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Stellungnahme zum Standardentwurf *International Standard on Auditing 220 (Revised)*

Die WPK hat mit Schreiben vom 1. Juli 2019 gegenüber dem International Auditing and Assurance Standards Board (IAASB) zum Standardentwurf *International Standard on Auditing 220 (Revised)* wie nachfolgend wiedergegeben Stellung genommen.

We are pleased to take this opportunity to comment the Exposure Draft: Proposed International Standard on Auditing 220 (Revised).

Please find our comments below.

General Remarks:

- We **appreciate the significant amount** of work that has been undertaken by the IAASB in developing the three projects and support the objective of enhancing quality management (QM). However, we understand that the expected improvements to quality have not been compared to the potential additional implementation costs to be incurred by the firms (**Cost/Benefit Analysis**).
- We **basically support the new QM approach** which focusses on how audit firms manage their risks to quality. However we would ask the IAASB to develop a **mapping of ex-tant requirements to the new requirements in ED-220**.
- The proposed ISQM 1, ISQM 2 and ED-220 are very important standards. They will presumably **shape the quality management (QM)** for the **next decades** and the quality systems in audit firms. Therefore it is crucial that the standards are operable for firms of all sizes irrespective the nature of engagements they perform.

- We are concerned as to whether all audit firms distinguish what **specific adjustments** to their existing quality system are necessary to comply with the relevant requirements. It has to be taken into account that the new approach has to build on the existing quality system and that adjustments have to be made during the current business.
- We see that the proposed implementation horizon of **18 months is too short**. During implementing a new QM approach the firms have to cope with the implementation of ISA 315.
- We are in addition concerned that from the **scalability perspective** the identification and assessment of quality risks is very prescriptive and leaves only little room for flexibility in the application. The approach is therefore challenging to apply. Therefore supporting material for implementation (like an update of the ISQC 1 guidance published by the SMPC or an IAASB staff Q&A's) would be beneficial before the standards become effective.

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?

Generally we support the focus on the sufficient and appropriate involvement of the engagement partner.

We especially appreciate the requirement in Para 23 that the engagement partner shall determine that **sufficient and appropriate resources** to perform the engagement are assigned or made available to the engagement team by the firm on a timely basis.

However we believe that the extant approach under which the engagement team can rely on the firm's quality control unless there are indications to the contrary is still sound. We experienced that the engagement partner evaluate on an ongoing basis whether the responses to quality risks are appropriate and, if so, additional measures are necessary. This does not prevent the engagement partner from being alert to unforeseen circumstances.

Moreover we would ask the IAASB to develop a **mapping of extant requirements to the new requirements in ED-220**.

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?

The linkages between ED-220 and ISQM 1 and ISQM 2 are not easy to understand.

We would like to raise the question whether the requirements of the 3 proposed standards International Standard on Quality Management 1 (ISQM 1), International Standard on Quality Management 2 (ISQM 2) and International Standard on Auditing 220 (Revised) should be included in one single Standard on Quality Management.

It is difficult to get a clear picture of what the network should do, what the firm should do, what the engagement partner should do, and what the engagement quality reviewer should do.

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)

Yes, we generally support the material that demonstrates the appropriate exercise of professional skepticism in managing quality at the engagement level.

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

Yes, this has been sufficiently revised to reflect the current situation in practice.

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

We support the revised requirements in Para 27-31 and A68-A80.

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

The overarching documentation requirement is sufficiently principles-based and appropriate.

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?

Some aspects of ED-220 are not, or only partly relevant for sole practitioner or a very small audit team, especially the requirements with regard to direction, supervision and review.

Therefore we would ask the IAASB to **emphasise the scaling aspects** regarding these requirements (esp. Para 15 (a) to (c), 23, 24, 27, 28, 32 (a), (b), 36 (a)).

We would like to thank you for the opportunity to comment on the proposed drafts and hope that you will find our comments useful. We would be delighted to answer any further questions that you may have.

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