

Proposed ISQM 1¹ and Proposed ISA 220 (Revised)²: Issues and Recommendations

Overview

ISQM 1:

In March 2020, the IAASB discussed the full draft of proposed ISQM 1, and on the April 8th, 2020 videoconference, the IAASB discussed the turnaround of key areas presented by the ISQM 1 Task Force (TF). The standard is anticipated to be finalized and approved by the Board in September 2020.

A selection of items will be discussed with the Board in June 2020 relating to areas of the standard where the ISQM 1 TF received the most comments, areas where Board members had differing views or areas that are more complex. With respect to the remaining areas of the standard that will not be discussed with the Board in June 2020, the ISQM 1 TF is not anticipating that significant changes will need to be made by the TF in finalizing the standard for September 2020.

The goal for the June 2020 discussion is to achieve consensus from the Board on the areas presented. The request to the Board is to indicate all final matters that need to be considered by the Task Force for these areas, as this will facilitate the approval in September 2020.

ISA 220 (Revised):

In March and April 2020, the IAASB discussed a full draft of proposed ISA 220 (Revised). The ISA 220 TF has responded to the points raised, noting that these particularly concerned the resources section of proposed ISA 220 (Revised). In collaboration with the ISQM 1 TF, the ISA 220 TF is presenting a revised resources section.

Objectives of the Discussion

With respect to proposed ISQM 1, the objective for the June 2020 discussion is to achieve consensus from the Board on:

- (a) The definitions of deficiencies, findings and quality risk;
- (b) The firm's risk assessment process;
- (c) Relevant ethical requirements;
- (d) Human resources, including the firm's responsibilities with respect to component auditors, and service providers;
- (e) External communications;
- (f) Monitoring and remediation; and

¹ Proposed International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control (ISQC) 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

(g) The evaluation of the system of quality management (SOQM).

With respect to proposed ISA 220 (Revised), the objective of the discussion is to achieve consensus from the Board on the changes to the resources section.

A. Introduction

1. The proposals outlined in this issues paper have been developed in response to the feedback from the Board discussions in March and April 2020. This paper is primarily focused on issues and recommendations relating to proposed ISQM 1. It also includes an issue and recommendation related to resources in proposed ISA 220 (Revised).
2. **Agenda Item 5-A**, which accompanies this paper, includes extracts from proposed ISQM 1 to reflect the proposals in this issues paper. **Agenda Item 5-C** includes the extracts from proposed ISA 220 (Revised) that relate to the relevant proposals in this issues paper.

Appendices to this Paper and Other Agenda Items Accompanying This Paper

3. The following appendices and agenda items accompany this paper:

Appendix 1	Overview of the ISQM 1 TF's activities and ISA 220 TF's activities
Appendix 2	Tracking list of the questions in the Exposure Draft of ISQM 1 (ED-ISQM 1) and when they were presented to the IAASB
Appendix 3	Draft minutes of the March and April 2020 IAASB discussions
Agenda Item 5-A	Extracts from the Draft of proposed ISQM 1 (Clean)
Agenda Item 5-B	Extracts from the Draft of proposed ISQM 1 (Marked from Agenda Item 4-A (Updated) discussed on the April 8, 2020 IAASB videoconference)
Agenda Item 5-C	Extracts from the Draft of proposed ISA 220 (Marked from Agenda Item 2-B (Updated) discussed on the April 1, 2020 IAASB videoconference)

Structure of the Board Discussion

4. The Chair of the ISQM 1 TF will provide a brief introduction to each proposal in Section B, followed by Board input on the questions in each Section. The questions will follow the sequence as set out in this paper and will be asked by grouping of questions. The draft that will be referenced for purposes of the Board discussion on proposed ISQM 1 will be the clean version of the extracts from proposed ISQM 1 (**Agenda Item 5-A**).
5. The Chair of the ISA 220 TF will provide a brief introduction to the proposal in Section C, followed by Board input on the question provided. The draft that will be referenced for purposes of the Board discussion on proposed ISA 220 (Revised) will be the extracts from proposed ISA 220 (Revised) (**Agenda Item 5-C**).

B. ISQM 1 TF's Proposals on Proposed ISQM 1

6. The proposals outlined below have been grouped as follows:
 - (a) The firm's risk assessment process, including the definition of quality risk;

- (b) Definitions of deficiencies and findings and monitoring and remediation;
- (c) Evaluation of the SOQM;
- (d) Relevant ethical requirements;
- (e) External communications; and
- (f) Human resources, including the firm’s responsibilities with respect to component auditors, and service providers.

B.1 The Firm’s Risk Assessment Process, Including the Definition of Quality Risk

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
22C–22G	A24F–A24V	19(q) and A11C	N/a

Definition of Quality Risk

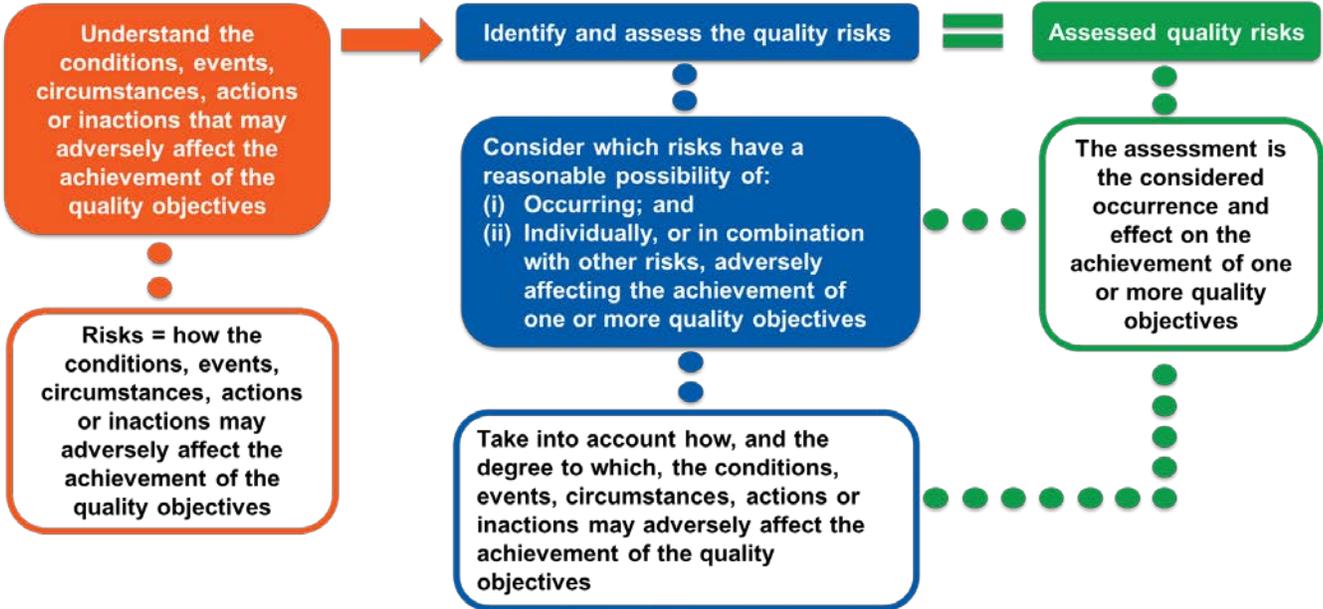
7. The ISQM 1 TF considered the history of the threshold for identifying quality risks. Key highlights included the following:
 - (a) In ED-ISQM 1, the threshold for the identification of quality risks referred to having “a significant effect on the achievement of a quality objective(s).” Respondents’ comments on the process for identifying and assessing quality risks focused on the complexity of the process and the thresholds. These comments included a need to clarify the meaning of “significant effect on the achievement of a quality objective(s),” since it is subject to varying interpretation and inconsistent application and, in the context of the ISAs, significance or magnitude is grounded in the concept of materiality. (The summary of responses to question 6(c) of ED-ISQM 1 was provided in Appendix B of **Agenda Item 4** of the September 2019 meeting).
 - (b) The ISQM 1 TF proposed to the Board in September 2019 that it is not appropriate to describe the magnitude of effect as “a significant effect on the achievement of a quality objective.” This is due to the level at which the quality objectives in the standard have been set, i.e., if only those risks that have a significant effect on the achievement of a quality objective are quality risks, the threshold would be very high.
 - (c) In the March 2020 Board discussion, it was suggested that a concept of significance be introduced into the definition of quality risks. As a result, the ISQM 1 TF presented an updated definition to the Board as part of the turnaround for the discussion on April 8, 2020, which included adding a threshold of “significant to the non-achievement of one or more quality objectives.” The Board indicated that “significant to the non-achievement” is not clear.
8. Upon further reflection of the intended meaning of when a quality risk arises, the ISQM 1 TF noted that:
 - (a) The threshold embedded in the definition of quality risks is “reasonable possibility.”
 - (b) In the context of the achievement of the quality objectives, there is a varying degree to which risks may affect the achievement of a quality objective. For the purposes of the threshold, quality risks are those risks that have a *reasonable possibility* of causing the quality objective not to be achieved, either individually or in combination with other quality risks.

9. Accordingly, the ISQM 1 TF has proposed the following:
 - (a) Removing the reference to significance.
 - (b) Removing the words “i.e., magnitude” and “i.e., likelihood” so that the focus remains on the threshold of “reasonable possibility.”
 - (c) Simplifying the definition.
 - (d) Adding application material to explain that there is a degree to which risks may affect the achievement of a quality objective, and the firm considers that degree in the context of whether or not there is a reasonable possibility of the risk affecting the achievement of a quality objective, individually or in combination with other risks.

Identifying and Assessing Quality Risks

10. The ISQM 1 TF considered the Board’s comments with respect to clarifying what is meant by “factors” that may adversely affect the achievement of the quality objectives, how the factors are used to identify and assess quality risks, and how these are connected to “conditions, events, circumstances, actions or inactions.” The ISQM 1 TF’s view is that “factors” and “conditions, events, circumstances, actions or inactions” are the same, and the term “factors” was originally introduced as a shorthand to describe “conditions, events, circumstances, actions or inactions” across the standard. However, given that this has created confusion about how they relate, the term “factors” has been removed and replaced by “conditions, events, circumstances, actions or inactions.” This change will be made throughout the standard.
11. The ISQM 1 TF revised paragraph 22E of **Agenda Item 5-A** to better align the requirement with the definition of quality risks, in particular part (b) of the requirement.
12. The ISQM 1 TF also reconsidered the examples in paragraph A24N of **Agenda Item 5-A**. In addition to reducing the number of examples, as requested by the Board, further changes include:
 - (a) Clarifying that the first column demonstrates the information arising from the firm’s understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives; and
 - (b) Updating the second column to illustrate examples of quality risks that may arise from such information.

13. An illustration of the process for identifying and assessing quality risks is follows:



14. In the March 2020 Board discussion, the Board suggested that the ISQM 1 TF clarify the documentation requirements for quality risks. The ISQM 1 TF will present the updated documentation section of the standard in September 2020.

Other Changes to the Firm’s Risk Assessment Process

15. Other revisions to the firm’s risk assessment process include:
- (a) Relocating the requirement for the firm to establish policies or procedures for identifying information that indicates that modifications to the quality objectives, quality risks or responses are needed to a separate requirement (paragraph 22G of **Agenda Item 5-A**). In doing so, it was clarified that the firm is required to modify the quality objectives, quality risks or responses as appropriate.
 - (b) Removing the description in the application material explaining how the factors could positively affect the achievement of the quality objectives, as requested by the Board.

Matters for IAASB Consideration	
1.	Does the IAASB support the revised definition of “quality risk”?
2.	Does the IAASB support the changes to the firm’s risk assessment process?

B.2 Definitions of Deficiencies and Findings and Monitoring and Remediation

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
42–53	A154–A186	19(a), 19(gA) and A9A–A10, A11A – A11B	N/a

Definitions of Deficiencies and Findings

Definition of Deficiencies

16. The ISQM 1 TF noted the Board’s support for breaking down the definition into the various elements (quality objectives, quality risks, responses and other requirements). The ISQM 1 TF also observed the Board’s varying views about the thresholds embedded in the definition. The ISQM 1 TF further considered each of the elements and the appropriate threshold for the element in determining whether or not a deficiency exists.

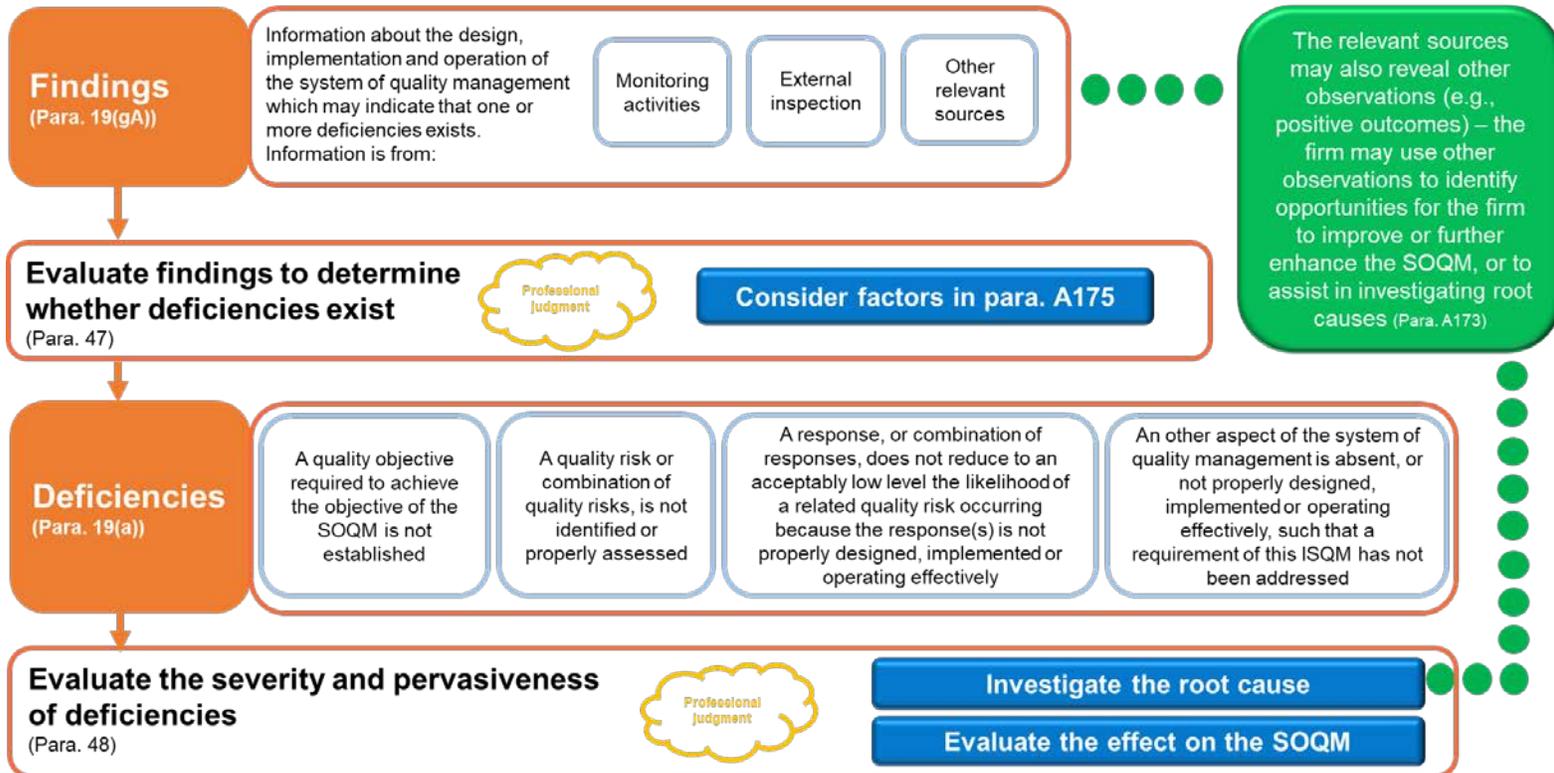
Element	ISQM 1 TF views about the appropriate threshold	Proposed definition in paragraph 19(a) of Agenda Item 5-A: A deficiency exists when:
Quality objective	The threshold in this context is what quality objectives are needed to achieve the objective of the system.	(i) A quality objective required to achieve the objective of the system of quality management is not established.
Quality risk	A quality risk in proposed ISQM 1 has a threshold embedded in the definition of quality risk, and therefore there is a threshold already established for which risks are quality risks. As a result, if a quality risk has not been identified or properly assessed, it should be a deficiency. Establishing an additional threshold in the deficiency definition could imply that some quality risks may be immaterial, which is inconsistent with how quality risks are described and addressed throughout the standard.	(ii) A quality risk, or combination of quality risks, is not identified or properly assessed.
Response	Firms may design and implement a number of responses to address a quality risk, and in some cases firms may have responses that are additional to what is needed to address the quality risks (i.e., the firm may go beyond the requirements of the standard). As a result, the ISQM 1 TF is of the view that a threshold is needed for identifying deficiencies related to responses, since not all responses that are absent or inappropriately designed or implemented are deficiencies. Given that responses are designed to address quality risks, the ISQM 1 TF is of the view that the threshold of when a response is a deficiency is when the response is not designed, implemented or	(iii) A response, or combination of responses, does not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response(s) is not properly designed, implemented or operating effectively.

Element	ISQM 1 TF views about the appropriate threshold	Proposed definition in paragraph 19(a) of Agenda Item 5-A: A deficiency exists when:
	operating in a manner that reduces the quality risk to an acceptably low level. The ISQM 1 TF noted that linking the threshold to the non-achievement of a quality objective bypasses the importance of focusing responses on appropriately addressing quality risks. Nevertheless, there is a link to the effect of responses on the achievement of quality objectives through the definition of quality risks.	
Other aspects	The other aspects of the SOQM include the firm's risk assessment process, monitoring and remediation process and other specific requirements of the standard. The ISQM 1 TF is of the view that if the requirement set out in the standard for these matters is not met, there should be a deficiency. As a result, no threshold is necessary.	(iv) An other aspect of the system of quality management is absent, or not properly designed, implemented or operating effectively, such that a requirement of this ISQM has not been addressed.

Definition of Findings

17. The ISQM 1 TF considered the Board's view that a finding may exist regardless of whether or not there is an indication that a deficiency exists. The ISQM 1 TF noted that in paragraph A172 of ED-ISQM 1, the description of findings had been broad to include all information, both positive and negative. However, respondents to the ED had raised concern about the lack of a clear framework for evaluating findings and identifying deficiencies.
18. The ISQM 1 TF is of the view that a broadened definition of findings results in a definition that lacks meaning and clarity. Without a clear definition, it may create challenges in applying the related requirements, in particular evaluating findings to determine whether deficiencies exist (paragraph 47 of **Agenda Item 5-A**). The ISQM 1 TF is further of the view that the intent of introducing the term "findings" is to explain the filtering process the firm would follow to identify deficiencies, so that the firm can appropriately remediate them. As a result, the definition of "findings" needs to appropriately scope the information to facilitate the filtering process.
19. Other information that is accumulated from the performance of monitoring activities, external inspections and other relevant sources that does not indicate that a deficiency exists (such as positive outcomes) form part of the firm's information and communication component, and may be used by the firm in multiple ways in the context of the SOQM, such as in the manner explained in paragraph A173 of **Agenda Item 5-A**. The ISQM 1 TF is of the view that this other information is important, however it does not need to be comingled with the concept of findings.

20. Accordingly, the ISQM 1 TF is proposing no change to the definition, other than a limited editorial change in response to an offline comment from the Board. However, application material has been added to emphasize the point that information accumulated from the performance of monitoring activities, external inspections and other relevant sources may be broader than just findings, i.e., it may include positive outcomes or opportunities for the firm to improve, or further enhance, the system of quality management.
21. A depiction of the relationship between findings and deficiencies and how they are considered in the monitoring and remediation process is as follows:



Monitoring and Remediation

22. The ISQM 1 TF is of the view that the performance of monitoring activities needs to be flexible, as doing so supports proactivity and continual improvement, which contributes to improved quality and the firm’s public interest role. The ISQM 1 TF observed how the importance of this flexibility has been brought to life in the COVID-19 crisis. In particular, firms have put in place a number of responses to address the quality risks arising from the COVID-19 crisis, including implementing proactive monitoring activities to manage risks to audit quality.
23. The ISQM 1 TF is of the view that the recent COVID-19 crisis has created a useful context to think about how firms’ inspections of engagements may be affected by events and circumstances. For example, if proposed ISQM 1 were already in effect, in the context of the requirements addressing the inspection of engagements, the COVID-19 crisis may have driven firms to adjust their inspection programs as follows:
- (a) Increase the number of engagements or engagement partners inspected, or the nature of inspections, such as increased monitoring of engagements while in progress;

- (b) Adjust the inspection program to focus on inspecting areas of the engagements where risks associated with the COVID-19 crisis are likely to arise; or
 - (c) Undertake the inspections sooner than anticipated to ensure that the responses the firm has put in place to address quality risks arising from the COVID-19 crisis are operating effectively and that engagement quality is appropriately addressed.
24. Accordingly, the ISQM 1 TF remains of the view that the manner in which inspection of completed engagements has been addressed in proposed ISQM 1 is appropriate, and that paragraph A169A in **Agenda Item 5–A** appropriately reflects the necessary flexibility. It is noted that paragraph A169A in **Agenda Item 5–A** has been slightly revised to avoid the explicit reference to audits of financial statements of listed entities in the context of when the firm may determine it appropriate to defer the selection of an engagement partner for inspection.

Other Matters Related to Monitoring and Remediation

25. In addition to editorial and clarification enhancements, the changes that have been made to monitoring and remediation in **Agenda Item 5–A** include the following:
- (a) Paragraph 44 has been adjusted to align with the revisions to the definition of deficiencies. The ISQM 1 TF noted that the intent of performing monitoring activities is to gather information to be in a position to identify deficiencies, and that this should be the focus of the requirement.
 - (b) Paragraph 44A(c) has been adjusted to avoid the implication that the firm always needs to perform monitoring activities over the firm's monitoring and remediation process. The ISQM 1 TF is of the view that how the monitoring and remediation activities are designed are a factor considered by the firm in determining whether to perform specific monitoring activities of the monitoring and remediation process. Furthermore, monitoring of the monitoring and remediation process may be affected by the nature, timing and extent of other monitoring activities undertaken by the firm, and the results of such monitoring activities. Paragraph A161B has been modified to clarify this thinking.
 - (c) Paragraph 47 was updated for consistency in drafting with the other requirements in the monitoring and remediation component (i.e., remove the reference to policies or procedures).
 - (d) Paragraph 48 was amended to reflect the fact that investigating the root cause(s) of deficiencies and considering the effect of deficiencies on the SOQM forms part of the evaluation of the severity and pervasiveness of deficiencies. This paragraph was also updated for consistency in drafting with the other requirements in the monitoring and remediation component.
 - (e) Paragraph A171A, which explains that firms may use service providers to perform the monitoring activities, was added in response to an offline comment from a Board member regarding the application of paragraph 46 by smaller firms.
 - (f) Paragraph A184B was revised to clarify the firm's responsibility related to remedial actions with respect to resources used from a service provider. The ISQM 1 TF noted that communicating the matter to the service provider, or considering whether to continue using the resources provided by the service provider, are part of the remedial actions that may be taken by the firm. The ISQM 1 TF considered whether such communication or consideration should be required,

but noted that taking these actions are a byproduct of the system and not necessary to achieve the objective of the SOQM.

- (g) Paragraph A186 was expanded to explain how the information communicated to leadership may be used in response to Board feedback.
- (h) Given the question raised in the March 2020 Board discussion regarding who the communication in paragraph 54 of **Agenda Item 5-B** is made to, the ISQM 1 TF noted that this requirement has in fact become redundant as it is addressed by the requirements addressing external communication.

Matters for IAASB Consideration

- 3. Does the IAASB support the definition of deficiency and related application material?
- 4. Does the IAASB support the definition of findings and related application material?
- 5. Does the IAASB support the changes to the monitoring and remediation section?

B.3 Evaluation of the SOQM

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
65A–65D	A209A–A210G	N/a	N/a

- 26. Given the Board’s suggestion in April 2020 to further clarify the difference between the conclusions about the SOQM, and how the remediation of deficiencies affects these conclusions, paragraph 65AA and the related application material in **Agenda Item 5–A** has been revised as follows:
 - (a) Paragraph 65AA(b) has been clarified to highlight that this conclusion may be appropriate when the deficiencies are severe but not pervasive. If deficiencies are severe and pervasive, the conclusion in paragraph 65AA(c) (i.e., that the SOQM does not provide reasonable assurance that the objectives of the system are being achieved) would be appropriate.
 - (b) Paragraph A210AB has been added to explain when a deficiency may be pervasive.
 - (c) The example in paragraph A210AB, which demonstrates when a deficiency may be severe and not pervasive, has been updated to contrast with the example in paragraph A210AC, which demonstrates when a deficiency may be severe and pervasive.
 - (d) Paragraph A210AA has been added to clarify how the firm may conclude about the SOQM when there are deficiencies that are severe (and severe and pervasive) that have been appropriately remediated. Furthermore, paragraph A210AD was added to acknowledge the fact that as a firm works towards remediating deficiencies that are severe and pervasive, the deficiency may become less pervasive and the conclusion about the SOQM may be adjusted.
- 27. Paragraph A209A in **Agenda Item 5–A** has been updated to clarify the responsibility of the firm for the SOQM, versus the individual(s) assigned ultimate responsibility and accountability for the SOQM. This paragraph also explains that the individual assigned ultimate responsibility and accountability for the SOQM may further assign tasks to support them in fulfilling their responsibility. These changes were made as a result of the Board’s suggestions during the March 2020 discussion.

Matter for IAASB Consideration

6. Does the IAASB support the changes to the requirements and application material for the evaluation of the SOQM?

B.4 Relevant Ethical Requirements

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
32, 41A(aa), 41A(b)	A67–A75, A153AA–A153AC	N/a	N/a

28. The ISQM 1 TF considered the Board’s comments seeking simplification of the quality objectives for relevant ethical requirements, and suggestions that some of the changes had inadvertently scoped certain parties out of the quality objectives.
29. The ISQM 1 TF has proposed reverting back to the term “others, including the network, network firms, personnel in the network or network firms, or service providers” in order to resolve the suggestion that the previous changes had inadvertently scoped certain parties out of the quality objectives. Furthermore, the clarification of the scoping of network requirements and network services and service providers, as explained in the previous section of this paper, also addresses the concern raised by the Board.
30. The ISQM 1 TF observed differing views by the Board of the appropriate manner of presentation of the quality objectives for this component, and therefore paragraph 32 of **Agenda Item 5-A** has been presented with two options:
- (a) Option 1 separates the quality objectives into two discrete groups:
- (i) The firm and its personnel; and
 - (ii) Others.

Under this option, the quality objective for others describes the relevant ethical requirements as those being applicable to others, to emphasize the point that others would not be expected to have an understanding of, and comply with, all of the relevant ethical requirements applicable to the firm and its engagements. However, this option may create the perception that there are too many quality objectives, which may not be desirable given the Board’s attempt to reduce the number of quality objectives in the standard overall.

- (b) Option 2 combines the firm and its personnel and others into a single quality objective. Under this option, there are fewer quality objectives, thereby supporting the desire to reduce the number of quality objectives in the standard overall. However, this option does not emphasize that the relevant ethical requirements that others need to understand and comply with are those applicable to them. The ISQM 1 TF is of the view that if the words “that apply to them” were added, it could inadvertently lead to interpretations that the firm and its personnel are only expected to understand and comply with certain relevant ethical requirements.

Matter for IAASB Consideration

7. Does the IAASB support Option 1 or Option 2 with respect to the presentation of the quality objectives for relevant ethical requirements?

B.5 External Communications

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
40, 41A(dA)	A135–A153, A153FA–A153GD	N/a	N/a

31. The ISQM 1 TF noted the Board’s support in the April 2020 discussion for how external communication has been addressed in the standard. The ISQM 1 TF has addressed the Board’s further comments as follows:
- (a) The required response in paragraph 41A(dA) of **Agenda Item 5-A** has been amended to focus on when it is appropriate to communicate with external parties about the firm’s system of quality management, rather than whether to communicate with external parties.
 - (b) Certain matters and examples in the application material where Board members raised concern about the implications or practicality of the matters and examples have been removed (see change in paragraphs A153GA–A153GB of **Agenda Item 5-B**).
 - (c) Certain application material from the information and communication component has been relocated to the specified responses section (paragraphs A153FA–A153FB of **Agenda Item 5-A**).
32. The ISQM 1 TF considered the comment raised in the April 2020 board discussion related to paragraph A153FB of **Agenda Item 5-A** that it may be interpreted that every firm that audits financial statements of listed entities will need to communicate externally. The ISQM 1 TF is of the view that proposed ISQM 1 should encourage all firms to communicate externally. The ISQM 1 TF is of the view that firms generally need to communicate externally because the standard addresses communication to all external parties, including management or those charged with governance, in whatever manner is appropriate (i.e., it could be two-way communication between the firm and the client that is carried out by the engagement team, communication in the form of a transparency report, information on a website or other forms of communications to the entity and its stakeholders).
33. The ISQM 1 TF is considering further revisions to the standard regarding communications with external parties, which may serve to reinforce the importance of external communications. The ISQM 1 TF may distribute further proposals prior to the June 2020 IAASB meeting.

Matter for IAASB Consideration

8. Are the revisions to paragraph 41A(dA) of **Agenda Item 5-A** and the related application material responsive to the Board comments?

B.6 Human Resources, Including the Firm’s Responsibilities with Respect to Component Auditors, and Service Providers

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
38	A113–A134D	19(tA)	13B, A184B

34. In April 2020, the Board encouraged further discussion between the ISQM 1 TF, ISA 220 TF and ISA 600³ TF on the definition of service providers, in particular how component auditors are considered in the context of proposed ISQM 1. The ISQM 1, ISA 220 and ISA 600 TF Chairs, certain Members of the task forces and Staff held two videoconferences to further discuss resources, component auditors and service providers. The outcome of these discussions, and proposals in proposed ISQM 1 are outlined below.

Explanation of The Firm and Engagement Team’s Responsibilities with Respect to Component Auditors and other Individuals who Perform Procedures on an Engagement

35. In the coordination discussions between the ISQM 1, ISA 220 and ISA 600 TFs the following was agreed:

- (a) There may be a number of ways that component auditors are engaged. For example, when accepting the group engagement, there may already be a firm engaged by component management to perform an audit of the statutory financial statements of the component. When there is no firm engaged by the entity, the firm may need to identify and engage a component auditor to perform the work instructed by the group engagement team.
- (b) The firm is responsible for having a SOQM in place that ensures that the engagement team has access to the appropriate resources to perform the engagement. The engagement partner is responsible for determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team. For example:
 - (i) There may be circumstances when the entity holds inventory in a particular region and the firm does not have personnel located in that region, or particular expertise are needed to perform the work on the engagement and the firm does not have these expertise in-house. As part of the SOQM, the firm’s policies or procedures would address obtaining access to individuals to undertake the work. The policies or procedures may specify:
 - a. That the engagement partner needs to inform the firm of the need for the resources; and
 - b. How those resources should be obtained (e.g., the firm’s policies or procedures may require the use of service providers pre-approved by the firm).
 - (ii) There may not be an auditor appointed by the entity to perform work on the financial information of a component, and the firm would need to have policies or procedures that address the identification and engagement of component auditors.

³ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

As part of the SOQM, there is a need to determine that the organization being used (e.g., another firm in the firm's network, or a service provider) is appropriate for use. The requirements in proposed ISQM 1 dealing with network requirements and network services, and the quality objective for service providers, address this principle.

- (c) Given that there may be a number of firms involved in an engagement, the firm is not always able to control, or be responsible for, the assignment of all individuals to the engagement. For example, in a group audit, the component auditor firm would assign the individuals to perform the work at the component. Similarly, if the firm uses another network firm's service delivery center to perform certain audit procedures, the other network firm would assign the individuals to perform the work.
- (d) Paragraph 26 of proposed ISA 220 (Revised) requires the engagement partner to determine that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. Paragraph 21 of the Exposure Draft (ED) of ISA 600 (Revised) echoes this requirement, and includes application material to explain how this may be done in the context of component auditors.
- (e) The firm's SOQM supports engagement teams in dealing with the competence and capabilities of individuals assigned to the engagement, including component auditors. For example, the firm may have policies or procedures such as the following:
 - (i) The firm's policies or procedures (e.g. a methodology) may address how the engagement team fulfills the requirements in proposed ISA 220 (Revised) and ED-ISA 600 (Revised) regarding the competence and capabilities of individuals assigned to the engagement, including component auditors.
 - (ii) The firm's policies or procedures may deal with circumstances when the engagement team is not satisfied with the competence and capabilities of the individuals assigned to the engagement, including component auditors. The policies or procedures may indicate that:
 - (a) The engagement team first address the matter with the network, other network firm or service provider and attempt to rectify the situation.
 - (b) If the engagement team is unable to rectify the situation with the network, other network firm or service provider, that the matter should be elevated to the firm and further consultation would take place.

In fulfilling the quality objective in paragraph 38(b) of **Agenda Item 5-A**, the firm may support the engagement team by assigning more resources to assist the engagement team. For example, if a group engagement team is not satisfied with the competence and capabilities of a component auditor, and the group engagement team has to increase the direction, supervision and review, or perform the work themselves, they may need more resources to do so.

Proposals to Address the Firm's Responsibilities with Respect to Component Auditors and other Individuals who Perform Procedures on an Engagement in Proposed ISQM 1

36. The ISQM 1 TF is of the view that the firm's responsibilities for establishing a SOQM that addresses the following could be clarified:
- (a) Ensuring that the engagement team has access to the appropriate resources to perform the engagement; and
 - (b) Supporting engagement teams in dealing with the competence and capabilities of the individuals assigned to the engagement, including component auditors and other individuals assigned by the network, another network firm or service provider.

The application material in paragraphs A120–A120E of **Agenda Item 5-A** explains the matters above

37. In addition, the following related changes have been made in proposed ISQM 1:
- (a) A new quality objective has been added in paragraph 38(ab) of **Agenda Item 5-A** to be clear that the firm's SOQM needs to address obtaining human resources when the firm does not have the personnel in-house that are needed to perform engagements. It is noted that equivalent quality objectives already exist for technological resources and intellectual resources (see paragraphs 38(e) and 38(f) of **Agenda Item 4-A(Updated)** of the March 2020 meeting).
 - (b) The application material to the definition of service providers, which previously indicated that component auditors are excluded from service providers, has been removed (paragraph A18A of **Agenda Item 5-B**). Similarly, paragraph A192 of **Agenda Item 5-A**, which provides examples of network requirements and network services, clarifies that component auditors and other individuals performing procedures on the firm's engagements are within the scope of network requirements or network services. This change has been made because, as part of the SOQM, there is a need to determine that the organization being used, and the resources they provide, are appropriate.
 - (c) New introductory material has been added in paragraph 13B of **Agenda Item 5-A** to clarify which requirements of proposed ISQM 1 apply to component auditors and other individuals performing procedures on the firm's engagements. Following the Board discussion in June 2020, and if the Board supports this approach, the ISQM 1 TF intends on scrutinizing the standard to determine that the use of "personnel," "individuals," and "engagement teams" has been appropriately and consistently used throughout the standard.
38. The ISQM 1 TF is of the view that even if component management have engaged another firm to perform an audit of the statutory financial statements of a component, the firm's policies or procedures need to address the appropriate use of the other firm as a component auditor. For example, the firm's policies or procedures may specify that the engagement team makes this determination as part of considering the competence and capabilities of the individuals assigned by the other firm, or it may be considered as part of the firm's policies or procedures for engagement acceptance. In circumstances when it is determined that it is not appropriate to use the other firm as a component auditor, there may be a number of actions that may be taken. For example, the firm's policies or procedures may direct the engagement team to discuss the concerns with group or component management, increase the direction, supervision and review of the component auditor, or specify how alternative resources are identified and engaged.

Matter for IAASB Consideration

9. Does the IAASB support the changes made in proposed ISQM 1 dealing with the firm's responsibilities for establishing a SOQM that addresses:
- (a) Ensuring that engagement teams have access to the appropriate resources to perform engagements; and
 - (b) Supporting engagement teams in dealing with the competence and capabilities of individuals assigned to the engagements, including component auditors and other individuals assigned by the network, another network firm or service provider?

C. ISA 220 TF's Proposals on Resources in Proposed ISA 220 (Revised)

39. At the March 2020 IAASB meeting, the IAASB discussed the engagement resources section of proposed ISA 220 (Revised), particularly paragraph 25 that stated:

The engagement partner shall determine, given the nature and circumstances of the audit engagement and any changes that may arise during the engagement, that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team by the firm in a timely manner. [emphasis added]

40. At the March 2020 IAASB meeting, the ISA 220 TF was asked to consider whether the resources section of proposed ISA 220 (Revised) appropriately deals with component auditors who are not directly engaged by the firm. This may be the case when component management has engaged an auditor for its statutory accounts and the group engagement team requests that auditor to also perform audit procedures on the component for the purposes of the audit of the group financial statements. In this case, the component auditor is not directly "assigned or made available...by the firm."
41. The ISA 220 TF met with certain board members who raised the concern and with the leadership of the ISA 600 TF and the ISQM 1 TF to better understand the issues and collaborate on possible solutions. The conclusion from these discussions was that proposed ISA 220 (Revised) should recognize that although the firm may not directly assign component auditors to the engagement, the firm would have policies or procedures in place for those circumstances.
42. The ISA 220 TF proposes the changes shown in **Agenda Item 5-C** to proposed ISA 220 (Revised) to respond to the concerns raised. The changes are for the following reasons:
- (a) Paragraph 25 and related application material: The ISA 220 TF has replaced "by the firm" with a reference to "the firm's policies or procedures." This is because, notwithstanding that the firm has ultimate responsibility to allocate or make available resources to the engagement partner to support the performance of the audit, the use of the term "by the firm" in paragraph 25 did not recognize that resources used on an audit engagement may not always be obtained from the firm. Accordingly, the ISA 220 TF has deleted the reference in paragraph 25 of "by the firm" and developed application material (paragraphs A60 and A60A) to clarify that, while most resources are provided by the firm there are circumstances when the engagement partner may use resources that are obtained through other means (specifically, the auditor of the statutory financial statements being used as a component auditor). As explained in paragraphs 36–37 of this issues paper, a number of changes have been made to proposed ISQM 1 to address

the human resources obtained and assigned to support the performance of engagements. As a result, paragraph 25 of proposed ISA 220 (Revised) includes a reference to the firm's policies or procedures.

- (b) Paragraph 27 and related application material: In addition to the consequential removal of "by the firm," the ISA 220 TF also proposes to change "personnel" to "individuals" as the new application material in paragraph A73 notes that, when a resource issue relates to audit procedures performed on a component, the engagement partner may discuss the matter with the component auditor or component management in the first instance before communicating with individuals within the firm.
- (c) Minor changes have also been proposed to paragraphs A73 and A75 to align with proposed ISQM 1 and to simplify the paragraphs.

Matter for IAASB Consideration

10. Does the IAASB support the changes to the engagement resources section of proposed ISA 220 (Revised) as described above?

Appendix 1

Overview of ISQM 1 TF's Activities and ISA 220 TF's Activities

1. The following sets out the activities of the ISQM 1 TF and ISA 220 TF including coordination with other IAASB Task Forces and Working Groups and other standard setting Boards relating to the [ISQM 1 project](#) and [ISA 220 project](#).

ISQM 1 Task Force Activities in Quarter 2 of 2020

2. In the 2nd quarter of 2020, the ISQM 1 TF held six videoconferences.
3. The ISQM 1 TF Chair and staff also met individually with certain Board Members to discuss certain significant comments raised in April 2020.

ISA 220 Task Force Activities in Quarter 2 of 2020

4. In 2nd quarter of 2020, the ISA 220 TF held two videoconferences.
5. ISA 220 Members and staff also met individually with certain Board Members to discuss how the ISA 220 TF proposes addressing their significant comments.

Coordination with Other IAASB Task Forces and Working Groups and Other Standard Setting Boards

Coordination between ISQM 1 TF, ISA 220 TF, ISQM 2 TF and ISA 600 TF

6. In the 2nd quarter of 2020, the TF Chairs, a few TF Members and Staff of the ISQM 1 TF, ISQM 2 TF, ISA 220 TF and ISA 600 TF met to discuss matters of mutual interest, in particular, resources and component auditors.
7. In the 2nd quarter of 2020, the ISQM 1 Staff, ISQM 2 Staff and ISA 220 Staff met on several occasions to compare the standards and consider necessary changes for purposes of consistency. In addition, Staff reviewed the draft standards for each project to identify any final coordination matters prior to finalizing in September 2020. This engagement and review will continue through to finalization of the standard.

ISQM 1 Coordination with IESBA

8. Given that only minor changes have been made to the relevant ethical requirements component, further engagement will be undertaken with IESBA Members and Staff following the posting of the papers for June 2020 to obtain any input regarding the changes made to this component. If any comments are provided by IESBA, the Chair of the ISQM 1 TF will provide the feedback during the discussion with the Board.

ISA 220 Coordination with IESBA

9. ISA 220 Staff met with IESBA Staff on the engagement team definition (IESBA [Engagement Team – Group Audits Independence](#) project) and the risk of biases (IESBA [Role and Mindset Expected of Professional Accountants \(Formerly Professional Skepticism\)](#) project). The ISA 220 TF Chair (also acting in her capacity as Chair of the Professional Skepticism Working Group) and Staff also reviewed proposed revisions to the role and mindset material to respond to comments received on the Exposure Draft of the project.

Appendix 2

Tracking List of Questions and Topics from ED-ISQM 1

The following sets out a tracking list of the questions in ED-ISQM 1 and when they were presented to the IAASB.

Question	IAASB discussion
Question 1 and related sub-questions	September 2019
Question 2	September 2019
Question 3	December 2019
Question 4	September 2019
Question 5 and related sub-questions	March 2020
Question 6 and related sub-questions	September 2019
Question 7	December 2019
Question 8 and related sub-questions	March 2020
Question 9	March 2020
Question 10	March 2020
Question 12 and related sub-questions	December 2019
Question 13	December 2019
Question 14	March 2020
Question 15	March 2020
Additional Comments (Part 1) <ul style="list-style-type: none"> • Introduction • General requirements • The firm's risk assessment process (additional comments) • Engagement performance • Appendix 	December 2019
Additional Comments (Part 2) <ul style="list-style-type: none"> • Definitions • Relevant ethical requirements • Acceptance and continuance • Documentation • Editorial comments 	March 2020
Support material	June 2020

Appendix 3

Draft Minutes of the March and April 2020 IAASB Discussion

1. Proposed ISQM 1

Ms. Corden recapped the Board's discussions from the September 2019 and December 2019 board meetings, outlined feedback from ISQM 1 outreach activities undertaken in the first quarter of 2020, and updated the Board on the proposals presented by the ISQM 1 Task Force (TF) in **Agenda Item 4-A and Agenda Item 4-A (Updated)**. In doing so, Ms. Corden emphasized the key areas of focus for consideration by the Board.

The IAASB broadly supported the structure of the standard, and continued to encourage the ISQM 1 TF to consider the length of the application material.

THE FIRM'S RISK ASSESSMENT PROCESS

The Board supported the fundamental approach to the firm's risk assessment process. The Board encouraged the use of a diagram to illustrate the process for identifying and assessing quality risks and suggested that it be considered whether the diagram can be included in the standard. The Board provided further specific comments regarding the firm's risk assessment process and related definitions, including the following:

- Refining the definition of quality risk, including considering whether the threshold, "significant to the non-achievement," is appropriate.
- Further considering the interrelationship of the definition of quality risks with the requirements in the firm's risk assessment process, including removing duplication between the definition and the requirements.
- Clarifying what are the factors, and how the factors are used to identify and assess quality risks.
- Retaining only a few examples in the application material to demonstrate how factors may give rise to quality risks, and further clarifying these examples.
- Clarifying the documentation expectations for the quality risks.
- Removing the application material describing how factors may positively affect the achievement of quality objectives.
- Retaining a separate requirement for the firm to establish policies or procedures for identifying information that indicates that modifications to the quality objectives, quality risks or responses are needed. The Board also emphasized that this requirement should be clear that the firm is required to modify the quality objectives, quality risks or responses as appropriate.

THE APPROACH TO QUALITY OBJECTIVES AND RESPONSES IN THE COMPONENTS

With regards to the general approach to quality objectives and responses in the components, on balance, the Board reaffirmed their support for the approach and the level of specificity of the quality objectives.

MONITORING AND REMEDIATION

Definitions of “Deficiency” and “Findings”

With respect to the definition of “deficiency,” the Board supported the principle of a threshold in the definition, but raised various further comments related the threshold including:

- Explaining “acceptably low” in the application material;
- Concern that the threshold is too high; and
- Observations that the definition is too complex because of the multiple negatives in describing the threshold.

With respect to the definition of “findings,” the Board suggested clarifying that a finding may exist regardless of whether or not there is an indication that a deficiency exists.

The Board also provided various suggestions for the application material for the definitions of “deficiency” and “findings.”

Monitoring and Remediation Component

The Board supported the monitoring and remediation component and provided additional suggestions, including:

- Reconsidering the reference to “acceptably low level” in the context of designing and performing monitoring activities.
- Specifying what the individual with ultimate responsibility and accountability for the system of quality management is expected to do with the information communicated to them in accordance with paragraph 52 of **Agenda Item 4-A**.

Furthermore, the Board, on balance, supported how the inspection of completed engagements has been addressed in the requirements and application material of Proposed ISQM 1.

EVALUATION OF THE SQM

The IAASB supported the ISQM 1 Task Force’s proposals, including introducing the concept that the firm’s conclusion about the system of quality management may not be binary (i.e., there may be severe deficiencies that are not pervasive and therefore, except for those deficiencies, the firm has reasonable assurance that the system of quality management achieves its objectives). Further recommendations from the Board included:

- Clarifying the responsibility of the firm for the system of quality management, versus the individual(s) assigned ultimate responsibility and accountability for the system of quality management. The Board also suggested explaining that the individual may further assign tasks to support them in fulfilling their responsibility.
- Clarifying the difference between the conclusions about system of quality management, as outlined in paragraphs 65AA(a)–65AA(c) of **Agenda Item 4-A (Updated)**, and how the remediation of deficiencies affects these conclusions.

SYSTEM OF QUALITY MANAGEMENT

The Board provided various comments on the requirements and application material addressing the system of quality management. This included a suggestion to simplify paragraph 22A of **Agenda Item 4-A (Updated)** dealing with the assignment of responsibilities related to the system of quality management.

RESOURCES

The IAASB supported the proposal to move service providers into resources. The Board further recommended undertaking coordination with the ISA 220 Task Force and ISA 600 Task Force on the definition of service providers, in particular how component auditors are considered in the context of proposed ISQM 1.

INFORMATION AND COMMUNICATION

The IAASB supported this component, including the quality objective for external communications and the inclusion of a specified response addressing communications to external parties. With respect to the specified response addressing external communication, the Board recommended:

- Refocusing the requirement on determining the appropriateness of communicating to external parties, rather than whether to communicate to external parties.
- Removing certain examples in the application material, including examples that could create a de facto requirement to communicate with external parties.

OTHER SECTIONS

The Board supported the remaining sections of proposed ISQM 1 and provided various further comments, including the following:

- With respect to the effective date, the Board:
 - Acknowledged the difficulties currently being experienced given the global pandemic and that this may need to be considered in finalizing the effective date; and
 - Suggested further clarifying the meaning of “commenced operation” and that the evaluation of the system of quality management needs to be performed within a calendar year from the effective date.
- With respect to relevant ethical requirements, the Board suggested:
 - Further simplifying the requirement; and
 - Reconsidering some of the changes, which had inadvertently scoped certain parties out of the quality objectives.
- With respect to acceptance and continuance, the Board suggested reinstating the quality objective addressing access to information.
- With respect to specified responses, the Board encouraged the ISQM 1 TF to seek ways to better connect the specified responses with the related quality objectives.
- With respect to documentation, the Board suggested
 - Reconsidering some of the factors in paragraph A212 of **Agenda Item 4-A** as some of the factors could drive inconsistent approaches to documentation across networks.

- Clarifying paragraph A214 of **Agenda Item 4-A** addressing the documentation of quality risks and considering whether it should be a requirement.

OTHER MATTERS

The Board:

- Noted respondents' feedback on the change in title to "ISQM" and continued to support this title.
- Encouraged the ISQM 1 TF to undertake outreach with practitioners to understand practical implementation challenges.
- Suggested that the ISQM 1 TF further consider the presentation of the examples throughout the application material.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted that the CAG Representatives were generally supportive of proposed ISQM 1, and highlighted the following specific comments from the CAG Representatives:

- The emphasis on the importance of transparency reports from CAG Representatives who represent investor groups. He added that there appeared to be general consensus to explore external communications further, but not as part of the ISQM 1 project.
- Concern with the possible effective date of December 2021, as it was indicated that the implementation period would be too short.
- The need for those assigned operational responsibility for monitoring to be objective.

Mr. Dalkin also emphasized the CAG Representatives' general view that the standard should be principles-based, with the location of examples in separate guidance.

Mr. Dalkin noted his support for paragraph 7 of **Agenda Item 4-A**, and did not believe that an explicit link to professional skepticism is necessary.

PIOB OBSERVER REMARKS

Mr. Grund expressed support for the ISQM 1 Task Force's proposal for paragraph 7, as it makes explicit reference to the public interest.

In regard to the information and communication component, Mr. Grund noted the PIOB's view that firms should be required to prepare transparency reports.

Mr. Grund highlighted that networks is one of the key public interest issues of the PIOB because the quality of engagements should be consistent across the network, and that proposed ISQM 1 had not adequately addressed this.

Mr. Grund enquired about the IAASB's policies for determining what material should be located in the standard versus separate guidance, and encouraged the IAASB to develop such policies.

WAY FORWARD

The ISQM 1 Task Force will consider the matters raised by the IAASB and plans to present further proposals on key issues to the IAASB in June 2020.

2. Proposed ISA 220 (Revised)

Mrs. Provost introduced the topic, noting that proposed ISA 220 (Revised) had been updated in response to the Board comments at the December 2019 IAASB meeting, the March 2020 videoconference and offline comments received from Board Members.

DEFINITIONS AND TERMINOLOGY

The IAASB broadly supported the proposed changes to clarify the engagement team definition. Members asked the Task Force to consider the need to further clarify:

- Whether the definition of “network firm” is intended to apply only to a firm belonging to same network as firm on the engagement. It was noted that “network firm” in paragraph A18 does not address the issue of joint audits, which may involve several networks involved in same audit.
- Whether the term “service delivery center” used in proposed ISA 220 (Revised) applies to services within the network, while “service provider” used in proposed ISQM 1 applies to external entities or individuals that the firm engages.

ENGAGEMENT RESOURCES

The Task Force was asked to consider clarifying the meaning of “made available by the firm” as used in the Engagement Resources section. Members asked the Task Force to work with the ISQM 1 Task Force to clarify whether component auditors are service providers when the component auditor is engaged by the component entity directly.

The IAASB supported the clarifications made in paragraph A64A to address the engagement partner’s communication to individuals from another firm who are required to use specific automated tools and techniques when performing audit procedures.

ENGAGEMENT PARTNER RESPONSIBILITIES

The IAASB broadly agreed with the changes made to clarify which requirements are the engagement partner’s sole responsibility and those for which the design or performance of procedures, tasks or actions may be assigned to other engagement team members.

LINKAGES TO OTHER INTERNATIONAL STANDARDS

The IAASB broadly supported how proposed ISA 220 (Revised) links to the quality management projects and proposed ISA 600 (Revised).

PROFESSIONAL SKEPTICISM AND BIAS

The IAASB broadly supported aligning the biases described in paragraph A36 of proposed ISA 220 (Revised) with those in the IESBA “role and mindset” project, including adding “automation bias.” The Board suggested also including “groupthink bias” from the IESBA project.

STAND-BACK PROVISION

The IAASB broadly supported the amendments to clarify the stand-back provision. Members suggested reconsidering the indicators of insufficient or inappropriate involvement by the engagement partner in paragraph A111A to make the indicators more closely tied to the audit process.

DOCUMENTATION

The IAASB broadly agreed with the how documentation was addressed, and the clarifications made to paragraph A114 of matters to be documented. Members asked the Task Force to consider whether paragraph 41(aa) was needed as it would require extensive guidance to avoid unintended consequences, and the same material is included in proposed ISA 600 (Revised).

ILLUSTRATIVE EXAMPLE

Mrs. Provost noted that the Task Force developed a draft illustrative example whose objective was to show how the requirements as drafted under that approach could be achieved in an audit of a larger, more complex entity.

The Board broadly supported including the example as non-authoritative implementation guidance to accompany proposed ISA 220 (Revised) and provided suggestions for improvements. Mr. Botha cautioned that the nature and extent of implementation guidance provided needs to be considered in light of the Board's role in providing guidance under its Framework for Activities. Mr. Seidenstein further pointed out that implementation guidance provided to support proposed ISA 220 (Revised) also needs to be considered as part of the implementation guidance provided for the quality management standards overall.

OTHER MATTERS

Mrs. Provost noted that after careful consideration, the Task Force determined that the drafting approach used for examples in ISA 315 (Revised 2019) was not suitable for ISA 220 as a significant number of examples were embedded in the text and restructuring would increase the length of the standard without corresponding benefits. The IAASB supported describing the rationale for the approach taken for drafting proposed ISA 220 (Revised) in the Basis for Conclusions. It was also noted that the drafting convention for new standards going forward required board deliberation more broadly.

The IAASB supported including material related to joint audits as a conforming change to proposed ISA 220 (Revised) with the exposure draft of proposed ISA 600 (Revised) and noted the need to include a question in the explanatory memorandum.

PIOB OBSERVER REMARKS

Mr. Grund reiterated that the PIOB's main public interest issue in proposed ISA 220 (Revised) is that the objective is seen to be compliance oriented but agreed that the issue had been discussed at previous IAASB meetings. He also noted that he had no further issues.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted the CAG's overall support for proposed ISA 220 (Revised). He noted the CAG's views on the importance of the stand-back described in paragraph 40 of proposed ISA 220 (Revised) being timely and occurring throughout the engagement.

WAY FORWARD

Mr. James drew Board Members' attention to the due process considerations described Agenda Item 2. The Task Force will present selected issues to the IAASB meeting in June 2020.