

July 1, 2019

International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Re: Exposure Draft (ED): Proposed International Standard on Auditing 220 (Revised) *Quality Management for an Audit of Financial Statements*

Thank you for the opportunity to comment on this Exposure Draft ("ED").

MNP LLP ("MNP") is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include a sizable contingent of publicly traded entities. In addition, our client base includes small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, First Nations, medical and legal professionals, not-for-profit organizations, municipalities and government entities. Our engagements for such entities include audits, reviews and other assurance and related services engagements. As such we believe that we are positioned well to provide commentary on the content of this ED.

We have reviewed the ED and have provided our responses to the specific questions below. We support the International Auditing and Assurance Standards Board's (the "IAASB") project to adopt proposed International Standard on Auditing 220 (Revised) ("ISA 220") and overall, we agree with the proposed changes as set out in the ED and we have set out, in the responses below, areas where we believe additional guidance is required.

Proposed ISA 220 (Revised) Questions

- 1) Do you support the focus on the sufficient and appropriate involvement of the engagement partner (see particularly paragraphs 11–13 and 37 of ED-220), as part of taking overall responsibility for managing quality on the engagement? Does the proposed ISA appropriately reflect the role of other senior members of the engagement team, including other partners?**

Overall, we support the increased focus on the sufficiency and appropriateness of the involvement of the engagement partner throughout the audit engagement, as part of them taking overall responsibility for managing quality on the engagement. Whether an audit engagement is being performed by a small, mid-size or large firm, every engagement should have a key individual responsible for the overall quality of the engagement throughout the planning, execution and concluding phases of the engagement. We agree that the engagement partner, supported by their firm's quality management policies and procedures, is the most appropriate team member to assume these responsibilities given that the firm cannot identify, design and implement responses to address all quality risks at the engagement level. The engagement partner is in an appropriate position to take overall responsibility for managing quality on the audit engagement as they may communicate the firm's responses to the engagement team and lead the engagement team in implementing the firm's quality risk responses that are applicable to the audit engagement. Although a firm level quality management approach is essential in establishing a foundation for quality engagements, policies and procedures must also be executed at the engagement level in order to ensure overall quality management is achieved.

We also agree with the guidance in paragraph 37 which requires the engagement partner to perform a self-assessment to determine whether their involvement has been sufficient and appropriate throughout the audit engagement to achieve quality. However, this new “stand- back” requirement is subjective, and therefore, we believe additional clarification or guidance on minimum factors to be considered by the engagement partner is necessary in order to identify how this requirement can be met in an objective manner and it is not simply an exercise of completing a checklist or signing off a checkbox.

The proposed ISA 220 focuses on the role of an engagement partner, and does not discuss specific roles and responsibilities of other senior members of the engagement team (e.g., the component audit engagement partner, internal expert partner, audit manager, etc.) in managing quality on the engagement, except to require each team member, under the leadership of the engagement partner, to adhere to the firm's policies and procedures in response to the ISQMs and to apply a sufficient level of professional skepticism. We agree that the proposed ISA 220 appropriately reflects the role of other senior members of the engagement team as the onus of ensuring quality at the engagement level resides with the engagement partner, no matter the composition of the engagement team.

2) Does ED-220 have appropriate linkages with the ISQMs? Do you support the requirements to follow the firm's policies and procedures and the material referring to when the engagement partner may depend on the firm's policies or procedures?

Yes, the linkages between ED-220, ED-ISQM 1 and ED-ISQM 2 are clear.

Proposed ISA 220 requires that the engagement partner assess the degree to which they may rely on the firm's policies or procedures in the application of risk management at the engagement level. We agree with this requirement as it provides flexibility to tailor the audit approach to achieve quality based on the nature and circumstances of each individual engagement.

Paragraph 36 of ED-220 requires the engagement partner to ensure the results of the firm's monitoring and remediation process have been communicated to the engagement team and determine the relevance of the results and effect on the audit engagement. As commented above in our response to ISQM 2, we agree that an understanding of such findings can provide useful information in assisting the engagement partner and the engagement team to determine the nature and extent of their procedures, but we do not believe this should be one of the procedures the engagement partner is required to perform.

3) Do you support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level? (See paragraph 7 and A27–A29 of ED-220)

The audit environment is one where sometimes heavy staff workloads, fee constraints, and tight financial reporting deadlines may have an impact on the audit engagement team members' ability to consistently apply professional skepticism throughout the course of the audit engagement. In addition to the comments on professional skepticism in our response to the proposed ISQM 2, we feel that professional skepticism is a mindset or behaviour that cannot be prescribed through a checklist of specific items. As such, we support the material on the appropriate exercise of professional skepticism in managing quality at the engagement level. However, we believe additional guidance on what constitutes appropriate evidence of the application of professional skepticism would be helpful in documenting professional skepticism within the audit engagement file.

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

Yes, the proposed ED-220 adequately addresses the importance of dynamic audit teams and the growing use of technology as a resource tool to perform more effective audits.

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

Yes, we support the revised requirements and guidance on the direction, supervision and review at the engagement level.

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

Yes, we believe the overarching documentation requirements in the proposed ISA-220 and in ISA 230 include sufficient requirements and guidance on documentation with one exception. We recommend the addition of guidance on the documentation required to evidence the completion of the stand-back requirement.

7) Is ED-220 appropriately scalable to engagements of different sizes and complexity, including through the focus on the nature and circumstances of the engagement in the requirements?

Yes, the requirements in proposed ISA 220 are scalable to engagements of varying size and complexity.

Other Matters

We believe that paragraph 32's requirements should be expanded to include that the engagement partner shall not date the auditor's report until the completion of any outstanding consultation, similar to the requirement in paragraphs 33(d) and 35(c) relating to the completion of the engagement quality review and resolution of differences of opinion, respectively. Furthermore, in paragraph 33, we believe the requirements relating to the engagement partner's responsibility where an engagement quality review is required should be expanded to include discussion with the engagement quality reviewer on all matters on which a consultation was deemed required.

We would be pleased to offer assistance to the IAASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

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