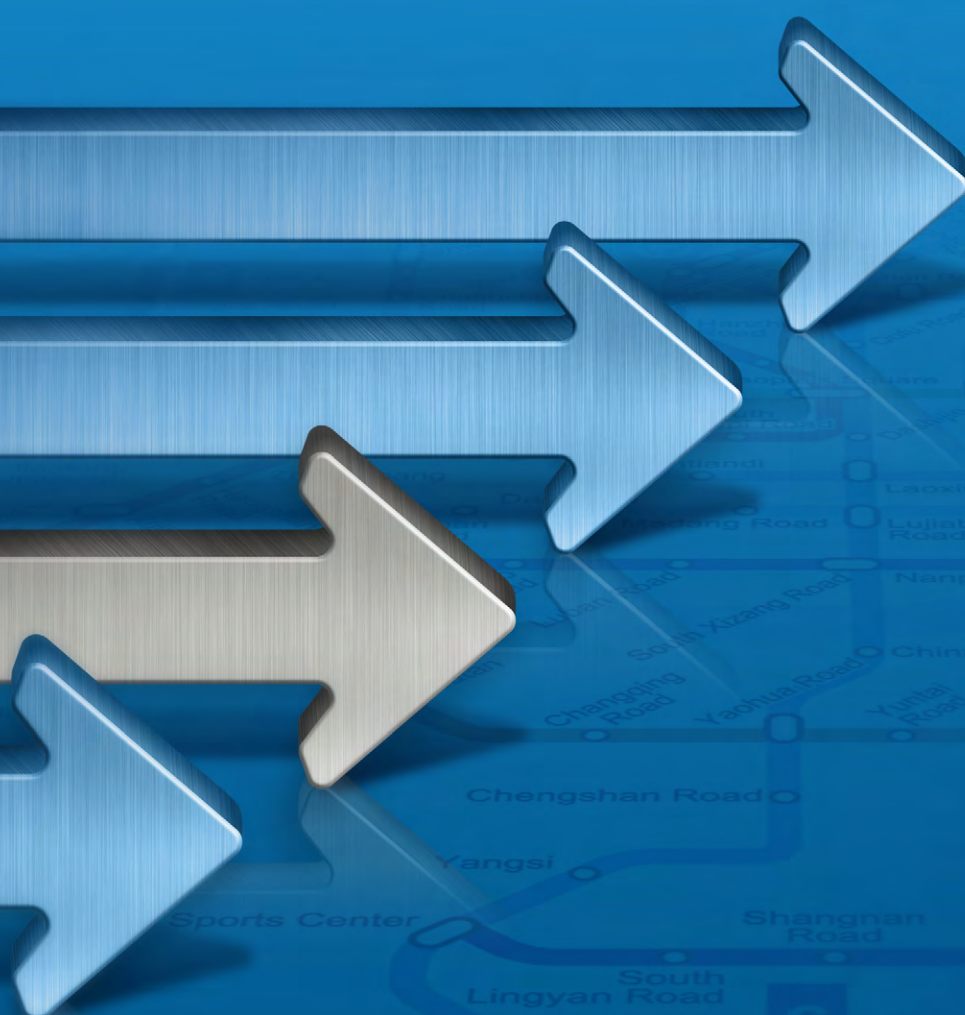


# FIRST-TIME IMPLEMENTATION GUIDE

## International Standard on Auditing 220 (Revised), Quality Management for an Audit of Financial Statements



**ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL  
STATEMENTS  
FIRST-TIME IMPLEMENTATION GUIDE**

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**This publication has been prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB). The objective of this First-Time Implementation Guide is to help understand and apply ISA 220 (Revised). It does not constitute an authoritative pronouncement of the IAASB, nor does it amend or override ISA 220 (Revised), the text of which alone is authoritative. Further, this publication is not meant to be exhaustive, and any examples are provided for illustrative purposes only. Reading this publication is not a substitute for reading ISA 220 (Revised).**

## INTRODUCTION

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In December 2020, the IAASB released three new and revised Quality Management Standards that strengthen and modernize the audit firm’s approach to quality management: International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2, *Engagement Quality Reviews*, and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

Through the standards, the IAASB addresses an evolving and increasingly complex audit ecosystem, including growing stakeholder expectations and a need for quality management systems that are proactive and adaptable. The standards direct audit firms to improve the robustness of their monitoring and remediation, embed quality into their corporate culture and the “tone at the top,” and improve the robustness of engagement quality reviews.

ISA 220 (Revised) focuses on quality management at the audit engagement level and requires the audit engagement partner to actively manage and take responsibility for the achievement of quality, especially through sufficient and appropriate involvement throughout the engagement and adherence to the firm’s policies or procedures and the requirements of ISA 220 (Revised). The links between ISA 220 (Revised) and the other quality management standards are address further below under the heading “Links.”



This icon is used throughout this guide to highlight references to ISA 220 (Revised).



This block and icon are used throughout this guide to highlight examples in ISA 220 (Revised).



This icon is used throughout this guide to highlight changes from the current standard.



ISA 220 (Revised)  
paragraph: 1

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### What Does ISA 220 (Revised) Address?

ISA 220 (Revised) addresses:

- (a) The specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements; and
- (b) The related responsibilities of the engagement partner as many of the auditor’s responsibilities for quality management are specific to the engagement partner

Currently, the requirements for quality control at the audit engagement level are in extant ISA 220. When the revised standard becomes effective for audits of financial statements for periods beginning on or after December 15, 2022, ISA 220 (Revised) will replace extant ISA 220. There are [conforming amendments](#) to a number of ISAs and related material resulting from the changes made in ISA 220 (Revised).

## EFFECTIVE DATE

 ISA 220 (Revised)  
paragraph: 10



ISA 220 (Revised) is effective for audits of financial statements for periods beginning on or after December 15, 2022.

## OBJECTIVE OF THE STANDARD

 ISA 220 (Revised)  
paragraph: 11

The objective of ISA 220 (Revised) is similar to extant ISA 220, but now emphasizes that the auditor's objective is about managing and achieving quality, rather than implementing quality control procedures.

The objective of the standard focuses on a quality outcome at the engagement level. It links the work of the auditor in ISA 220 (Revised) to the other ISAs, including those dealing with the auditor's report. The objective of the standard is primarily accomplished through fulfilling the requirements of ISA 220 (Revised).

The objective of the auditor is to manage quality at the engagement level to obtain reasonable assurance that quality has been achieved such that:

- (a) The auditor has fulfilled the auditor's responsibilities, and has conducted the audit, in accordance with professional standards and applicable legal and regulatory requirements; and
- (b) The auditor's report issued is appropriate in the circumstances.

## OVERARCHING CONCEPTS IN ISA 220 (REVISED)

 ISA 220 (Revised)  
paragraphs: 9, A22–  
A25

### Distinguishing the Role of the Engagement Partner and Other Engagement Team Members

The requirements of ISA 220 (Revised) often are directed at the engagement partner. This is because the engagement partner is ultimately responsible, and therefore accountable, for compliance with ISA 220 (Revised). ISA 220 (Revised) contains different wording to signal how the engagement partner may involve other members of the engagement team in addressing these requirements.



When the term “the engagement partner shall take responsibility for...” is used, the engagement partner may choose to assign the design or performance on these procedures to appropriate engagement team members. When this phrase is not used in connection with “the engagement partner,” then the IAASB intends that the engagement partner personally perform the requirement. For these requirements, the engagement partner may obtain information from other engagement team members or the firm.

For example, paragraph 29 of ISA 220 (Revised) requires the engagement partner to take responsibility for the direction and supervision of the members of the engagement team and the review of their work.

Accordingly, the engagement partner may assign more experienced members of the engagement team to direct, supervise and review the work of less experienced members of the engagement team. However, paragraph 30 of ISA 220 (Revised) requires the engagement partner to determine that the nature, timing and extent of direction, supervision and review meets certain criteria. This is because of the importance of the engagement partner taking an overall view of how the direction, supervision and review has been executed and whether remedial action is needed.

## A New Focus on Leadership Responsibilities

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One of the objectives of the project to revise ISA 220 was to clarify the role of the engagement partner ("EP" in the diagram above). In particular, the IAASB sought to clarify the required involvement of the engagement partner throughout the audit and for managing and achieving quality on the audit.

The diagram above has some examples of how the engagement partner achieves this objective:

- The engagement partner has overall responsibility for managing and achieving quality and creating the right environment for the engagement team (paragraph 13). This responsibility includes being sufficiently and appropriately involved throughout the audit. The engagement partner is also required

to take responsibility for actions being taken that reflect the firm's commitment to quality and the expected behaviour of the engagement team (paragraph 14).

- The engagement partner is also responsible for the direction and supervision of the engagement team and the review of their work (paragraph 29). The engagement partner is also required to determine the nature, timing and extent of such direction, supervision and review (paragraph 30).

Towards the end of the engagement, but before the engagement report is dated, the engagement partner is also required to 'stand back' and determine whether he or she has taken overall responsibility for managing and achieving quality on the engagement (paragraph 40, see also further discussion below).

### **Example of how other members of the engagement team can communicate the expected behavior**

Individuals other than the engagement partner who perform direction, supervision and review responsibilities also are expected to communicate the culture and expected behavior to other engagement team members they direct and supervise and whose work they review. This might include drawing attention to communications from the firm about its culture and the importance of audit quality or reviewing the firm's training records to see if engagement team members have completed relevant training.

### **Example of being sufficiently and appropriately involved**

To remain sufficiently and appropriately involved and to demonstrate leadership and the appropriate behavior and culture, an engagement partner may:

- Visit the engagement team locations regularly and meet with supervisors and the firm's experts.
- Conduct regular update meetings with other leaders of the engagement team to discuss progress and any issues arising, particularly in relation to significant matters and significant judgements identified. This discussion may include whether there should be, or have been, any significant changes to the overall audit strategy and audit plan.
- Speak with engagement team members and direct, supervise and review their work.



ISA 220 (Revised)  
paragraphs:8, A13–  
A14, A29, A80, A95

## **Scalability**

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The requirements of ISA 220 (Revised) are intended to be applied in a scalable manner in the context of the nature and circumstance of the audit. Paragraph 8 of ISA 220 (Revised) gives examples of the application of ISA 220 (Revised) to firms and engagement teams of different sizes who are dealing with


both audits of less complex and more complex entities. ISA 220 (Revised) also includes material that highlights how the ISA can be applied in the different circumstances as follows: .

Paragraph in ISA 220 (Revised)	Key Scalability Points Addressed
A13–A14	<ul style="list-style-type: none"> <li>• How, in a smaller firm, the engagement partner may have a role in designing, at the engagement level, many of the firm’s responses to the firm’s quality risks.</li> <li>• The formality of policies or procedures in firms of different sizes.</li> <li>• The implications of direction, supervision, and review responsibilities if the engagement partner is the only member of the engagement team.</li> </ul>
A29	<ul style="list-style-type: none"> <li>• How the nature and extent of the actions of the engagement partner to demonstrate the firm’s commitment to quality may vary.</li> </ul>
A80	<ul style="list-style-type: none"> <li>• How the engagement partner’s overall responsibility for management and achieving quality, and being sufficiently and appropriately involved, works when direction, supervision and review responsibilities are assigned to others.</li> </ul>
A95–A97	<ul style="list-style-type: none"> <li>• Examples of how the approach to direction, supervision and review may be tailored.</li> </ul>

The IAASB recognized that large engagement teams may involve more complex team structures than smaller engagement teams and, accordingly, some responsibilities may be assigned to other senior members of the engagement team.<sup>1</sup>

Paragraph 15 of ISA 220 (Revised) requires that, if the engagement partner assigns the design or performance of procedures, tasks or actions related to a requirement of this ISA to other members of the engagement team to assist the engagement partner in complying with the requirements of this ISA, the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement through direction and supervision of those members of the engagement team, and review of their work.

ISA 220 (Revised) notes that the engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISA.

 ISA 220 also includes application and other explanatory material addressing common issues encountered in larger audits, such as:

- Implications when there are engagement team members (e.g., a component auditor in a group audit engagement) who are neither partners nor staff of the engagement partner’s firm. (see paragraphs A23–A25)
- Ways to demonstrate that the engagement partner was sufficient and appropriately involved when procedures, tasks or actions have been assigned to others. (see paragraph A37)

<sup>1</sup> ISA 220 (Revised), paragraph 9





## REVISED AND NEW DEFINITIONS IN ISA 220 (REVISED)

As part of the IAASB's quality management project, several definitions were modernized. One important change is the definition of the "engagement team."

### 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.

(Para. 12(d))

The change in the definition recognizes that, regardless of location or employment status, if an individual is performing audit procedures, then that individual needs to be independent and their work needs to be appropriately directed, supervised and reviewed. The revised definition recognizes that engagement teams may be organized in various ways, including being located together or across different geographic locations or organized by the activity they are performing. ISA 220 (Revised) also includes application material to explain how the definition may be applied in different circumstances, such as group audits and service delivery centers (see paragraphs A15-A21). It also explains how the application of the firm's policies or procedures may require different actions when the engagement team includes individuals from another firm who are neither partners or staff of the engagement partner's firm (see paragraphs A23–A25).

ISA 220 (Revised) also recognizes that individuals involved in the audit engagement may not necessarily be engaged or employed directly by the firm. These individuals may include personnel from a network firm, a firm that is not a network firm, or another service provider.



See also the Fact  
Sheet: Engagement Team



### Service Delivery Centers

ISA 220 (Revised) recognizes that a firm may decide that specific tasks that are repetitive or specialized in nature will be performed by a group of appropriately skilled personnel such service delivery centers may be established by the firm, the network, or by other firms, structures or organizations within the same network. For example, a centralized function may be used to facilitate external confirmation procedure






For example, the engagement team may include individuals such as:

- Individuals from firm's Information Technology (IT) team;
- The firm's experts in financial instruments or valuations;
- Individuals within a firm's service delivery centers;
- Component auditors in a group audit engagement;
- Individuals performing audit procedures relating to inventory at a warehouse or remote location (whether those individuals are from the firm or a network firm or another firm);
- Other partners performing direction, supervision and review responsibilities

Remember, there are two types of individuals that are specifically excluded from the definition of the engagement team, (1) an auditor's external expert and (2) internal auditors who provide direct assistance on an engagement


Other changes to definitions are described below:

Revised and New Definitions	Summary of change
Engagement quality review/ Engagement quality reviewer	These definitions are aligned with ISQM 2
Relevant ethical requirements	This definition is aligned with the revised definition in ISQM 1, except that it is focused on audit engagements

**ISQM 1:  
Quality  
management at the  
firm level**


ISQM 1 requires the firm to design, implement and operate a system of quality management (SOQM) to manage the quality of engagements performed by the firm. The firm's SOQM creates an environment that enables and supports engagement teams in performing quality engagements.



**ISQM 2:  
Engagement quality  
reviews**

Engagement quality reviews form part of the firm's SOQM. ISQM 2 builds upon ISQM 1 by including specific requirements for:

- The appointment and eligibility of the engagement quality reviewer;
- The performance of the engagement quality review; and
- The documentation of the engagement quality review.




**ISA 220 (Revised):  
Quality management  
at the engagement  
level**

ISA 220 (Revised) deals with the responsibilities of the auditor regarding quality management at the engagement level, and the related responsibilities of the engagement partner. This standard applies to audits of financial statements.

The firm is responsible for designing, implementing and operating its SOQM. Aspects of the SOQM may be implemented and operate at the engagement level, however the firm remains responsible for the SOQM. The extent to which aspects of the SOQM are implemented and operate at the engagement level depends on the nature and circumstances of the firm and the engagements it performs.

As the firm cannot identify all quality risks that may arise at the

 The interaction between engagement-level responses and firm level responses is discussed in paragraphs 4 and A4–A11

engagement level, the engagement team exercises professional judgment in determining whether to design and implement additional responses.

Communication between the engagement team and the firm is critical to a quality audit engagement. Communication may be needed in when:

- The engagement team has information that the firm needs to support the design, implementation and operation of the firm's system of quality management (see paragraph 4(c)).
- There are threats to compliance with relevant ethical requirements (see paragraph 18).
- The engagement team becomes aware of information that may have caused the firm to decline the audit engagement had that information been known earlier (see paragraph 24).
- The resources assigned or made available to the engagement team are insufficient or inappropriate in the circumstances of the audit engagement (see paragraph 27).
- The engagement partner becomes aware of information that may be relevant to the firm's monitoring and remediation process (see paragraph 39(c)).



## Links to Other ISAs

ISA 220 (Revised) is intended to be applied together with the other ISAs. As noted in paragraph 5, complying with the requirements in other ISAs may provide information that is relevant to ISA 220 (Revised). Paragraph A12 contains examples of these links.



## Depending on the Firm's System of Quality Management



It is important that engagement-level quality management and firm-level quality management operate in concert. In many cases, the firm's policies or procedures may aid the engagement team in complying with ISA 220 (Revised).

Paragraph A10 notes that, ordinarily, the engagement team may depend on the firm's policies or procedures in complying with the requirements of this ISA, unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties, about the effectiveness of such policies or



Extant ISA 220 notes that engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The IAASB has removed this material and replaced it with application material that explains that in certain circumstances, the engagement partner may depend on the firm's policies or procedures in complying with the requirements of ISA 220 (Revised). This approach is intended to avoid the risk that the engagement team 'blindly' relies on the firm's system of quality management without taking into account whether the firm's quality management policies or procedures are fit-for-purpose in the specific circumstances of the engagement.

procedures suggests otherwise (e.g., information provided by the firm’s monitoring activities, external inspections or other relevant sources, indicates that the firm’s policies or procedures are not operating effectively).

Paragraph A11 provides guidance on actions the engagement partner may take if it becomes clear that the firm’s responses to quality risks are ineffective in the context of the specific engagement or if the engagement partner is unable to depend on the firm’s policies or procedures.



Paragraph A6 - Examples of firm-level responses to quality risks that the engagement team may be able to depend on when complying with ISA 220 (Revised)

- Personnel recruitment and professional training processes;
- The information technology (IT) applications that support the firm’s monitoring of independence;
- The development of IT applications that support the acceptance and continuance of client relationships and audit engagements; and
- The development of audit methodologies and related implementation tools and guidance.

## MAJOR CHANGES AND WALKTHROUGH OF ISA 220 (REVISED)



This section of the Guide highlights the major changes in ISA 220 (Revised) from extant ISA 220, organized by the sections of requirements (headings) in ISA 220 (Revised)

### Leadership Responsibilities for Managing and Achieving Quality on Audits



ISA 220 (Revised)  
paragraphs: 13–15,  
A28-A37



Leadership responsibilities are key to applying ISA 220 (Revised) because the engagement partner is ultimately responsible, and therefore accountable, for compliance with ISA 220 (Revised).

In addition to the matters discussed above (see “A New Focus on Leadership Responsibilities” on page 5), the requirements in this section set the overall approach to leadership of audit engagements including:

- The need to create an environment that emphasizes the firm’s culture and expected behavior;
- The need for clear, consistent and effective actions that reflect the firm’s commitment to quality; and

- The engagement partner's responsibilities when assigning the design or performance of procedures, tasks, or actions to other members of the engagement team.

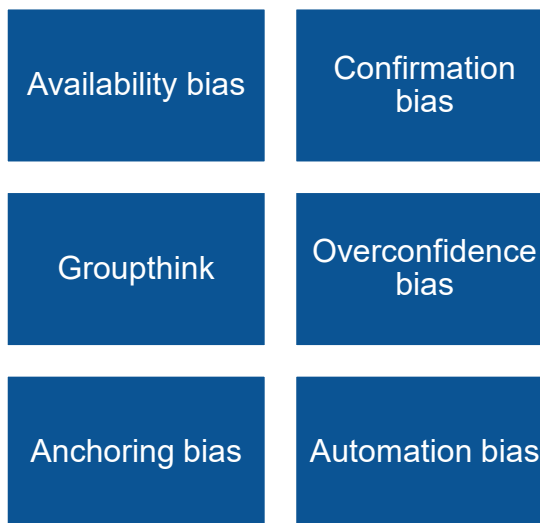
The application material in this section gives examples of how the engagement partner can demonstrate his or her involvement in the audit engagement.

#### *Mitigating Impediments to Professional Skepticism*

ISA 220 (Revised) emphasises the importance of each engagement team member exercising professional skepticism, However, it also recognizes that conditions inherent in some audit engagements can create pressures on the engagement team that may impede the appropriate exercise of professional skepticism when designing and performing audit procedures and evaluating audit evidence and includes material to explain:

- How impediments to professional skepticism (such as budget constraints, tight deadlines, lack of cooperation by management, or overreliance on automated tools and techniques) can affect the performance of the audit (see paragraph A34);
- Unconscious or conscious biases that may be impede the exercise of professional skepticism (see paragraph A35); and
- Possible actions that the engagement team may take to mitigate impediments to professional skepticism(see paragraph A36). Possible actions may include remaining alert to changes in the engagement circumstances that necessitate additional or different resources for the engagement, alerting the team when there is heightened vulnerability to biases, or involving more experienced members of the engagement team in certain activities.

### Types of Biases



ISA 220 (Revised) also includes new application material that explains how the requirements in ISA 220 (Revised) link with firm level requirements in ISQM 1(see paragraphs A4–A11).

## Relevant Ethical Requirements, Including Those Related to Independence

 ISA 220 (Revised) paragraphs: 16-21, A23-A25, A38-A48

Extant ISA 220 requires that the engagement partner remain alert for non-compliance with relevant ethical requirements by members of the engagement team, determine the appropriate action if non-compliance comes to the engagement partner's attention, and conclude on compliance with independence requirements. In addition to enhancing these extant requirements, ISA 220 (Revised) includes new requirements and application material regarding:



- An understanding of the relevant ethical requirements, including those related to independence, and whether other members of the engagement team are aware of those requirements and the firm's related policies or procedures (see paragraphs 16-17, A23-A25, A38-A44 and A48);
- Threats to compliance with relevant ethical requirements (see paragraphs 18 and A43-A44); and
- Determining whether relevant ethical requirements, including those related to independence, have been fulfilled (see paragraphs 21, A38 and A47).



Paragraph A46 of ISA 220 (Revised) provides examples of possible appropriate actions if matters come to the engagement partner's attention through the firm's system of quality management, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the audit engagement have not been fulfilled.



ISA 220 (Revised) also includes new application material that:

- Links with firm level requirements in ISQM 1 addressing relevant ethical requirements (see paragraphs A40, A43 and A45 of ISA 220 (Revised)); and
- Links to the requirement in ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, for the auditor's report to include a statement regarding the auditor's independence (see paragraph A47 of ISA 220 (Revised)).

## Acceptance and Continuance of Client Relationships and Audit Engagements

 ISA 220 (Revised) paragraphs: 16-21, A23-A25, A38-A48



Acceptance and continuance is primarily a firm responsibility. Extant ISA 220 requires that the engagement partner be satisfied that appropriate acceptance and continuance procedures are followed, determine that relevant conclusions in this regard are appropriate, and promptly communicate information to the firm that would have caused the firm to decline the audit engagement had that information been available earlier. In addition to retaining these extant requirements, ISA 220 (Revised) includes a new requirement and application material for:

Information obtained in the acceptance and continuance process is to be taken into account in planning and performing the audit engagement in accordance with the ISAs (see paragraphs 23 and A53-A56).



Paragraphs A53-A54 of ISA 220 (Revised) provides examples of information obtained during the acceptance and continuance process that may assist the engagement partner in complying with the requirements of this ISA and other ISAs and making informed decisions about appropriate courses of action.



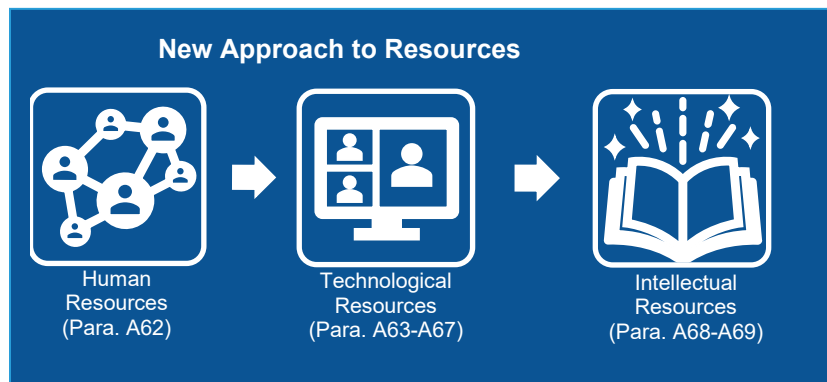
ISA 220 (Revised) also includes new application material that links with firm level requirements in ISQM 1 addressing acceptance and continuance of client relationships and specific engagements (see paragraphs A49 and A51 of ISA 220 (Revised)).



ISA 220 (Revised)  
paragraphs: 25-28,  
A59-A79

## Engagement Resources

Extant ISA 220 only deals with the assignment of engagement team members. ISA 220 (Revised) expands on this significantly to now include requirements addressing the full suite of resources needed at the engagement level to manage and achieve quality. A major change in ISA 220 (Revised) is that the standard now requires the



engagement partner to take action if the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement. Appropriate actions include communicating with appropriate individuals, such as firm personnel with responsibility for resources or engagement quality management activities, about the need for additional or alternative resources.



Paragraph A60 of ISA 220 (Revised) provides examples of when the engagement team may obtain resources directly, rather than via the firm. This may happen when a component auditor is appointed by component management to perform audit procedures on behalf of the group engagement team.





ISA 220 (Revised) contains guidance on when resources are insufficient or inappropriate in the circumstances of the engagement. In brief:

- Paragraph A75 explains the link to the firm's related responsibilities under ISQM 1. It also notes that the firm's financial and operating priorities do not override the engagement partner's responsibility for achieving quality and determining that the engagement resources are sufficient and appropriate.
- Paragraph A76 addresses the work of component auditors in group audit engagements.
- Paragraph A77 provides examples of when the firm's responses to quality risks are ineffective in relation to resources.
- Paragraph A78 lists possible appropriate actions in response to insufficient or inappropriate resources.

Paragraph 25 of ISA 220 (Revised) requires the engagement partner to determine that sufficient and appropriate resources are assigned or made available to the engagement team. This determination is affected by the nature and circumstances of the audit engagement, the firm's policies or procedures, and changes that may arise during the engagement. For example, the firm's policies or procedures may require the use of certain IT applications, such as audit methodology software, or may require the engagement team to involve internal specialists in certain circumstances.

Paragraph 26 expands on extant ISA 220 by requiring a

determination of whether the engagement team, and any auditor's external experts and internal auditors who provide direct assistance, collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement.

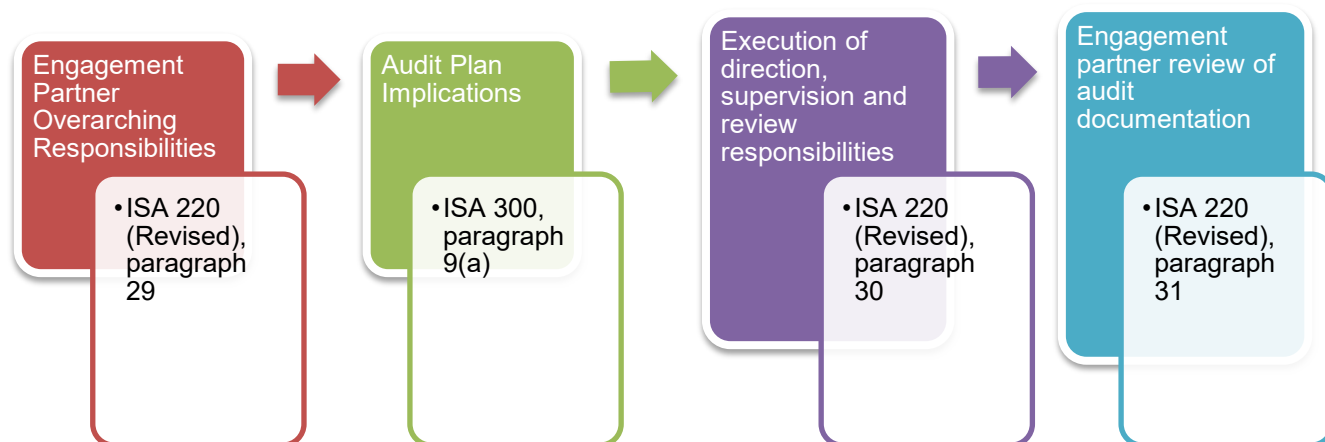
#### **Example of dealing with insufficient or inappropriate resources**

An engagement partner determined that the engagement team members initially assigned was not sufficient and appropriate to perform the engagement. Specifically, the engagement team was lacking sufficient leadership resources given the size and complexity of the engagement and also lacking skills in accounting for revenue from contracts and derivatives.

Accordingly, the engagement partner communicated this information to the appropriate personnel in the firm. The firm assigned:

- An additional partner and director to assist with specialist knowledge and additional direction, supervision and review. The partner has expertise in the specific revenue accounting involved.
- An expert in derivatives.
- A project manager to assist with monitoring the progress of the audit against the audit plan.

ISA 220 (Revised) requires that the engagement partner take responsibility for the direction and supervision of the engagement team and the review of their work. Direction, supervision and review responsibilities may rest solely with the engagement partner, or may be shared with other members of the engagement team – see “Scalability” above.



As shown in the diagram above, paragraph 29 is the starting point for direction, supervision, and review. Paragraph 29 makes the engagement partner take responsibility for the direction and supervision of the members of the engagement team and the review of their work. This is the overarching obligation. In a conforming amendment to ISA 300, paragraph 9(a), the audit plan is now required to include a description of the nature, timing and extent of the planned direction, supervision and review activities.

**i** In a conforming amendment to ISA 300, paragraph 9(a), the audit plan is now required to include a description of the nature, timing and extent of the planned direction, supervision and review activities.


As noted above, the direction, supervision and review responsibilities may be shared. This means that the engagement partner may not personally be planning and performing all the direction, supervision and review. Therefore, paragraph 30 is focused on the engagement partner determining that the nature timing and extent of direction, supervision and review is executed across the engagement in accordance with the firm’s policies and procedures (see ISQM 1, paragraph 31(b)), professional standards, and other legal and regulatory requirements and is responsive to the audit engagement’s nature and circumstances.

**i** Paragraph A95 of ISA 220 (Revised) provides examples of how the approach to direction, supervision, and review can be tailored to different engagement circumstance.

The engagement partner is also required to review audit documentation at appropriate points in time during the audit engagement (paragraph 31). It is important to note that the requirement specifically requires the engagement partner to review audit documentation relating to significant matters and significant judgements. “Significant matters” is a term used in ISA 230, paragraph 8(c) and is not further explained in ISA 220 (Revised). By contrast, ISA 220 (Revised) contains guidance on the types of judgments that may be significant judgments (see paragraph A92). In addition, the engagement partner is required to review audit documentation relating to other matters that, in the engagement partner's professional judgement, are relevant to the engagement partner's responsibilities (see paragraph A93). The engagement partner does

not need to review all audit documentation.

ISA 220 (Revised) also requires that the engagement partner review the financial statements, the auditor's report, and formal written communications to management, those charged with governance, or regulatory authorities (see paragraphs 33–34). These were added to the standard to clarify and strengthen the auditor's responsibilities with regarding communications with external parties.

 Paragraph A98 of ISA 220 (Revised) notes that professional judgment is used in determining which written communications to review.

ISA 220 (Revised) also includes examples of the types of matters covered by the direction, supervision and review requirements and the relation firm policies or procedures (see paragraphs A85–A89).

 ISA 220 (Revised)  
paragraphs: 35,  
A99-A102


### Consultation



While there are no substantial changes in the requirements relating to consultation, ISA 220 (Revised) includes new application material that links with firm level requirements in ISQM 1 addressing consultation on difficult or contentious matters (see paragraph A99 of ISA 220 (Revised)).

 ISA 220 (Revised)  
paragraphs: 36,  
A103-A106

### Engagement Quality Review

 Extant ISA 220 includes requirements and guidance on the performance of the engagement quality review of the audit, including requirements directed at the engagement quality reviewer. These requirements and guidance are now moved to ISQM 2. Although there are no longer requirements for the performance of engagement quality reviews in ISA 220 (Revised), the revised standard still contains requirements and application material regarding the engagement partner's responsibilities relating to an engagement quality review. These largely focus on how the engagement partner and the engagement team interact with the engagement quality reviewer (see paragraphs 36 and A103-A106). In addition to retaining these extant requirements, ISA 220 (Revised) includes a new explicit requirement for:

The engagement partner to cooperate with the engagement quality reviewer and inform other members of the engagement team of their responsibility to do so (see paragraph 36(b)).



ISA 220 (Revised) also includes new application material that:

- Links with firm level requirements in ISQM 1 addressing engagement quality reviews (see paragraph A103 of ISA 220 (Revised)); and
- Links to the requirement in ISQM 2 that precludes the engagement partner from dating the engagement report until notification has been received from the engagement quality reviewer that the engagement quality review is complete (see paragraph A104 of ISA 220 (Revised)).



## Differences of Opinion



Extant ISA 220 requires that the engagement team follow the firm's policies and procedures for dealing with and resolving differences of opinion. In addition to enhancing this extant requirement, ISA 220 (Revised) includes a new requirement providing greater specificity on the engagement partner's role in handling differences of opinion. Paragraph 38 of ISA 220 (Revised) specifically requires the engagement partner to:

- (a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures;
- (b) Determine that conclusions reached are documented and implemented; and
- (c) Not date the auditor's report until any differences of opinion are resolved.



ISA 220 (Revised) also includes new application material that links with firm level requirements in ISQM 1 addressing differences of opinion (see paragraph A107 of ISA 220 (Revised)).



## Monitoring and Remediation



including:

- (a) Obtaining an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm including, as applicable, the information from the monitoring and remediation process of the network and across the network firms;
- (b) Determining the relevance and effect on the audit engagement of the information referred to in paragraph 39(a) and take appropriate action; and
- (c) Remaining alert throughout the audit engagement for information that may be relevant to the firm's monitoring and remediation process and communicate such information to those responsible for the process.



ISA 220 (Revised) also includes new application material that links with firm level requirements in ISQM 1 addressing the monitoring and remediation process (see paragraph A109 of ISA 220 (Revised)).

## Documentation



Extant ISA 220 includes requirements on the documentation of the engagement quality review of the audit directed at the engagement quality reviewer. Those requirements are now moved to ISQM 2. However, the revised standard now requires the auditor to include in the audit documentation (if the audit engagement is subject to an engagement quality review) that the engagement quality review has been completed on or before the date of the auditor's report (see paragraph 41(c) of ISA 220 (Revised)).



ISA 220 (Revised) also includes new application material that:

- Links to the overarching documentation requirements in ISA 230, *Audit Documentation* (see paragraph A117); and
- Explains that the documentation of the performance requirements in ISA 220 (Revised) may be accomplished in different ways (see paragraph A118).

## Taking Overall Responsibility for Managing and Achieving Quality



ISA 220 (Revised) requires that, prior to dating the auditor's report, the engagement partner determine that he or she has taken overall responsibility for managing and achieving quality on the audit engagement. This requirement also addresses the engagement partner's involvement throughout the audit and that the nature and circumstance of the engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with ISA 220 (Revised). This requirement is the capstone to the leadership responsibilities requirements described above.

The application material includes examples of situations where the engagement partner may not be able to conclude that there was sufficient and appropriate involvement. The application material also includes examples of actions that the engagement partner may take to address such a situation.



Extant ISA 220 does not include a stand back requirement addressing the engagement partner taking overall responsibility.. The new requirement (paragraph 40) was added in the revision to drive the engagement partner to reflect on his or her own involvement and to be alert for indicators that the involvement may not have been sufficient and appropriate.



ISA 220 (Revised) also includes new application material that links to the related quality objectives and requirements in ISQM 1 (see paragraph A113).

## Group Audits

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ISA 220 (Revised) was developed to be applied with extant ISA 600,<sup>2</sup> including the improvements such as the clarification of the definition of the engagement team and the new focus on the engagement partner's leadership responsibilities for the whole engagement team.

To improve the links between ISA 220 (Revised) and ISA 600, the IAASB initiated a [project to revise ISA 600](#). ISA 600 (Revised)<sup>3</sup> was approved by the IAASB at its December 2021 meeting.

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<sup>2</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

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