

ED-ISA 220

Quality Management for an Audit of Financial Statements

- ▶ ED 220 is designed to operate as part of the broader system of quality management ED- ISQM1 and ED - ISQM2
- ▶ *Extant ISQC will be replaced by ISQM1*
- ▶ *ED - ISQM 1 deals with quality management at firm level*
- ▶ *ED - ISQM 2 deals with quality control review which is used to be part of extant ISA 220*

THE REVISED STANDARDS

- ▶ ED-ISA 220 deals with specific responsibilities of the partner regarding quality management at the engagement level.
- ▶ The engagement partner and other members of the engagement team are required to plan and perform an audit with professional skepticism and exercise professional judgment.

SCOPE OF ED-ISA 220

- ▶ To manage quality at the engagement level
- ▶ The auditor has fulfilled the responsibilities
- ▶ The auditor's report issued is appropriate in the circumstance

OBJECTIVE OF REVISED ISA 220

- ▶ Engagement partner
- ▶ Engagement quality review
- ▶ Engagement quality reviewer
- ▶ Engagement team
- ▶ Firm

KEY DEFINITIONS IN ISA 220

- ▶ The partner or other individual appointed by the firm to be responsible for the audit engagement and its performance and the audit report that is issued on behalf of the firm.

ENGAGEMENT PARTNER

A decorative graphic consisting of several parallel white lines of varying lengths, slanted upwards from left to right, located in the bottom right corner of the slide.

- ▶ An objective evaluation of the significant judgement made by the engagement team and the conclusions that is completed on or before the date in the report

ENGAGEMENT QUALITY REVIEW

- ▶ A quality partner or other individual appointed by the firm to be responsible for the performance of the engagement quality reviewer

ENGAGEMENT QUALITY REVIEWER

- ▶ All partners and staff performing the audit engagement, including individuals engaged by the firm to perform audit procedures on the engagement
- ▶ Firm is an entity of professional accountants

ENGAGEMENT TEAM AND FIRM

- ▶ Extant ISA 220 notes that engagement teams are to rely on the firm's system on QC. Doing so, there is the risk that the engagement team may 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”

WHY REVISED ?

- ▶ Extant ISA 220 included requirements and guidance on EQCR which is proposed to move to ISQM 2 . Revised ISA 220 will focused only on the responsibilities of the engagement partner and team to quality management for an audit of FS and how to interact with the engagement quality reviewer.

WHY REVISED ?

- ▶ Extant ISA 220 required the engagement partner to take responsibility for the overall quality of each engagement which is not explicit. Revised ISA 220 make the engagement partner to be responsible for leadership and project management to achieve high quality audits

WHY REVISED ?

- ▶ Extant ISA 220 requires the engagement partner remain alert for non-compliance with relevant ethical requirements by member of the team. Revised ISA 220 determined that the requirements should be strengthened by understanding requirements and threats and determine whether they have been fulfilled..

WHY REVISED ?

- ▶ Extant ISA 220 contains requirements and guidance about the assignment but does not otherwise address the engagement level resources
- ▶ Extant ISA 220 does not explicitly address the need for the engagement partner to be satisfied that sufficient time and resources are available to the engagement team such that it will be possible to perform necessary work

WHY REVISED ?

- ▶ This revised ISA 220 emphasizing the importance of the exercise of professional scepticism
- ▶ Enhancing the documentation of the auditor's application of professional judgements
- ▶ Reinforcing the need for robust communications during the audit

WHAT ARE REQUIRED IN REVISED 220 ?

- ▶ Require engagement partner to involve throughout the audit
- ▶ Require engagement partner to manage the quality at the engagement level
- ▶ Clarify the relationship between revised ISA 220 and the ED - ISQM which require engagement team's interaction with the firm on quality management policies or procedures

WHAT ARE REQUIRED IN REVISED 220 ?

- ▶ **Leadership responsibilities:** EP is responsible for achieving quality of engagement
- ▶ **Supporting performance:** EP is responsible for nature, timing, and extent, in view of circumstances
- ▶ **Standing back:** EP shall be satisfied that involving has been sufficient and appropriate to provide basis for taking overall responsibility

ENGAGEMENT PARTNER'S RESPONSIBILITIES

Create an environment that emphasized the firm's culture and expected behavior of engagement team member by :

- ▶ 1. Emphasizing team members that they are part of the quality achievement.
- ▶ 2. Reinforcing the important of professional ethics.
- ▶ 3. Encouraging open and robust communication within the engagement team.
- ▶ 4. Emphasizing the important of each team member in exercising professional skepticism.
- ▶ 5. Appropriately inform assignees about their responsibilities, scope of work and objectives.

LEADERSHIP RESPONSIBILITY

- ▶ 6. Monitor the performance of assignees and review selected documentation.
- ▶ 7. Remain alert through observation and making inquiries for actual or suspected breaches of ethical requirements.
- ▶ 8. Prior to dating the auditor's report, the engagement partner shall determine whether ethical requirements have been fulfilled.
- ▶ 9. EP shall be satisfied that the firm's policies and procedures for the acceptance and continuance of client have been followed.
- ▶ 10. If EP obtains information that may have caused the firm to decline the audit engagement, the EP shall communicate promptly to the firm.

LEADERSHIP RESPONSIBILITIES

- ▶ 11. EP shall determine that sufficient and appropriate resources are available by the firm on a timely basis.
- ▶ 12. EP shall determine that the member of the team have appropriate competence and capabilities and sufficient time to perform the audit.
- ▶ 13. EP shall take responsibilities for using the resources assigned to the engagement.

LEADERSHIP RESPONSIBILITIES

The EP shall take responsibilities for the nature, timing and extent of direction of the engagement team and review the work performed by :

- ▶ 1. Planned and performed in accordance with the firm policies and professional standards.
- ▶ 2. Planned and performed on the basis that the work performed by less experienced team members is directed, supervised, and reviewed by more experienced team members.
- ▶ 3. on or before the report date, EP shall, through review of audit documentation and discussion with the team, determine that sufficient appropriate audit evidence has been obtained.

SUPPORTING PERFORMANCE

- ▶ 4. EP shall determine that the engagement team have undertaken appropriate consultation during the course of the audit
- ▶ 5. Determine that the conclusions resulting from the consultations are agreed with the party.
- ▶ 6. Determined that conclusions resulting from consultations have been implemented.
- ▶ 7. For audit engagements for which an quality review is required, the EP shall cooperate, discuss significant matters and not date the auditor's report until the quality review completed.

SUPPORTING RESPONSIBILITIES

- ▶ 8. If different of opinion arise, within the engagement team, or between the quality reviewer, the EP shall take responsibility for different of opinion and have them resolved in accordance with firm's policies.
- ▶ 9. EP shall be satisfied that the engagement team has been made aware of results of the firm's monitoring and remediation process

SUPPORTING RESPONSIBILITIES

Prior to dating the auditor's report the EP shall determine that:

- ▶ 1. EP has the basis for determining that the significant judgments made and the conclusions reached are appropriate.
- ▶ 2. EP shall include in the audit documentation, matters identified, relevant discussions, and conclusions reached.
- ▶ 3. The engagement quality review has been complete.

STAND BACK



- ▶ Having questioning mind and critical assessment of evidence.
- ▶ Not accepting management assertion without corroboration.
- ▶ Ask management to prove each or relevant assertion.
- ▶ Being aware that a potential conflict of interest always exist between the auditor and the management.

WHAT DOES PROFESSIONAL SCEPTICISM
MEAN ?



- ▶ ยอมรับคำชี้แจงโดยไม่พิจารณาให้ดีเสียก่อน
- ▶ รู้สึกดีกับตัวเอง
- ▶ ไม่สรุปประเด็นจนกว่าจะได้รับข้อมูล
- ▶ กระตือรือร้นที่จะเรียนรู้
- ▶ สนใจหาสาเหตุว่าทำไมคนอื่นจึงทำเช่นนั้น
- ▶ มั่นใจในความสามารถของตัวเอง
- ▶ ไม่ยอมรับเรื่องใดๆจนกว่าจะพิสูจน์แล้วว่าจริง
- ▶ สนุกกับการรับข้อมูลใหม่ๆ
- ▶ ไม่รีบร้อนในการตัดสินใจ
- ▶ มักที่จะยอมรับคำชี้แจงโดยทันที

HOW SKEPTICISM ARE YOU ?

- ▶ ไม่สนใจว่าใครจะคิดจะทำอะไร
- ▶ เป็นคนมักจะสรุปเอาเอง
- ▶ ถูกคนอื่นมองว่าเป็นคนขี้สงสัย
- ▶ ชอบที่จะเข้าใจเหตุผลในพฤติกรรมของคนอื่น
- ▶ ชอบที่จะเรียนรู้
- ▶ มักจะยอมรับตามที่ได้เห็น ได้ยิน หรือได้อ่าน
- ▶ ไม่มั่นใจกับตัวเอง
- ▶ สามารถเห็นความขัดแย้ง ความไม่สอดคล้องในคำอธิบายที่ได้รับ
- ▶ มักจะเห็นสอดคล้องกับที่มงาน
- ▶ ไม่ชอบที่จะต้องตัดสินใจทันที

HOW SKEPTICISM ARE YOU ?

- ▶ เป็นคนมั่นใจในตัวเอง
- ▶ ไม่ชอบที่จะตัดสินใจจนกว่าจะได้ดูข้อมูลทั้งหมดที่มี
- ▶ ชอบค้นคว้าหาความรู้
- ▶ มักจะตั้งคำถามกับสิ่งที่เห็นหรือได้ยิน
- ▶ เป็นคนเชื่อคนง่าย
- ▶ ไม่สนใจที่จะพิจารณาว่าทำไมคนอื่นจึงทำเช่นนั้น
- ▶ ต้องการความแน่ใจว่าได้ดูข้อมูลทั้งหมดแล้วก่อนตัดสินใจ
- ▶ สนุกกับการที่จะหาทางให้รู้ว่าเรื่องที่ได้ยินหรือได้อ่านเป็นเป็นความจริง
- ▶ ชอบปรับปรุงการเรียนรู้
- ▶ ตีงใจกับการกระทำและเหตุผลของการกระทำของผู้อื่น

HOW SKEPTICISM ARE YOU ?

- ▶ แบบสอบถามแต่ละข้อมีคะแนน 1 ถึง 6
- ▶ 1 ถ้าคุณไม่เห็นด้วยอย่างยิ่ง
- ▶ 6 ถ้าคุณเห็นด้วยอย่างยิ่ง
- ▶ 2 – 5 ถ้ารู้สึกระหว่าง 1 ถึง 6

HOW MUCH YOU GET ?

- ▶ Professional judgment is the application of relevant training, knowledge, and experience in making decisions about appropriate course of action during the audit.
- ▶ Professional judgment is required as auditor gather evidence, evaluate evidence, and draw conclusions based on evidence.
- ▶ Professional judgment is particularly important in evaluating the reasonableness of management estimates.

PROFESSIONAL JUDGMENT

- ▶ Auditors are required to carefully document their professional judgment in such a manner that experienced auditors with no previous relationship with the audit can understand the judgment made in reaching the conclusions on significant matters.

PROFESSIONAL JUDGMENT