standards is not recommended.

The AUASB also raises for consideration whether an appropriate balance has been achieved between the role of the engagement partner under ISA 220 and the role of the EQR under ISQM 2. The AUASB views that expectations of an EQR have significantly increased in ISQM 2 and may not reflect the nature and objective of the role.

3. Do you support the material on the appropriate exercise of professional scepticism in managing quality at the engagement level? (See paragraph 7 and A27–A29 of ED-220)

The AUASB is supportive of the inclusion of the material on the exercise of professional scepticism, however, the AUASB views that the objective of paragraph 7 is unclear. Presently, it appears to be leading auditors to question their colleagues and the firm in meeting the requirements of the standard. The AUASB considers that paragraph 7, and other appropriate areas of ISA 220, should emphasise that the engagement partner is responsible for establishing an environment that supports the exercise of professional scepticism and setting an appropriate 'tone from the top' for the engagement team.

The AUASB supports the application material which more clearly articulates this responsibility. For example, paragraph A27 outlines the impediments to the engagement team's ability to exercise professional scepticism that an engagement partner may have to deal with. The AUASB recommends the inclusion of other impediments to the exercise of professional scepticism at the engagement level to assist the engagement partner in establishing an environment that allows the engagement team to exercise appropriate professional scepticism.

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

The AUASB welcomes the introduction of application and explanatory material in the standard on the use of technological resources. However, as presently drafted, the AUASB considers that the standard does not adequately deal with advances in technology and potential changes in the auditing environment. For example, as the use of AI or machine learning becomes more common, it is unclear how the review requirements of the standard will be met, particularly where specialist knowledge is required to review such tools.

The AUASB recommends that the IAASB considers the impact of new and emerging technology on all aspects of the engagement partner's responsibilities and not limited to engagement resources. In the absence of appropriate technology considerations within the standard, additional implementation and guidance materials will be required to support practitioners to understand how an engagement partner can meet the requirements of the standards in a modern environment.

Overall, the AUASB views that the proposed ISA 220, whilst an improvement on the extant ISA 220, is only an incremental step-up which may not substantially improve audit quality particularly in the current environment where there is significant pressure on audit quality.

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

The AUASB considers that whilst the requirements on their own do not appear overly onerous, they may not be practically achievable where personnel not currently considered part of the engagement team are drawn in by the broader engagement team definition.

The AUASB is cautious that the broad definition of engagement team may draw in unintended personnel into the engagement team giving rise to a number of challenges for the engagement partner being able to satisfy the direction, supervision and review requirements of ISA 220. This is particularly important in an environment where the use of technology and handling large volumes of data becomes common. Presently, the definition includes service delivery centres and may draw in technology support staff assisting the engagement team in using tools and processing data. It may be impractical for the engagement partner to meet the direction, supervision and review requirements for each of these possible groups of engagement team members particularly where they only perform functions to support the engagement team.

The ability to practically meet the direction, supervision and review requirements of the standard is further impacted by removal of the statement "the engagement team may rely on the firm's system of quality control process, unless information suggests otherwise" and the IAASB's approach of using the terms "shall be satisfied" and "shall determine" to differentiate between actions that can occur at a firm level and actions that occur at an engagement level. Having such a subtle approach which is not clearly articulated in the body of ISA 220 and not commonly used throughout the suite of auditing standards may result in diverse interpretation.

The AUASB understands the IAASB's concerns regarding the over reliance on firm policies and procedures by the engagement teams, however, some quality risks are more effectively and efficiently responded to at a firm level. The situations where an engagement team can rely on the firm's systems should be more clearly articulated in the standard, as well as what is required of an engagement partner where they choose to rely on those firm systems.



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

The AUASB generally views that the documentation requirements in conjunction with the requirements of ISA 230 provided sufficient guidance on documentation although there should be a link between the review requirements of the engagement partner and the documentation requirements to evidence this review.

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?

Australian stakeholders raised that the removal of the statement regarding “the ability to rely on the firm’s system of quality control process, unless information suggests otherwise” and changes to the standard to explicitly state that the firm’s system of quality control cannot be relied upon may impact on scalability. Stakeholders viewed that the benefits of being part of a network may be lost therefore placing more onus on individual firms and partners impacting scalability.

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