

This supplement sets out the findings from a survey undertaken by the External Reporting Board of New Zealand (the XRB) in coordination with the IAASB regarding circumstances where an individual other than the engagement partner signs the auditor's report.

Signing Partner Workstream: *Summary of Output on Collaboration Relating to Information Gathering and Research Activities*

Introduction

1. At the June 2018 IAASB meeting, the Board discussed the circumstances in which an individual other than the engagement partner signs the auditor's report, either instead of, or on behalf of the engagement partner. The Board concluded that this needed to be further explored to see if there are any issues pertaining to those situations before any further actions are discussed or taken (see [Agenda Item 6](#) of the June 2018 IAASB meeting and the approved [IAASB Minutes](#)).
2. To provide input to the IAASB in relation to understanding and evidencing the issues pertaining to situations where, in an audit of financial statements, the Signing Partner (SP) is not the Engagement Partner (EP)¹, a survey was conducted of three groups of stakeholders, i.e. national standard setters, audit firms and audit oversight and regulatory bodies, seeking their feedback.
3. The survey ran from May 2020 to July 2020, and sought to:
 - (a) Identify the types of situations in which the person signing the auditor's report differs from the EP, and the reasons why these occur; and
 - (b) Obtain examples of the different policies and practices in place for these situations.
4. The primary objective of the survey was to provide a basis for developing informed recommendations to the IAASB for possible further actions (which may include standard-setting or developing non-authoritative support material).
5. The XRB also performed a general literature search to identify relevant information on the topic. No research on the topic was identified, and none were referenced from the responses to the survey.

Who responded?

6. The following table summarizes the responses² received from each targeted stakeholder group by country/jurisdiction.

¹ As defined for purposes of the ISAs (at the time of this survey, the definition in extant ISA 220, *Quality Control for An Audit of Financial Statements*, applied – see paragraph 7(a)): The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. "Engagement partner", "partner" or "firm" should be read as referring to their public sector equivalents where relevant.

² The detailed responses are included in the appendix.

Country	National Standard Setters	Audit Firms	Audit oversight and regulatory bodies
Australia	-	1	-
Brazil	2	-	-
Japan	1	-	1
Canada	1	5	1
China	1	15	-
Germany	1	-	-
Hong Kong	1	7	3
Luxembourg	-	-	1
New Zealand	-	9	-
Russia	1	-	-
South Africa	1	8	1
United States	2	1	-
Total	11	46	7

The types of situations in which the person signing the auditor's report differs from the EP, and the reasons why these occur

7. Summary of the key messages from respondents:

- In certain jurisdictions, local auditing standards or applicable laws prohibit anyone other than the EP from signing the auditor's report.
- In other jurisdictions (such as Germany), an individual other than the EP may sign the auditor's report under specific circumstances. However, the SP assumes responsibility for the audit by virtue of signing the auditor's report. The SP must undertake appropriate review procedures to ensure that the audit is conducted appropriately in all material respects.
- Legislation in the public sector requires the public sector auditor (i.e., the Auditor-General) to sign the audit reports for certain public entities, even when the public sector auditor is not the EP. Respondents from Canada, Australia and New Zealand report this happening in their jurisdictions.
- Finally, there are circumstances where a significant portion of leadership responsibilities for the audit engagement are delegated to an individual other than the EP. For example, where:
 - (i) The audit engagement is led by an engagement leader who is not eligible, or is otherwise unwilling³, to sign off audit reports in a specific jurisdiction (for example, in situations where the books and records of the auditee are in a country that is not where the audited

³ For example, due to the partner's inadequate knowledge of specific requirements in the jurisdiction of filing.

financial statements are required to be presented/filed). Under such circumstances, an appropriately eligible⁴ auditor assumes the ultimate responsibility for the audit and will sign the auditor's report. Responses from Canada, Hong Kong and Brazil report this happening in their jurisdictions.

- (ii) A salaried staff of the practice who is suitably skilled and experienced, but not eligible for signing the auditor's report according to local regulations, leads a lower risk engagement (e.g., a non-PIE engagement). Under such circumstances, an eligible audit partner will assume ultimate responsibility for the audit and signs the auditor's report. Responses from New Zealand and Canada report this happening in their jurisdictions.
 - (iii) A SP, who is a senior or an equity partner of the practice, signs an auditor's report for a higher risk engagement, e.g., a listed entity engagement, led by an engagement leader, who is a junior or salaried partner, due to quality control or client relationship reasons. Responses from Hong Kong report this scenario.
8. All the respondents who reported circumstances under which an audit engagement might be led by someone other than the SP noted that such arrangements do not relieve the SP from undertaking certain actions and measures before being able to sign the auditor's report.
9. Respondents also noted that audit firms and public sector organizations have internal policies or guidance in place to respond to signing arrangements where someone other than the EP may either sign the auditor's report or play a significant role in leading the engagement.

Examples of the different policies and practices in place

10. The comments about the actions and measures in place for the SP to follow vary across respondents and jurisdictions, and include, for example:
- The SP is involved in all the key phases of the audit engagement.
 - The SP is required to review and conclude on key areas of the audit (such as key planning decisions, appropriateness of the designed responses to significant risks and other high risks of material misstatements, sufficiency and appropriateness of audit evidence obtained to address significant risks, etc).
 - The SP is required to follow standard quality control procedures before signing the auditor's report.
 - The engagement is treated similarly to a group audit engagement and ISA 600⁵ is followed to guide how the SP can appropriately assume responsibility for all delegated activities.
 - In rare circumstances such as illness or death, another individual will take on the role of the EP and perform and discharge all responsibilities of the EP as required by the ISAs. This person is seen as the new EP and will sign the audit opinion once the audit is complete.
 - The SP will review the file before signing the engagement (no other specifics noted).

⁴ An individual with the required credentials to assume the responsibility for the audit engagement under the applicable laws and legislations or other relevant requirements. For example, the individual may need to meet the requirements for being licensed or authorised to conduct audit engagements for certain types of entities (e.g., listed entities).

⁵ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- There are certain requirements as to what aspects of the engagement the SP is required to review (no specifics noted).
- When the EP is physically unable to sign the auditor's report owing to either out-of-town or for other reasons, the SP will sign one copy on behalf of the EP for a specific purpose, e.g., filing to Inland Revenue. The SP is required to review all the relevant forms and programs to make sure that the EP has approved the auditor's report for signature before he or she signs the audit report on behalf of the EP.
- It does not matter who signs in a partnership when everyone is jointly and severally liable.
- Firm policy allows for another audit partner to sign but only if approval is obtained from the lead partner.

The XRB's Conclusion

11. From the responses received, it is clear that in most cases where the SP is not the EP there are generally certain actions and measures the SP must undertake before being able to sign the auditor's report. None of the respondents noted any issues about the matter.
12. The results of the survey indicate that audit firms and public sector auditors have policies and procedures in place to respond to signing arrangements where someone other than the EP may either sign the auditor's report or play a significant role in leading the engagement.
13. Given this, it may be understandable why there is little guidance about or research on this topic issued/undertaken by jurisdictions taking part in this survey. The only specific publication on this topic identified is a financial alert issued by the Hong Kong Institute of Certified Public Accountants in 2015 with the title "[Auditor's report signing arrangements](#)."
14. The XRB also notes that there is not a consistent approach about what the SP is required to do before signing the auditor's report when the SP has not been the EP. It may be worth considering whether there is a need to issue guidance or a FAQ on the signing requirements of the auditor's report.

Appendix

Survey Questions

Questions for National Standard Setters:

- Question 1: Are there any instances in your jurisdiction that you are aware of where an individual other than the engagement partner signs the auditor's report, either instead of or on behalf of, the engagement partner?
- Question 2: Please provide details under what circumstance(s) an individual other than the engagement partner signs the auditor's report, either instead of or on behalf of, the engagement partner (i.e., what gives rise to such occurrences, why this may be required or necessary, and how this is dealt with in practice).
- Question 3: Has your organisation or any organisation or body within your jurisdiction issued any standards, policies or guidance to address circumstances where an audit report is signed by an individual either instead of or on behalf of the engagement partner?
- Question 4: Please provide details on any standards, policies or guidance issued by you or any other organisation or body within your jurisdiction to cover those circumstances where an audit report is signed by an individual, either instead of or on behalf of, the engagement partner.
- Question 5: Please provide details about any available relevant research and/or court cases conducted in your jurisdiction on this topic that you are aware of.
- Question 6: Do you have any other issues, comments or information/documents (e.g. standards, laws, policies or procedures) you would like to share?

Questions for Audit Firms:

- Question 1: Are there any circumstances in your organisation/firm or network where an individual other than the engagement partner signs the auditor's report, either instead of or on behalf of the engagement partner? [*“Engagement partner” should be read as referring to “engagement leader” in the public sector*].
- Question 2: Please provide details under what circumstance(s) this occurs
- Question 3: Has your organisation/firm or network established policies or procedures (or guidance) to address circumstances where an audit report is signed by an individual either instead of or on behalf of the engagement partner?
- Question 4: Please describe what is required in such circumstances, including specific actions to address audit quality risks or to comply with relevant law or regulation (or similar, as may be applicable)
- Question 5: Do you have any other issues, comments or information you would like to share?

Questions for Audit Oversight and Regulatory Bodies:

- Question 1: Are there any circumstances in your jurisdiction where an individual other than the engagement partner signs the auditor's report, either instead of or on behalf of the engagement partner? [*“Engagement partner” should be read as referring to “engagement leader” in the public sector*].

- Question 2: Please provide details under what circumstance(s) an individual other than the engagement partner signs the auditor's report, either instead of or on behalf of, the engagement partner.
- Question 3: Have there been any inspection findings or disciplinary actions in your jurisdiction relating to situations where an individual other than the engagement partner has signed the audit report, either instead of or on behalf of the engagement partner?
- Question 4: Please describe in general terms the circumstances that give rise to such findings or actions (their nature and causes), and how often (or the frequency with which) they occur
- Question 5: Please provide details of any information issued by you, to individual firms or to audit firms in general, in relation to addressing circumstances where an audit report is signed by an individual, either instead of or on behalf of the engagement partner.