



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

OVERVIEW OF ISA 220 (REVISED)

QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

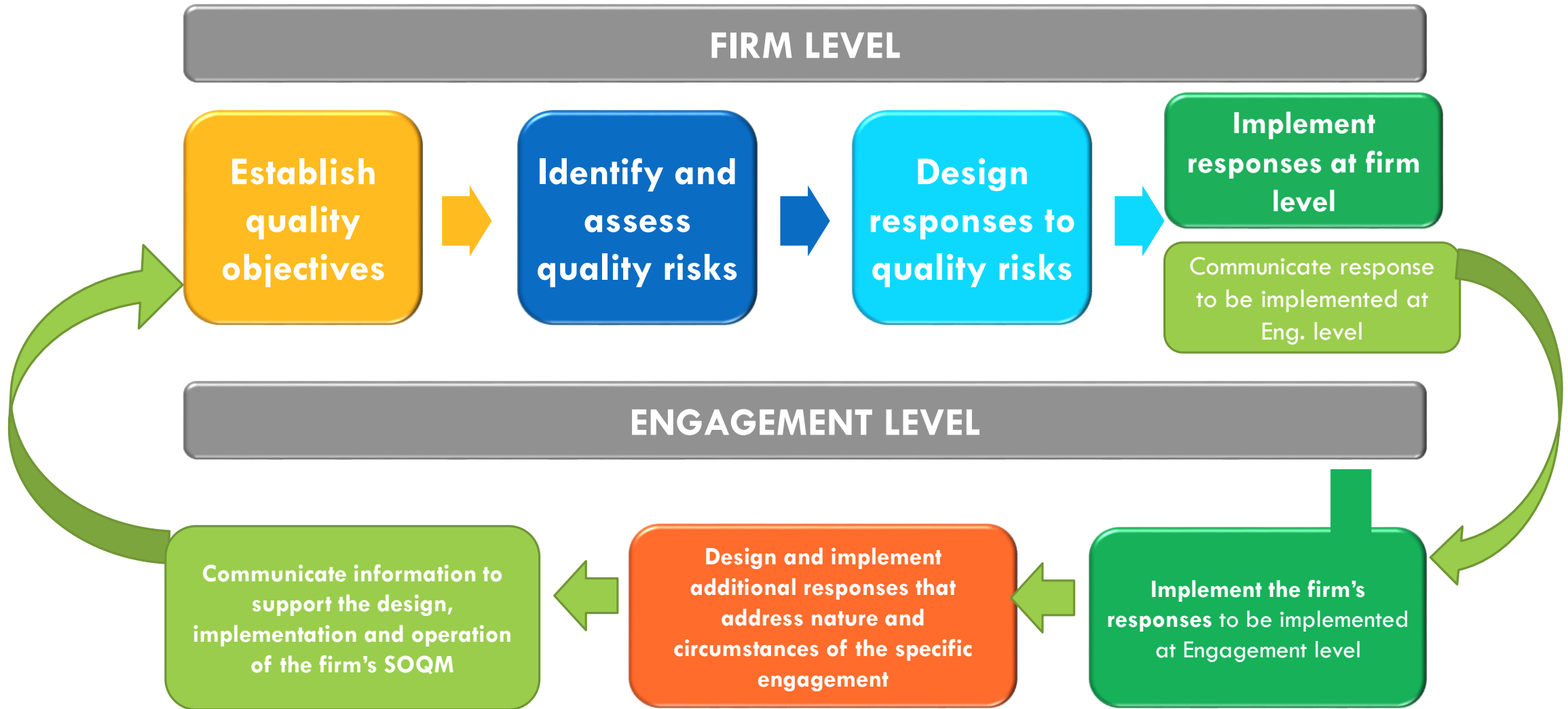
AUDITING STANDARDS & ETHICS COMMITTEE

JUNE 22, 2021

KEY CHANGES OF ISA 220 (REVISED)

- Clarifies and strengthens engagement partner and engagement team's responsibilities relating to the EQ Review.
- Reinforces the importance of quality to all members of the engagement team.
- Integrates the concepts of ISQM 1 to the engagement level.
- Keep the standard fit for purpose - wide range of circumstances and complex environment.
- Emphasize the importance of professional skepticism
- Enhance the documentation of the auditor's judgments.
- Describes impediments to professional skepticism, auditor biases, and actions the engagement team can take.

RELATIONSHIP BETWEEN ISQM 1 & ISA 220 (REVISED)



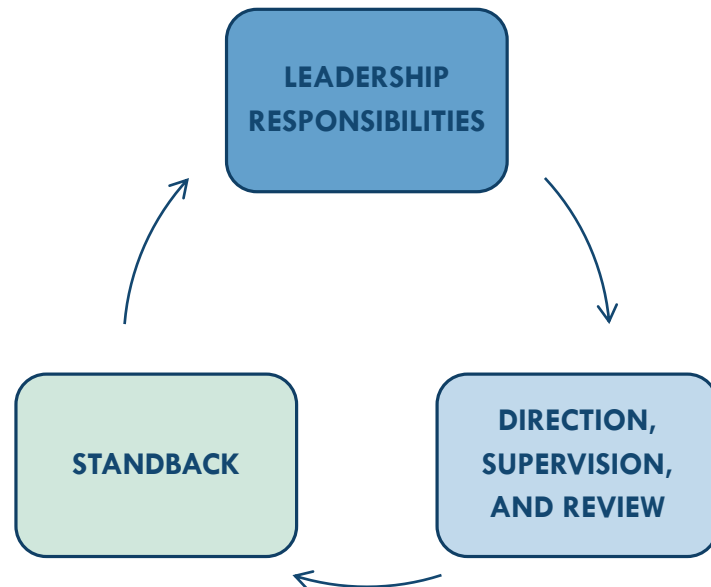
CHANGE IN DEFINITION OF THE ENGAGEMENT TEAM

“All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor’s external expert and internal auditors who provide direct assistance on an engagement”.

DIFFERENCE BETWEEN EXTANT & REVISED ISA 220

EXTANT ISA 220

- Extant ISA 220 requires EP to take responsibility for the overall quality of each audit engagement.



ISA 220 (REVISED)

- EP's responsibility for leadership and project management now become more explicit.
- Enhanced the EP responsibility for:
 - ✓ involvement throughout the audit;
 - ✓ managing and achieving quality at the engagement level;
 - ✓ determining the nature, timing and extent of direction, supervision and review of audit team, in light of engagement circumstances.

ENGAGEMENT PARTNER RESPONSIBILITY

DIFFERENCES OF OPINION



• ISA 220 (revised)

- If EQ Review is required then EP should be:
 - ✓ Be satisfied that EQR reviewer is appointed;
 - ✓ Cooperate with EQR reviewer;
 - ✓ Discuss significant matters with EQR reviewer.
- Review audit documentation including significant, difficult or contentious matters.
- Make consultation with engagement team and conclude matters.
- **Not date the auditor's report until:**
 - all differences on significant matters/significant judgments are resolved between EP and EQR and
 - the EQ review is complete.

**Effective Date of ISA 220
(Revised)**

Effective for **Audits of financial
statements for periods beginning
Dec 15, 2022**



December 15, 2022

PROFESSIONAL SKEPTICISM IS CENTRAL TO QUALITY MANAGEMENT

Professional skepticism supports the quality of judgements made by the engagement team and, through these judgements, supports the overall effectiveness of the engagement team in achieving quality at engagement level.

Impediments in exercising professional skepticism at engagement level

- Tight deadlines;
- Lack of cooperation or undue pressure imposed by management;
- Insufficient emphasis on the importance of quality etc.

Auditor biases that may affect the engagement team's professional judgements

Availability bias , Overconfidence bias; and Automation bias etc.

POTENTIAL IMPACTS OF QM STANDARDS & FIRM'S RESPONSIBILITY

The impact of the new and revised QM standards requirements are expected to be significant, so much so that they are expected to result in a change to the firms' organisational structures and operations.

- Firms, in many cases, will have to exercise a great deal of change management for the new and revised QM standards to be effectively absorbed and implemented.
- Will require significant investment of firm's time and resources to understand, design and implement new set of complex requirements
- Cost v Benefit analysis?
- May lead to significant subjectivity and will depend on ability to justify why certain quality objectives were not chosen.
- Adds additional layers to quality management as the existing framework primarily addresses relevant responses (i.e. policies and procedures)

THANK YOU