

# KAEG-I [INTL VERSION 2024]: ISA 220 Quality Management For An Audit Of Financial Statements

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## KAEG-I [INTL VERSION]: ISA 220 Quality Management For An Audit Of Financial Statements [ISA | KAEGISA220]

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# ISA 220 Quality Management For An Audit Of Financial Statements

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## ISA 220 Quality Management For An Audit Of Financial Statements

(Effective for audits of financial statements for periods beginning on or after December 15, 2022)

### Introduction, Objective, Definitions

### International Standards on Auditing: ISA 220.01-12

#### Introduction

#### Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner. This ISA is to be read in conjunction with relevant ethical requirements. (Ref: Para. A1, A38)

#### The Firm's System of Quality Management and Role of Engagement Teams

2. Under ISQM 1, the objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that: (Ref: Para. A13-A14)

- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.<sup>1</sup>

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<sup>1</sup> ISQM 1, paragraph 14

3. This ISA is premised on the basis that the firm is subject to the ISQMs or to national requirements that are at least as demanding. (Ref: Para. A2-A3)

4. The engagement team, led by the engagement partner, is responsible, within the context of the firm's system of quality management and through complying with the requirements of this ISA, for: (Ref: Para. A4-A11)

- (a) Implementing the firm's responses to quality risks (i.e., the firm's policies or procedures) that are applicable to the audit engagement using information communicated by, or obtained from, the firm;
- (b) Given the nature and circumstances of the audit engagement, determining whether to design and implement responses at the engagement level beyond those in the firm's policies or procedures; and
- (c) Communicating to the firm information from the audit engagement that is required to be communicated by the firm's policies or procedures to support the design, implementation and operation of the firm's system of quality management.

5. Complying with the requirements in other ISAs may provide information that is relevant to quality management at the engagement level. (Ref: Para. A12)

6. The public interest is served by the consistent performance of quality audit engagements through achieving the objective of this standard and other ISAs for each engagement. A quality audit engagement is achieved through planning and performing the engagement and reporting on it in accordance with professional standards and applicable legal and regulatory requirements. Achieving the objectives of those standards and complying with the requirements of applicable law or regulation involves exercising professional judgment and exercising professional skepticism.

7. In accordance with ISA 200,<sup>2</sup> the engagement team is required to plan and perform an audit with professional skepticism and to exercise professional judgment. Professional judgment is exercised in making informed decisions about the courses of action that are appropriate to manage and achieve quality given the nature and circumstances of the audit engagement. Professional skepticism supports the quality of judgments made by the engagement team and, through these judgments, supports the overall effectiveness of the engagement team in achieving quality at the engagement level. The appropriate exercise of professional skepticism may be demonstrated through the actions and communications of the engagement team. Such actions and communications may include specific steps to mitigate impediments that may impair the appropriate exercise of professional skepticism, such as unconscious bias or resource constraints. (Ref: Para. A33-A36)

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<sup>2</sup> ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing, paragraphs 15–16 and A20–A24

## Scalability

8. The requirements of this ISA are intended to be applied in the context of the nature and circumstances of each audit. For example:

- (a) When an audit is carried out entirely by the engagement partner, which may be the case for an audit of a less complex entity, some requirements in this ISA are not relevant because they are conditional on the involvement of other members of the engagement team. (Ref: Para. A13- A14)
- (b) When an audit is not carried out entirely by the engagement partner or in an audit of an entity whose nature and circumstances are more complex, the engagement partner may assign the design or performance of some procedures, tasks or actions to other members of the engagement team.

## The Engagement Partner's Responsibilities

9. The engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISA. The term "the engagement partner shall take responsibility for..." is used for those requirements that the engagement partner is permitted to assign the design or performance of procedures, tasks or actions to appropriately skilled or suitably experienced members of the engagement team. For other requirements, this ISA expressly intends that the requirement or responsibility be fulfilled by the engagement partner and the engagement partner may obtain information from the firm or other members of the engagement team. (Ref: Para. A22-A25)

## Effective Date

10. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2022.

## Objective

11. 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.

## Definitions

12. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) Engagement partner<sup>3</sup> - The partner or other individual, appointed by 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.
- (b) Engagement quality review - An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report.
- (c) Engagement quality reviewer - A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.
- (d) 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<sup>4</sup> and internal auditors who provide direct assistance on an engagement.<sup>5</sup> (Ref: Para. A15-A25)
- (e) Firm - A sole practitioner, partnership or corporation or other entity of professional accountants, or public sector equivalent. (Ref: Para. A26)
- (f) Network firm - A firm or entity that belongs to the firm's network. (Ref: Para. A27)
- (g) Network - A larger structure: (Ref: Para. A27)
  - (i) That is aimed at cooperation, and
  - (ii) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality management policies or procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.

- (h) Partner - Any individual with authority to bind the firm with respect to the performance of a professional services engagement.
- (i) Personnel - Partners and staff in the firm.
- (j) Professional standards - International Standards on Auditing (ISAs) and relevant ethical requirements.
- (k) Relevant ethical requirements - Principles of professional ethics and ethical requirements that are applicable to professional accountants when undertaking the audit engagement. Relevant ethical requirements ordinarily comprise the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to audits of financial statements, together with national requirements that are more restrictive.
- (l) Response (in relation to a system of quality management) - Policies or procedures designed and implemented by the firm to address one or more quality risk(s):
  - (i) Policies are statements of what should, or should not, be done to address a quality risk(s). Such statements may be documented, explicitly stated in communications or implied through actions and decisions.
  - (ii) Procedures are actions to implement policies.
- (m) Staff - Professionals, other than partners, including any experts the firm employs.

3 "Engagement partner," "partner," and "firm" is to be read as referring to their public sector equivalents where relevant.

4 ISA 620, Using the Work of an Auditor's Expert, paragraph 6(a), defines the term "auditor's expert."

5 ISA 610 (Revised 2013), Using the Work of Internal Auditors, establishes limits on the use of direct assistance. It also acknowledges that the external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. Therefore, the use of direct assistance is restricted to situations where it is permitted.

## ISA Application and Other Explanatory Material: ISA 220.A1-A28

### Application and Other Explanatory Material

#### Scope of this ISA (Ref: Para. 1)

A1. This ISA applies to all audits of financial statements, including audits of group financial statements.

ISA 600 (Revised)<sup>12</sup> deals with special considerations that apply to an audit of group financial statements and when component auditors are involved. ISA 600 (Revised), adapted as necessary in the circumstances, may also be useful in an audit of financial statements when the engagement team includes individuals from another firm. For example, ISA 600 (Revised) may be useful when involving such an individual to attend a physical inventory count, inspect property, plant and equipment, or perform audit procedures at a shared service center at a remote location.

12 ISA 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)

### The Firm's System of Quality Management and Role of Engagement Teams (Ref: Para. 2-9)



A2. ISQM 1 deals with a firm's responsibilities for designing, implementing and operating its system of quality management.

A3. Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management. National requirements that deal with the firm's responsibilities to design, implement and operate a system of quality management are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.

## The Engagement Team's Responsibilities Relating to the Firm's System of Quality Management (Ref: Para. 4)

A4. Quality management at the engagement level is supported by the firm's system of quality management and informed by the specific nature and circumstances of the audit engagement. In accordance with ISQM 1, the firm is responsible for communicating information enables the engagement team to understand and carry out their responsibilities relating to performing engagements. For example, such communications may cover policies or procedures to undertake consultations with designated individuals in certain situations involving complex technical or ethical matters, or to involve firm-designated experts in specific engagements to perform audit procedures related to particular matters (e.g., the firm may specify that firm-designated credit experts are to be involved in auditing expected credit loss allowances in audits of financial institutions).

A5. Firm-level responses may include policies or procedures established by a network, or by other firms, structures or organizations within the same network (network requirements or network services are described further in ISQM 1 within the "Network Requirements or Network Services" section).

<sup>13</sup> The requirements of this ISA are based on the premise that the firm is responsible for taking the necessary action to enable engagement teams to implement or use network requirements or network services on the audit engagement (for example, a requirement to use an audit methodology developed for use by a network firm). Under ISQM 1, the firm is responsible for determining how network requirements or network services are relevant to, and are taken into account in, the firm's system of quality management.<sup>14</sup>

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<sup>13</sup> ISQM 1, paragraph 49(b)

<sup>14</sup> ISQM 1, paragraph 49(a)

A6. Some firm-level responses to quality risks are not performed at the engagement level but are nevertheless relevant when complying with the requirements of this ISA. For example, firm-level responses that the engagement team may be able to depend on when complying with the requirements of this ISA include:

- 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.

A7. Due to the specific nature and circumstances of each audit engagement and changes that may occur during the audit engagement, a firm cannot identify all quality risks that may arise at the engagement



level or set forth all relevant and appropriate responses. Accordingly, the engagement team exercises professional judgment in determining whether to design and implement responses, beyond those set forth in the firm's policies or procedures, at the engagement level to meet the objective of this ISA.<sup>15</sup>

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<sup>15</sup> ISA 200 requires the auditor to exercise professional judgment in planning and performing an audit of financial statements.

A8. The engagement team's determination of whether engagement level responses are necessary (and, if so, what those responses are) is influenced by the requirements of this ISA, the engagement team's understanding of the nature and circumstances of the engagement and any changes during the audit engagement. For example, unanticipated circumstances may arise during the engagement that may cause the engagement partner to request the involvement of appropriately experienced personnel in addition to those initially assigned or made available.

A9. The relative balance of the engagement team's efforts to comply with the requirements of this ISA (i.e., between implementing the firm's responses and designing and implementing engagement specific responses beyond those set forth in the firm's policies or procedures) may vary. For example, the firm may design an audit program to be used in circumstances that are applicable to the audit engagement (e.g., an industry-specific audit program). Other than determining the timing and extent of procedures to be performed, there may be little or no need for supplemental audit procedures to be added to the audit program at the engagement level. Alternatively, the engagement team's actions in complying with the engagement performance requirements of this ISA may be more focused on designing and implementing responses at the engagement level to deal with the specific nature and circumstances of the engagement (e.g., planning and performing procedures to address risks of material misstatement not contemplated by the firm's audit programs).

A10. 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 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).

A11. If the engagement partner becomes aware (including through being informed by other members of the engagement team) that the firm's responses to quality risks are ineffective in the context of the specific engagement or the engagement partner is unable to depend on the firm's policies or procedures, the engagement partner communicates such information promptly to the firm in accordance with paragraph 39(c) as such information is relevant to the firm's monitoring and remediation process. For example, if an engagement team member identifies that an audit software program has a security weakness, timely communication of such information to the appropriate personnel enables the firm to take steps to update and reissue the audit program. See also paragraph A70 in respect of sufficient and appropriate resources.

## Information Relevant to Quality Management at the Engagement Level (Ref: Para. 6)

A12. Complying with the requirements in other ISAs may provide information that is relevant to quality management at the engagement level. For example, the understanding of the entity and its environment required to be obtained under ISA 315 (Revised 2019)<sup>16</sup> provides information that may be relevant to complying with the requirements of this ISA. Such information may be relevant to the determination of:

- The nature of resources to deploy for specific audit areas, such as the use of appropriately experienced team members for high risk areas, or the involvement of experts to deal with complex matters;
- The amount of resources to allocate to specific audit areas, such as the number of team members assigned to attend the physical inventory count at multiple locations;
- The nature, timing and extent of review of the work performed by members of the team based on the assessed risks of material misstatement; or
- The allocation of the budgeted audit hours, including allocating more time, and the time of more experienced engagement team members to those areas where there are more risks of material misstatement or the identified risks are assessed as higher.

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<sup>16</sup> ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement

## Scalability (Ref: Para. 2, 8)

A13. In a smaller firm, the firm's policies or procedures may designate an engagement partner, on behalf of the firm, to design many of the responses to the firm's quality risks, as doing so may be a more effective approach to designing and implementing responses as part of the firm's system of quality management. Additionally, a smaller firm's policies or procedures may be less formal. For example, in a very small firm with a relatively small number of audit engagements, the firm may determine that there is no need to establish a firm-wide system to monitor independence, and rather, independence will be monitored at the individual engagement level by the engagement partner.

A14. The requirements relating to direction, supervision and review of the work of other members of the engagement team are only relevant if there are members of the engagement team other than the engagement partner.

## Definitions

### Engagement Team (Ref: Para. 12(d))

A15. The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing. Regardless of how the engagement team is organized, any individual who performs audit procedures<sup>17</sup> on the audit engagement is a member of the engagement team.

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<sup>17</sup> ISA 500, Audit Evidence, paragraph A10

A16. The definition of an engagement team focuses on individuals who perform audit procedures on the audit engagement. Audit evidence, which is necessary to support the auditor's opinion and report, is primarily obtained from audit procedures performed during the course of the audit.<sup>18</sup> Audit procedures

comprise risk assessment procedures<sup>19</sup> and further audit procedures.<sup>20</sup> As explained in ISA 500, audit procedures include inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry, often performed in some combination.<sup>21</sup> Other ISAs may also include specific procedures to obtain audit evidence, for example, ISA 520.<sup>22</sup>

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18 ISA 200, paragraph A30

19 ISA 315 (Revised 2019) provides requirements related to risk assessment procedures.

20 ISA 330, The Auditor's Responses to Assessed Risks, provides requirements related to further audit procedures, including tests of controls and substantive procedures.

21 ISA 500, paragraphs A14–A25

22 ISA 520, Analytical Procedures

A17. Engagement teams include personnel and may also include other individuals who perform audit procedures who are from:

(a) A network firm; or

(b) A firm that is not a network firm, or another service provider.<sup>23</sup>

For example, an individual from another firm may perform audit procedures on the financial information of a component in a group audit engagement, attend a physical inventory count or inspect physical fixed assets at a remote location.

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23 ISQM 1, paragraph 16(v)

A18. Engagement teams may also include individuals from service delivery centers who perform audit procedures. For example, it may be determined that specific tasks that are repetitive or specialized in nature will be performed by a group of appropriately skilled personnel and the engagement team therefore includes such individuals. 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 procedures.

A19. Engagement teams may include individuals with expertise in a specialized area of accounting or auditing who perform audit procedures on the audit engagement, for example, individuals with expertise in accounting for income taxes, or in analyzing complex information produced by automated tools and techniques for the purpose of identifying unusual or unexpected relationships. An individual is not a member of the engagement team if that individual's involvement with the engagement is limited to consultation. Consultations are addressed in paragraphs 35 and A99-A102.

A20. If the audit engagement is subject to an engagement quality review, the engagement quality reviewer, and any other individuals performing the engagement quality review, are not members of the engagement team. Such individuals may be subject to specific independence requirements.

A21. An internal auditor providing direct assistance and an auditor's external expert whose work is used in the engagement are not members of the engagement team.<sup>24</sup> ISA 610 (Revised) 2013 and ISA 620 provide requirements and guidance for the auditor when using the work of internal auditors in a direct assistance capacity or when using the work of an external expert, respectively. Compliance with these ISAs requires the auditor to obtain sufficient appropriate audit evidence on the work performed by an

internal auditor providing direct assistance and perform audit procedures on the work of an auditor's expert.

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24 See ISA 620, paragraphs 12-13 and ISA 610 (Revised 2013), paragraphs 21-25.

A22. When joint auditors conduct an audit, the joint engagement partners and their engagement teams collectively constitute the "engagement partner" and "engagement team" for the purposes of the ISAs. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.

## The Engagement Partner's Responsibilities (Ref: Para. 9, 12(d))

A23. When this ISA expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the engagement partner may need to obtain information from the firm or other members of the engagement team to fulfil the requirement (e.g., information to make the required decision or judgment). For example, the engagement partner is required to determine that members of the engagement team collectively have the appropriate competence and capabilities to perform the audit engagement. To make a judgment on whether the competence and capabilities of the engagement team is appropriate, the engagement partner may need to use information compiled by the engagement team or from the firm's system of quality management.

## The Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: Para. 9, 12(d), 17)

A24. Within the context of the firm's system of quality management, engagement team members from the firm are responsible for implementing the firm's policies or procedures that are applicable to the audit engagement. As engagement team members from another firm are neither partners nor staff of the engagement partner's firm, they may not be subject to the firm's system of quality management or the firm's policies or procedures. Further, the policies or procedures of another firm may not be similar to that of the engagement partner's firm. For example, policies or procedures regarding direction, supervision and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language or culture than that of the engagement partner's firm. Accordingly, if the engagement team includes individuals who are from another firm, different actions may need to be taken by the firm or the engagement partner to implement the firm's policies or procedures in respect of the work of those individuals.

A25. In particular, the firm's policies or procedures may require the firm or the engagement partner to take different actions from those applicable to personnel when obtaining an understanding of whether an individual from another firm:

- Has the appropriate competence and capabilities to perform the audit engagement. For example, the individual would not be subject to the firm's recruitment and training processes and therefore the firm's policies or procedures may state that this determination can be made through other actions such as obtaining information from the other firm or a licensing or registration body. Paragraphs 26 and A59 - A64 of ISA 600 (Revised) contain guidance on obtaining an understanding of the competence and capabilities of component auditors.
- Understands the ethical requirements that are relevant to the group audit engagement. For example, the individual would not be subject to the firm's training in respect of the firm's policies

or procedures for relevant ethical requirements. The firm's policies or procedures may state that this understanding is obtained through other actions such as providing information, manuals, or guides containing the provisions of the relevant ethical requirements applicable to the audit engagement to the individual.

- Will confirm independence. For example, individuals who are not personnel may not be able to complete independence declarations directly on the firm's independence systems. The firm's policies or procedures may state that such individuals can provide evidence of their independence in relation to the audit engagement in other ways, such as written confirmation.

A26. When firm policies or procedures require specific activities to be undertaken in certain circumstances (e.g., consultation on a particular matter), it may be necessary for the firm's related policies or procedures to be communicated to individuals who are not personnel. Such individuals are then able to alert the engagement partner if the circumstance arises, and this enables the engagement partner to comply with the firm's policies or procedures. For example, in a group audit engagement, if a component auditor is performing audit procedures on the financial information of a component and identifies a difficult or contentious matter that is relevant to the group financial statements and subject to consultation<sup>25</sup> under the group auditor's policies or procedures, the component auditor is able to alert the group auditor about the matter.

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<sup>25</sup> See paragraph 35.

## Firm (Ref: Para. 12(e))

A27. The definition of "firm" in relevant ethical requirements may differ from the definition set out in this ISA.

## "Network" and "Network Firm" (Ref: Para. 12(f)-12(g))

A28. The definitions of "network" or "network firm" in relevant ethical requirements may differ from those set out in this ISA. The IESBA Code also provides guidance in relation to the terms "network" and "network firm." Networks and the other network firms may be structured in a variety of ways, and are in all cases external to the firm. The provisions in this ISA in relation to networks also apply to any structures or organizations that do not form part of the firm, but that exist within the network.

# Leadership Responsibilities for Managing and Achieving Quality on Audits

## International Standards on Auditing: ISA 220.13-15 Requirements

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

13. The engagement partner shall take overall responsibility for managing and achieving quality on the audit engagement, including taking responsibility for creating an environment for the engagement that

emphasizes the firm's culture and expected behavior of engagement team members. In doing so, the engagement partner shall be sufficiently and appropriately involved throughout the audit engagement such that the engagement partner has the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement. (Ref: Para. A28-A37)

14. In creating the environment described in paragraph 13, the engagement partner shall take responsibility for clear, consistent and effective actions being taken that reflect the firm's commitment to quality and establish and communicate the expected behavior of engagement team members, including emphasizing: (Ref: Para. A30-A34)

- (a) That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level;
- (b) The importance of professional ethics, values and attitudes to the members of the engagement team;
- (c) The importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal; and
- (d) The importance of each engagement team member exercising professional skepticism throughout the audit engagement.

15. 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. (Ref: Para. 9, A37)

## ISA Application and Other Explanatory Material: ISA 220.A29-A38

### Leadership Responsibilities for Managing and Achieving Quality on Audits (Ref: Para. 13-15)

#### Taking Overall Responsibility for Managing and Achieving Quality

A29. ISQM 1 requires the firm to establish quality objectives that address the firm's governance and leadership that supports the design, implementation and operation of the system of quality management. The engagement partner's responsibility for managing and achieving quality is supported by a firm culture that demonstrates a commitment to quality. In addressing the requirements in paragraphs 13 and 14 of this ISA, the engagement partner may communicate directly to other members of the engagement team and reinforce this communication through personal conduct and actions (e.g., leading by example). A culture that demonstrates a commitment to quality is further shaped and reinforced by the engagement team members as they demonstrate expected behaviors when performing the engagement.

#### Scalability

A30. The nature and extent of the actions of the engagement partner to demonstrate the firm's commitment to quality may depend on a variety of factors including the size, structure, geographical dispersion and complexity of the firm and the engagement team, and the nature and circumstances of the audit engagement. With a smaller engagement team with few engagement team members, influencing the desired culture through direct interaction and conduct may be sufficient, whereas for a larger engagement team that is dispersed over many locations, more formal communications may be necessary.

## Sufficient and Appropriate Involvement

A31. Being sufficiently and appropriately involved throughout the audit engagement may be demonstrated by the engagement partner in different ways, including:

- Taking responsibility for the nature, timing and extent of the direction and supervision of the members of the engagement team, and the review of their work in complying with the requirements of this ISA; and
- Varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

## Communication

A32. Communication is the means through which the engagement team shares relevant information on a timely basis to comply with the requirements of this ISA, thereby contributing to the achievement of quality on the audit engagement. Communication may be between or among members of the engagement team, or with:

- (a) The firm, (e.g., individuals performing activities within the firm's system of quality management, including those assigned ultimate or operational responsibility for the firm's system of quality management);
- (b) Others involved in the audit (e.g., internal auditors who provide direct assistance<sup>26</sup> or an auditor's external expert<sup>27</sup>); and
- (c) Parties that are external to the firm (e.g., management, those charged with governance or regulatory authorities).

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<sup>26</sup> See ISA 610 (Revised 2013), paragraph A41.

<sup>27</sup> See ISA 620, paragraphs 11(c) and A30.

A33. The nature and circumstances of the audit engagement may affect the engagement partner's decisions regarding the appropriate means of effective communication with the members of the engagement team. For example, to support appropriate direction, supervision and review, the firm may use IT applications to facilitate the communication between the members of the engagement team when they are performing work across different geographical locations.

## Professional Skepticism (Ref: Para. 7)

A34. The engagement partner is responsible for emphasizing the importance of each engagement team member exercising professional skepticism throughout the audit engagement. 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. Accordingly, when developing the overall audit strategy in accordance with ISA 300, the engagement team may need to consider whether such conditions exist in the audit engagement and, if so, what actions the firm or the engagement team may need to undertake to mitigate such impediments.

A35. Impediments to the exercise of professional skepticism at the engagement level may include, but are not limited to:

- Budget constraints, which may discourage the use of sufficiently experienced or technically qualified resources, including experts, necessary for audits of entities where technical expertise or specialized skills are needed for effective understanding, assessment of and responses to risks and informed questioning of management.
- Tight deadlines, which may negatively affect the behavior of those who perform the work as well as those who direct, supervise and review. For example, external time pressures may create restrictions to analyzing complex information effectively.
- Lack of cooperation or undue pressures imposed by management, which may negatively affect the engagement team's ability to resolve complex or contentious issues.
- Insufficient understanding of the entity and its environment, its system of internal control and the applicable financial reporting framework, which may constrain the ability of the engagement team to make appropriate judgments and an informed questioning of management's assertions.
- Difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others, which may cause the engagement team to bias the selection of sources of audit evidence and seek audit evidence from sources that are more easily accessible.
- Overreliance on automated tools and techniques, which may result in the engagement team not critically assessing audit evidence.

A36. Unconscious or conscious auditor biases may affect the engagement team's professional judgments, including for example, in the design and performance of audit procedures, or the evaluation of audit evidence. Examples of unconscious auditor biases that may impede the exercise of professional skepticism, and therefore the reasonableness of the professional judgments made by the engagement team in complying with the requirements of this ISA, may include:

- Availability bias, which is a tendency to place more weight on events or experiences that immediately come to mind or are readily available than on those that are not.
- Confirmation bias, which is a tendency to place more weight on information that corroborates an existing belief than information that contradicts or casts doubt on that belief.
- Groupthink, which is a tendency to think or make decisions as a group that discourages creativity or individual responsibility.
- Overconfidence bias, which is a tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions.
- Anchoring bias, which is a tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
- Automation bias, which is a tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.

A37. Possible actions that the engagement team may take to mitigate impediments to the exercise of professional skepticism at the engagement level may include:

- Remaining alert to changes in the nature or circumstances of the audit engagement that necessitate additional or different resources for the engagement, and requesting additional or different resources from those individuals within the firm responsible for allocating or assigning resources to the engagement.
- Explicitly alerting the engagement team to instances or situations when vulnerability to unconscious or conscious auditor biases may be greater (e.g., areas involving greater judgment) and emphasizing the importance of seeking advice from more experienced members of the engagement team in planning and performing audit procedures.
- Changing the composition of the engagement team, for example, requesting that more experienced individuals with greater skills or knowledge or specific expertise are assigned to the engagement.
- Involving more experienced members of the engagement team when dealing with members of management who are difficult or challenging to interact with.
- Involving members of the engagement team with specialized skills and knowledge or an auditor's expert to assist the engagement team with complex or subjective areas of the audit.
- Modifying the nature, timing and extent of direction, supervision or review by involving more experienced engagement team members, more in-person oversight on a more frequent basis or more in-depth reviews of certain working papers for:
  - Complex or subjective areas of the audit;
  - Areas that pose risks to achieving quality on the audit engagement;
  - Areas with a fraud risk; and
  - Identified or suspected non-compliance with laws or regulations.
- Setting expectations for:
  - Less experienced members of the engagement team to seek advice frequently and in a timely manner from more experienced engagement team members or the engagement partner; and
  - More experienced members of the engagement team to be available to less experienced members of the engagement team throughout the audit engagement and to respond positively and in a timely manner to their insights, requests for advice or assistance.
- Communicating with those charged with governance when management imposes undue pressure or the engagement team experiences difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others from whom audit evidence may be sought.

## Assigning Procedures, Tasks, or Actions to Other Members of the Engagement Team (Ref: Para. 15)

A38. Being sufficiently and appropriately involved throughout the audit engagement when procedures, tasks or actions have been assigned to other members of the engagement team may be demonstrated by the engagement partner in different ways, including:

- Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and to provide any other necessary instructions and relevant information.
- Direction and supervision of the assignees.
- Review of the assignees' work to evaluate the conclusions reached, in addition to the requirements in paragraphs 29-34.

## How do we comply with the Standards?

[ISA | KAEGHDWC]

# 1 Take overall responsibility for managing and achieving quality on the audit

[ISA | 8006]

## What do we do?

The engagement partner takes overall responsibility for managing and achieving quality in the audit.

## Why do we do this?

The engagement partner takes overall responsibility to manage quality at the engagement level to obtain reasonable assurance that we have fulfilled our responsibilities and conducted an audit in accordance with the professional standards and applicable legal and regulatory requirements and that the auditor's report is appropriate. The engagement partner's overall responsibility includes fulfilling leadership responsibilities, supporting engagement performance (including taking responsibility for the nature, timing and extent of direction, supervision and review of the work performed) and standing back to determine they have taken overall responsibility for managing and achieving quality in the audit.

## Execute the audit

[How does the engagement partner take overall responsibility for managing and achieving quality on the engagement?](#) [ISA | 8006.157329]

The engagement partner takes responsibility for managing and achieving a quality audit by creating an environment for the engagement that emphasizes the firm's culture and expected behavior of the engagement team members. This engagement partner's responsibility is supported by KPMG culture that demonstrates a commitment to quality and the actions of the engagement team members when performing the engagement.

The engagement partner takes responsibility for clear, consistent and effective actions being taken that reflect KPMG's commitment to quality (e.g. leading by example) and that establish and communicate the expected behavior of engagement team members, including emphasizing:

- that all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level;
- the importance of professional ethics, values and attitudes to the members of the engagement team;

- the importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear or reprisal; and
- the importance of each engagement team member exercising professional skepticism throughout the engagement by performing the activity '[Apply professional skepticism](#)'.

In addition, engagement partner's sufficient and appropriate involvement throughout the engagement is fundamental to achieving high quality audits. This involvement provides the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement.

#### [Who is an engagement partner?](#) [ISA | 8006.160164]

An engagement partner is the partner or other appropriate person (e.g. managing directors, directors) in the firm who is responsible for the audit engagement. The engagement partner is responsible for the direction, supervision, and the review of the work performed, and for the auditor's report that is issued on behalf of the firm. The engagement partner is responsible for compliance of relevant professional, legal and regulatory body requirements.

When joint auditors conduct an audit, the joint engagement partners collectively constitute the "engagement partner".

In a group audit, the engagement partner responsible for the group audit is referred to as the "group engagement partner."

#### [Who is the engagement partner for a group audit?](#) [ISA | 8006.1501]

The engagement partner for a group audit, referred to as the 'group engagement partner, is the partner or other appropriate person in the firm who is responsible for the group audit engagement and for the auditor's report on the group financial statements.

#### [Group Audit | What are the responsibilities of the group engagement partner?](#) [ISA | 8006.1800]

The responsibilities of a group engagement partner for managing and achieving quality on the group audit are the same as the engagement partner responsibilities in a stand-alone audit

Although component auditors can help the group auditor obtain sufficient appropriate audit evidence, the group engagement partner still has the overall responsibility for properly managing and achieving a quality group audit.

#### [Who is an "other audit partner"?](#) [ISA | 8006.1600]

An "other audit partner" is an audit partner or other appropriate person (e.g. managing director or director) who is a member of the engagement team, and to whom the engagement partner may delegate certain responsibilities, including partner level review responsibilities. However, those responsibilities specifically required to be fulfilled by the engagement partner cannot be delegated and the ultimate responsibility for managing and achieving the overall quality on the engagement resides with the engagement partner.

#### [Who comprises an engagement team?](#) [ISA | 8006.1300]

The engagement team includes all those who perform audit procedures on the engagement and includes:

- all partners, managers, and staff

- employed KPMG specialists and specific team members
- any other individuals who perform audit procedures on the engagement, including:
  - individuals (including component auditors) from a KPMG member firm
  - individuals (including component auditors) from a non-KPMG member firm
  - individuals from service delivery centers or another service provider.

When joint auditors conduct an audit, the joint engagement teams collectively constitute the "engagement team".

The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing. Regardless of the location or employment status of such individuals, any individual who performs audit procedures on the engagement is a member of the engagement team.

The definition of an engagement team includes individuals who perform audit procedures on the audit engagement. Audit procedures comprise risk assessment procedures and further audit procedures. Audit procedures include inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry.

The engagement team does not include:

- engagement quality control (EQC) reviewer,
- limited scope quality control (LSQC) reviewer,
- other engagement reviewers,
- engaged KPMG specialists,
- accredited sampling professionals (ASP),
- management's specialists,
- individuals within the entity's internal audit function who provide direct assistance on an engagement,
- individuals whose involvement with the engagement is limited to consultation on specific matters. In this case, we perform the activity '[Undertake appropriate consultations](#)'.
- other individuals who perform activities that are not audit procedures (e.g. performing extraction and processing of data from an entity's system but not evaluating the relevance and reliability of such data).

[Who is a 'service provider'? \[ISA | 8006.159667\]](#)

In the context of the definition of an engagement team, a service provider is an individual or organization external to the firm that provides a resource that is used in the system of quality management or in performing engagements. Service providers exclude the firm's network, other network firms, or other structures or organizations in the network.

[What do we consider when engaging individuals who are not personnel \(i.e. partners and staff in our member firm\) to perform audit procedures? \[ISA | 8006.159995\]](#)

Refer to Sections [9.8](#) <https://www.gqrrm-prod.kworld.kpmg.com/G/O/Content/81?jm=225> and [12.7](#) <https://www.gqrrm-prod.kworld.kpmg.com/G/O/Content/231?jm=245> of the Global Quality & Risk Management Manual (GQ&RMM) for policies and procedures when engaging third parties (including individuals from other KPMG member firms or affiliates) to perform audit procedures on the engagement.

**How does the engagement partner take responsibility for communicating the expected behavior of the engagement team members?** [ISA | 8006.157330]

Communication is the means for the engagement team to share relevant information on a timely basis, thereby contributing to the achievement of quality on the audit engagement. The engagement partner's actions and communications depend on a variety of factors, including the size, structure, geographical dispersion and complexity of the engagement team, and the nature and circumstances of the engagement.

For example, to support appropriate direction, supervision and review, KPMG may use IT applications (e.g. KPMG Clara Exchange Space for group audits) to facilitate the communication between the members of the engagement team when they are performing work across geographical locations.

In a smaller engagement, direct interaction with the engagement team members may be sufficient, but in larger engagements, a more formal communication may be necessary.

The risk assessment and planning discussion (RAPD) is an example communication for the engagement partner to emphasize the expected behavior of the engagement team.

**Can the engagement partner assign the design or performance of procedures, tasks or actions to other members of the engagement team?** [ISA | 8006.157331]

Yes. Appropriate engagement team member(s) can assist the engagement partner in fulfilling the engagement partner's responsibilities. Those team members comply with the same requirements as the engagement partner with respect to the procedures, tasks or actions related to managing and achieving a quality audit. However, the engagement partner retains overall responsibility for managing and achieving quality at the engagement level through direction and supervision of those members of the engagement team, and review of their work, regardless of who performs the work and where it is performed.

**What procedures, tasks or actions can the engagement partner assign to other members of the engagement team?** [ISA | 8006.14050]

Activities explicitly stated as 'performed by the engagement partner' are performed by the engagement partner. Other activities that are indicated as 'being the responsibility of the engagement partner' may be delegated to appropriate members of the engagement team.

**Who might be considered to be an appropriate engagement team member?** [ISA | 8006.2000]

An appropriately skilled or suitably experienced member of the engagement team can be considered as an appropriate engagement team member for purpose of assisting the engagement partner with their responsibilities. This is an experienced auditor having practical audit experience and a reasonable understanding of audit processes, applicable legal and regulatory requirements, business environment in which the entity operates and auditing and financial reporting issues relevant to the entity's industry.

**When does the engagement partner determine they have taken overall responsibility for managing and achieving quality on the engagement?** [ISA | 8006.157333]

The engagement partner takes overall responsibility for the quality on audits throughout the engagement. In addition, the engagement partner 'steps back' at the end of the audit, prior to dating the auditor's report, to determine that they have taken overall responsibility for managing and achieving quality on the audit.

**How does the engagement partner determine they have taken overall responsibility for managing and achieving quality on the engagement?** [ISA | 8006.157462]

The engagement partner takes overall responsibility for managing and achieving quality on the engagement by determining that:

- their involvement has been sufficient and appropriate throughout the audit such that they have a basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement, and
- the nature and circumstances of the audit, any changes during the audit, and the firm's related policies or procedures were taken into account.

**What does it mean to be sufficiently and appropriately involved throughout the engagement?** [ISA | 8006.157335]

This overall responsibility includes fulfilling leadership responsibilities and supporting engagement performance and can be demonstrated in various ways, including:

- taking responsibility for the nature, timing and extent of direction, supervision and review of the work performed, and
- varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

This also includes standing back at the end of the engagement to determine whether the involvement was sufficient and appropriate.

**Are there indicators for the engagement partner to determine they have been sufficiently and appropriately involved in the audit?** [ISA | 8006.157336]

Indicators that the engagement partner has been sufficiently and appropriately involved include, for example:

- timely review of audit planning, including reviewing the assessment of risks of material misstatement and the design of responses to those risks
- evidence that those whom tasks, actions or procedures have been assigned were adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and necessary instructions and relevant information were provided
- evidence of the engagement partner's direction and supervision of other engagement team members and review of their work.

One of the key questions to ask when making this determination is "How does the audit documentation evidence the engagement partner's involvement throughout the engagement?"

**How may the engagement partner demonstrate sufficient and appropriate involvement when some procedures, tasks or actions are assigned to others?** [ISA | 8006.157337]



When procedures, tasks or actions are assigned to other members of the engagement team, the engagement partner may demonstrate their sufficient and appropriate involvement in different ways, including:

- informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and providing any other necessary instructions and relevant information
- direction and supervision of the assignees
- review of the assignees' work to evaluate the conclusions reached.

[What may the engagement partner do if they determine their level of involvement does not provide a basis for determining that significant judgments made and the conclusions reached are appropriate?](#)

[ISA | 8006.157338]

Actions the engagement partner may take when they determine their level of involvement does not provide a basis for determining that significant judgments made and the conclusions reached are appropriate, include, for example:

- updating and changing the audit plan;
- reevaluating the planned approach to the nature and extent of review and modifying the planned approach to increase their involvement; or
- communicate with the individual assigned operational responsibility for the relevant aspect of the firm's system of management, see question ['When does the engagement partner consider the information from the KPMG member firm's monitoring and remediation process?'](#).

## Relevant Ethical Requirements, Including Those Related to Independence

### International Standards on Auditing: ISA 220.16-21

#### Relevant Ethical Requirements, Including Those Related to Independence

16. The engagement partner shall have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the audit engagement. (Ref: Para. A38-A42, A48)

17. The engagement partner shall take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement, and the firm's related policies or procedures, including those that address: (Ref: Para. A23-A25, A40-A44)

- (a) Identifying, evaluating and addressing threats to compliance with relevant ethical requirements, including those related to independence;
- (b) Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches; and

- (c) The responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations by the entity.<sup>6</sup>

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6 ISA 250 (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements

18. If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement partner shall evaluate the threat through complying with the firm's policies or procedures, using relevant information from the firm, the engagement team or other sources, and take appropriate action. (Ref: Para. A43-A44)

19. The engagement partner shall remain alert throughout the audit engagement, through observation and making inquiries as necessary, for breaches of relevant ethical requirements or the firm's related policies or procedures by members of the engagement team. (Ref: Para. A45)

20. 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, the engagement partner, in consultation with others in the firm, shall take appropriate action. (Ref: Para. A46)

21. Prior to dating the auditor's report, the engagement partner shall take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled. (Ref: Para. A38 and A47)

## ISA Application and Other Explanatory Material: ISA 220.A39-A49

### Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 16-21)

#### Relevant Ethical Requirements (Ref: Para. 1, 16-21)

A39. ISA 200<sup>28</sup> requires that the auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements may vary depending on the nature and circumstances of the engagement. For example, certain requirements related to independence may be applicable only when performing audits of listed entities. ISA 600 (Revised) includes additional requirements and guidance to those in this ISA regarding communications about relevant ethical requirements with component auditors.

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28 ISA 200, paragraphs 14 and A16–A19

A40. Based on the nature and circumstances of the audit engagement, certain law, regulation or aspects of relevant ethical requirements, such as those pertaining to non-compliance with laws or regulations, may be relevant to the engagement, for example laws or regulations dealing with money laundering, corruption, or bribery.

A41. The firm's information system and the resources provided by the firm may assist the engagement team in understanding and fulfilling relevant ethical requirements applicable to the nature and circumstances of the audit engagement. For example, the firm may:

- Communicate the independence requirements to engagement teams.
- Provide training for engagement teams on relevant ethical requirements.
- Establish manuals and guides (i.e., intellectual resources) containing the provisions of the relevant ethical requirements and guidance on how they are applied in the nature and circumstances of the firm and its engagements.
- Assign personnel to manage and monitor compliance with relevant ethical requirements (e.g., ISQM 1 requires that the firm obtains, at least annually, a documented confirmation of compliance with the independence requirements from all personnel required by relevant ethical requirements to be independent) or provide consultation on matters related to relevant ethical requirements.
- Establish policies or procedures for engagement team members to communicate relevant and reliable information to appropriate parties within the firm or to the engagement partner, such as policies or procedures for engagement teams to:
  - Communicate information about client engagements and the scope of services, including non-assurance services, to enable the firm to identify threats to independence during the period of the engagement and during the period covered by the subject matter.
  - Communicate circumstances and relationships that may create a threat to independence, so that the firm can evaluate whether such a threat is at an acceptable level and if it is not, address the threat by eliminating it or reducing it to an acceptable level.
  - Promptly communicate any breaches of the relevant ethical requirements, including those related to independence.

A42. The engagement partner may take into account the information, communication, and resources described in paragraph A40 when determining whether the engagement partner may depend on the firm's policies or procedures in complying with relevant ethical requirements.

A43. Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in:

- Drawing the attention of engagement team members to relevant ethical requirements that may be of particular significance to the audit engagement; and
- Keeping the engagement partner informed about matters relevant to the engagement team's understanding and fulfillment of relevant ethical requirements and the firm's related policies or procedures.

## Identifying and Evaluating Threats to Compliance with Relevant Ethical Requirements (Ref: Para. 17-18)

A44. In accordance with ISQM 1, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating and addressing threats to compliance with the relevant ethical requirements.

A45. Relevant ethical requirements may contain provisions regarding the identification and evaluation of threats and how they are to be dealt with. For example, the IESBA Code explains that a self-interest threat to compliance with the fundamental principle of professional competence and due care may arise if the fee quoted for an audit engagement is so low that it might be difficult to perform the engagement in accordance with professional standards.<sup>29</sup>

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29 IESBA Code, paragraph 330.3 A2

## Breaches of Relevant Ethical Requirements (Ref: Para. 19)

A46. In accordance with ISQM 1, the firm is required to establish policies or procedures for identifying, communicating, evaluating and reporting of any breaches of relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.

## Taking Appropriate Action (Ref: Para. 20)

A47. Appropriate actions may include, for example:

- Following the firm's policies or procedures regarding breaches of relevant ethical requirements, including communicating to or consulting with the appropriate individuals so that appropriate action can be taken, including as applicable, disciplinary action(s).
- Communicating with those charged with governance.
- Communicating with regulatory authorities or professional bodies. In some circumstances, communication with regulatory authorities may be required by law or regulation.
- Seeking legal advice.
- Withdrawing from the audit engagement, when withdrawal is possible under applicable law or regulation.

## Prior to Dating the Auditor's Report (Ref: Para. 21)

A48. ISA 700 (Revised) requires that the auditor's report include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and that the auditor has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.<sup>30</sup> Performing the procedures required by paragraphs 16-21 of this ISA provides the basis for these statements in the auditor's report.

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30 ISA 700 (Revised), paragraph 28(c)

## Considerations Specific to Public Sector Entities

A49. Statutory measures may provide safeguards for the independence of public sector auditors. However, public sector auditors or audit firms carrying out public sector audits on behalf of the statutory auditor may, depending on the terms of the mandate in a particular jurisdiction, need to adapt their approach to promote compliance with paragraph 16. This may include, where the public sector auditor's mandate does not permit withdrawal from the audit engagement, disclosure through a public report of circumstances that have arisen that would, if they were in the private sector, lead the auditor to withdraw.

## How do we comply with the Standards? [ISA | KAEGHDWC]

# 1 Remain ethical and independent during our audit engagements [ISA | 644]

## What do we do?

Remain ethical and independent during our audit engagements.

## Why do we do this?

We remain independent and ethical so that we issue our auditor's report objectively and to maintain public confidence. Compliance with ethical and independence requirements during our audits is a priority each and every day. Although there are rules that we follow, being ethical and independent is a continuous process that is at the forefront of how we carry out our daily activities.

## Execute the Audit

[IESBA PIE Independence Rules | How do we remain ethical and independent during the audit?](#) [ISA | 644.9667]

To remain ethical and independent we:

- [Determine the appropriate independence rules and regulations](#)
- [Perform certain independence procedures during planning](#)
- [Perform certain independence procedures prior to the audit completion](#)
- [Perform independence procedures in relation to new related entities](#)
- [Report and document identified breaches of independence and ethical requirements](#)
- [Communicate independence matters to those charged with governance](#)
- [Conclude on compliance with independence requirements](#)
- [Perform independence procedures as a component auditor](#)
- [Comply with fee-related public disclosure requirements](#)

[IESBA non-PIE Independence Rules | How do we remain ethical and independent during the audit?](#) [ISA | 644.160087]

To remain ethical and independent we:

- [Determine the appropriate independence rules and regulations](#)
- [Perform certain independence procedures during planning](#)
- [Perform certain independence procedures prior to the audit completion](#)
- [Perform independence procedures in relation to new related entities](#)
- [Report and document identified breaches of independence and ethical requirements](#)
- [Communicate independence matters to those charged with governance](#)
- [Conclude on compliance with independence requirements](#)
- [Perform independence procedures as a component auditor](#)

[For what period is our independence maintained?](#) [ISA | 644.9674]

We maintain independence for the period covered by the firm's report as well as the engagement period. The engagement period begins at the earliest of:

- The date we sign the initial audit engagement letter; or
- The date the audit planning commences; or
- The date the audit services are first provided to the entity

We remain independent from the entity for the duration of the professional relationship, which means the period through audit report issuance. For recurring engagements, we remain independent until the later of the audit relationship being terminated or the final audit report being issued.

[What independence policies do we follow for IESBA non-PIE audits?](#) [ISA | 644.157484]

We follow the independence policies in the [GQ&RMM](https://www.gqrrm-prod.kworld.kpmg.com/G/O/) <https://www.gqrrm-prod.kworld.kpmg.com/G/O/>.

[Can SEC and PCAOB Independence Rules be applicable in an ISA audit?](#) [ISA | 644.158374]

Yes. For example, the financial statements filed by Canadian registrants reporting through the Multijurisdictional Disclosure System (MJDS) are not required to follow PCAOB auditing standards, however, SEC and PCAOB independence rules apply.

[What independence procedures do we perform for an ISA audit where SEC and PCAOB Independence rules are applicable?](#) [ISA | 644.158375]

Where SEC and PCAOB Independence Rules apply, refer to KAEG-P, AS 1005.01-07 | Remain ethical and independent during our audit engagements [PCAOB | 644].

## 1.1 Determine the appropriate independence rules and regulations [ISA | 7909]

### What do we do?

Determine the appropriate independence rules and regulations.

### Why do we do this?

Following rules and regulations established by our regulators for compliance with ethical and independence allows us to build public confidence and perform a high quality audit. Ethics and independence requirements are a priority each and every day and it is a continuous process that is at the forefront of how we carry out our daily activities.

### Execute the audit

[What ethics and independence rules and regulations do we comply with?](#) [ISA | 7909.9635]

We comply with the rules and requirements of Parts 1, 2, 3 and 4A of the International Ethics Standards Board for Accountants' [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](https://www.ethicsboard.org/iesba-code) <https://www.ethicsboard.org/iesba-code> (IESBA Code) related to an audit of financial statements together with country specific requirements that are more restrictive. These requirements are incorporated in the Global Quality and Risk Management Manual (GQ&RMM). We therefore comply with the GQ&RMM and any incremental requirements from local laws and regulations (e.g. European Union Audit Reform independence requirements). In some instances,

requirements are specific to audit clients that are public interest entities (PIEs) or non-public interest entities (non-PIEs). Where this is the case, we follow the applicable requirements.

[How do we determine the applicable independence procedures to complete for our engagement?](#) [ISA | 7909.160089]

The KPMG Clara workflow is designed to deliver the appropriate independence procedures for each engagement, based on the engagement profile selections made by the engagement team. When the Engagement Profile within the KPMG Clara workflow is completed accurately (in accordance with the Engagement Profile functional guidance), it will generate the appropriate Independence module. The Engagement Profile functional guidance can be located in the relevant workflow by navigating to the Guidance pane in the Engagement Profile screen.

[Are we permitted to perform an audit when there is a breach of the applicable independence rules?](#) [ISA | 7909.9639]

If a breach or potential breach of an independence requirement is identified, we consult with the Ethics and Independence Partner to evaluate the significance of the breach. We do not perform an audit where a breach exists unless we can conclude that it does not impact our objectivity and ability to issue an audit report. We make appropriate communications and determine what actions are taken to address the consequences of the breach of independence.

## 1.1.1 Comply with independence and ethical requirements - Overview [ISA | 7910]

### What do we do?

Follow appropriate rules and regulations to comply with independence and ethical requirements.

### Why do we do this?

It is of utmost importance to the profession that the general public maintain confidence in the independence of not only individuals but in the firm as a whole. Public confidence is impaired by evidence that independence was lacking, and it might also be impaired by the existence of circumstances which reasonable people might believe likely to influence independence. Following rules and regulations established by professional standards and by regulation allows us to issue an independent auditor's report.

It is also important to stay alert for violations of ethical or independence requirements by engagement team members as these can create reputational damage to the firm, including termination of the client relationship and financial penalties and sanctions by our regulators.

## Execute the audit

[IESBA PIE Independence Rules | What is auditor independence?](#) [ISA | 7910.9828]

Auditor independence refers to the independence of the external auditor from the audit client and its related entities and the results published in the financial statements of the entity. Independence



requires integrity and an objective approach to the audit process including remaining independent of mind and in appearance.

#### IESBA PIE Independence Rules | What is meant by independence of mind? [ISA | 7910.9830]

Independence of mind is the state of mind that allows the expression of a conclusion without being affected by influences that compromise professional judgment. Without the effects of these influences, we can act with integrity and exercise objectivity and professional skepticism.

#### IESBA PIE Independence Rules | What is meant by independence in appearance? [ISA | 7910.9831]

Independence in appearance is the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an engagement team member's integrity, objectivity or professional skepticism has been compromised. When we are not free from any obligation to or interest in our client, we will not appear to be independent.

#### IESBA PIE Independence Rules | How can we be independent of mind and in appearance from our audit clients? [ISA | 7910.9835]

To be independent of mind and in appearance, we follow the firm's independence rules and requirements as well as the rules of our regulators. We comply with both the letter and the spirit of the independence rules and requirements, to act in the public interest.

Our [Code of Conduct](https://spo-global.kpmg.com/sites/go-oi-intranet/SitePages/Our-Code-of-Conduct.aspx) <https://spo-global.kpmg.com/sites/go-oi-intranet/SitePages/Our-Code-of-Conduct.aspx> sets out how we act as individuals and as leaders. It encourages us all to act as role models, promoting ethical behavior and ensuring that our own actions serve to reflect and reinforce our Values.

#### IESBA PIE Independence Rules | How do we comply with independence requirements? [ISA | 7910.98365]

The independence requirements are set out in Chapters 6, 11 and 12 of the [Global Quality & Risk Management Manual](https://www.gqrm-prod.kworld.kpmg.com/G/0/) <https://www.gqrm-prod.kworld.kpmg.com/G/0/> (GQ&RMM) and any local risk management manual, if applicable.

#### IESBA PIE Independence Rules | What is the GQ&RMM? [ISA | 7910.157608]

The GQ&RMM sets out policies, procedures, and guidance about a variety of topics, including independence and ethics. The GQ&RMM is designed to conform to or exceed the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards).

Individual countries may have a local quality and risk management manual that includes additional requirements and provides specific procedures required by the GQ&RMM.

#### IESBA PIE Independence Rules | How do we comply with ethical requirements? [ISA | 7910.9841]

The ethical requirements are set out in Chapter 5 of the [Global Quality & Risk Management Manual](https://www.gqrm-prod.kworld.kpmg.com/G/0/) <https://www.gqrm-prod.kworld.kpmg.com/G/0/> (GQ&RMM) and any local risk management manual/policies, if applicable.

#### IESBA PIE Independence Rules or SEC PCAOB Independence Rules | What tools and resources are available to help us comply with independence requirements? [ISA | 7910.9842]

KPMG has in place a number of systems and tools that help us monitor independence requirements that can be found on the [Global Independence Group website](https://spo-global.kpmg.com/sites/go-oi-bus-GQRM/SitePages/GIG/GIG.aspx) <https://spo-global.kpmg.com/sites/go-oi-bus-GQRM/SitePages/GIG/GIG.aspx>.

## IESBA PIE Independence Rules or SEC PCAOB Independence Rules | What are the fundamental principles of professional ethics under the IESBA Code? [ISA | 7910.9846]

The fundamental principles of professional ethics include:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality; and
- Professional behavior

## IESBA PIE Independence Rules | How does the engagement partner remain alert for breaches of ethical and independence requirements? [ISA | 7910.9854]

The engagement partner remains alert through observation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements, which includes independence requirements, by members of the engagement team.

Other members of the engagement team are also responsible for reporting any evidence of non-compliance with relevant ethical requirements that they become aware of in accordance with the GQ&RMM.

## IESBA PIE Independence Rules | What are possible scenarios of breaches of ethical and independence requirements by engagement team members? [ISA | 7910.9857]

The list below includes possible scenarios of breaches of ethical and independence requirements but is not an exhaustive list. We refer to the [Global Quality and Risk Management Manual](https://www.gqrrm-prod.kworld.kpmg.com/G/0/) https://www.gqrrm-prod.kworld.kpmg.com/G/0/ (GQ&RMM) for specific policies on ethics and independence.

Scenarios of breaches of ethical requirements	Scenarios of breaches of independence requirements
<ul style="list-style-type: none"> <li>• Engagement team member sharing confidential information with individuals outside of the engagement team</li> <li>• Engagement team member not performing audit work as documented (e.g., ghost ticking)</li> <li>• Engagement team member obtaining audit evidence or performing audit procedures after the audit report is signed</li> <li>• Engagement team member back dating audit workpapers</li> <li>• Engagement team member charging hours that do not reflect those actually worked</li> <li>• Engagement team member ordering work supplies and then taking them home for personal use</li> </ul>	<ul style="list-style-type: none"> <li>• Having a direct or material indirect investment in the audit client</li> <li>• Direct observation or information that comes to the attention of an engagement team member regarding an engagement team member having a close relationship with a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion - including, but not limited to, a romantic relationship, overhearing reference to an engagement team member being invited to or attending the client personnel's</li> </ul>

<ul style="list-style-type: none"> <li>Engagement team member sexually harassing an employee</li> </ul>	<p>wedding, excessive entertainment with the client or vacationing with the client</p> <ul style="list-style-type: none"> <li>Engagement team members submitting an application for employment at their audit client without first notifying the proper parties.</li> <li>Impermissible business relationships between KPMG or members of the engagement team and the audit client</li> <li>Immediate family member of an engagement team member serving as a director or officer of the audit client or an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion</li> <li>Engagement team member having a loan with the entity that is not a financial institution or, in the case of a financial institution, is not made under normal lending procedures, terms and conditions.</li> </ul>
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[IESBA PIE Independence Rules | Who reviews the documentation related to the performance of independence procedures?](#) [ISA | 7910.9862]

The Lead Audit Engagement Partner (LAEP) and the Engagement Quality Control (EQC) reviewer review the documentation related to this assessment and confirmation.

## 1.2 IESBA PIE Independence Rules | Confirm compliance with independence requirements [ISA | 7932]

### What do we do?

Confirm compliance with independence requirements.

### Why do we do this?

Confirming compliance with independence requirements at specific times during the engagement, allows us to avoid any surprises at the end of the audit.

### Execute the audit

[IESBA PIE Independence Rules | What does the engagement partner confirm at specific times during the engagement?](#) [ISA | 7932.9679]

At specific times during the engagement, the engagement partner confirms to having:

- obtained relevant information from their member firm and, where applicable, other member firms, to identify and evaluate circumstances and relationships that create threats to independence;
- highlighted to the audit team members the requirement to comply with independence requirements and communicated to the Ethics and Independence Partner or themselves immediately any breaches or suspected breaches of KPMG policies regarding ethical matters, including independence;
- evaluated information on identified breaches, if any, of KPMG's independence policies and procedures to determine whether they create a threat to independence for the audit engagement;
- promptly reported breaches or suspected breaches of independence policies to the Ethics and Independence Partner and communicated breaches to those charged with governance at the audit client;
- consulted, where necessary, where there are any possible threats to our independence;
- taken appropriate action to eliminate the circumstances creating such threats to independence or reduce them to an acceptable level by applying safeguards;
- for audits of listed entities, informed those charged with governance on a timely basis of all facts and matters that bear upon our independence;
- considered matters that may bear upon our independence and confirm that the audit file has been updated for all independence matters identified during the course of the audit; and
- properly addressed threats to independence on an individual and cumulative basis and the continuance of the engagement is appropriate in accordance with the firm's policies and any other applicable independence rules.

## 1.3 Report and document identified breaches of independence and ethical requirements, if any [ISA |

7935]

### What do we do?

Report and document identified breaches of independence and ethical requirements, including required consultations.

### Why do we do this?

We perform the appropriate procedures over breaches of independence and ethics to communicate on a timely basis with those that are affected by such breaches and to enable those individuals to take appropriate action.

If we see an ethical or independence violation, it is our duty to report it to the appropriate parties as ethical and independence misconduct can have serious consequences, including bad working environments, negative impressions with those charged with governance, stakeholders, financial penalties and sanctions imposed by our regulators, loss of clients, and a damaged reputation in the marketplace.

We document identified ethical and/or independence breaches to maintain appropriate supporting documentation that we took appropriate steps in addressing the breach.

## Execute the audit

[What do we do when we identify matters indicating that members of the engagement team have breached relevant ethical matters, including independence matters?](#) [ISA | 7935.1304]

We promptly report breaches or suspected breaches of KPMG policies regarding ethical matters, including independence matters, to the engagement partner or the Ethics and Independence Partner and consult. If a breach or suspected breach is reported to the engagement partner through KPMG's system of quality management or otherwise, that indicate members of the engagement team have breached relevant ethical policies, the engagement partner promptly reports it to the Ethics and Independence Partner.

We consult with the Ethics and Independence Partner for breaches or suspected breaches of ethical matters, including independence matters.

[How do we report breaches or suspected breaches of policies regarding ethical matters, including independence matters?](#) [ISA | 7935.1307]

We report breaches or suspected breaches of ethical and independence matters by contacting the Ethics and Independence Partner or delegate directly or following the country-specific mechanism (i.e., breaches reporting system or protocol).

[IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we document for identified independence and ethical breaches?](#) [ISA | 7935.1308]

We document the following related to identified independence breaches of external regulation or professional standards:

- the details of the breach
- the evaluation of the significance and impact of the breach
- actions taken
- key decisions made, including whether to continue the engagement, and the rationale
- matters discussed with those charged with governance and the result of these discussions
- discussion, if any, with a member body, regulator or oversight authority
- any consultations made, and
- resolution of the matter

In the case of a breach reported by a KPMG component auditor, the same documentation is required by the group auditor in relation to the group audit.

For external ethical breaches we consider the factors above and document the facts and circumstances of the breach and how the breach was resolved.

If there is a requirement to report personal data, it is done so in accordance with KPMG's privacy policies.

[Group Audit | What do we document for breaches reported by a non-KPMG component auditor?](#) [ISA | 7935.160100]

As the group auditor, we document our evaluation of our ability to use the work of the non-KPMG component auditor for the purposes of the group audit and our determination of the need for any further action. Our evaluation takes into account whether a reasonable and informed third party would be likely to conclude that the component auditor's objectivity is compromised, which would result in us being unable to use the component auditor's work for the purposes of the group audit.

[To whom do we communicate external independence breaches?](#) [ISA | 7935.157453]

We communicate breaches of independence regulations or professional standards in writing to those charged with governance. Refer to activity '[Communicate breaches of independence requirements](#)' for the applicable procedures relating to the communication of independence breaches.

## Examples

[IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we do when we suspect a breach of independence policies?](#) [ISA | 7935.1401]

### Fact pattern

Entity ABC is an audit client of the firm located in the Munich, Germany office. The engagement partner recently attended a non-firm sponsored event after working hours in which the engagement senior manager was also in attendance. The nature of the event was not business related.

The engagement partner, unknown to the engagement senior manager, noticed that the CFO of Entity ABC had accompanied the senior manager to this event and their behavior and actions were indicative of a romantic relationship.

### Analysis

The engagement partner immediately reports this matter to the Ethics and Independence Partner. This relationship may impact the firm's independence and can have severe negative impact to the firm and our client relationship.

[IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we do when we suspect a breach of policies over ethical matters?](#) [ISA | 7935.1402]

### Fact pattern

Entity XYZ is an audit client of the firm located in the Toronto, Canada office. Entity XYZ has recently announced to the engagement team its intent to acquire Entity ABC which can increase the size of Entity XYZ by 50%. This information has not been released to the public.

During a lunch break, the senior associate on the Entity XYZ overheard the engagement manager telling her best friend about the pending acquisition of Entity ABC by Entity XYZ.

### Analysis

The senior associate immediately reports this matter to the engagement partner or uses another firm-approved method. Disclosing confidential client information is a violation of the IESBA Code and firm policies. Engaging in insider trading or conspiracy to commit insider trading is not only against the firm's internal policies, it may also be a crime.

## 1.4 Communicate independence matters to those charged with governance [ISA | 7937]

### What do we do?

Communicate independence matters to those charged with governance.

### Why do we do this?

Communicating independence matters to those charged with governance helps them to exercise their oversight responsibilities. Also, certain communications are driven by the IESBA code.

### Execute the audit

[IESBA PIE Independence Rules | What independence matters do we communicate to those charged with governance?](#) [ISA | 7937.9682]

To determine what independence matters we communicate to those charged with governance refer to KAEG-I, ISA 260.17 | Communicate independence matters.

## 1.5 Conclude on compliance with independence requirements [ISA | 7938]

### What do we do?

Conclude on compliance with independence requirements.

### Why do we do this?

Forming a conclusion on our compliance with independence shows how the engagement team has taken the appropriate steps in complying with both internal and external independence requirements including laws and regulations.

### Execute the audit

[How does the engagement partner form a conclusion on compliance with independence requirements?](#)

[ISA | 7938.13015]

In forming a conclusion on compliance with independence requirements, the engagement partner:

- considers the results of the independence procedures performed by the audit engagement team
- obtains relevant information from KPMG, including KPMG member firms, and non-network component audit firms, where applicable, to identify and evaluate circumstances and relationships that create threats to independence, \*



- evaluates information on identified breaches, if any, of KPMG's independence policies and procedures to determine whether they create a threat to independence for the audit engagement,
- evaluates whether the identified threats are at an acceptable level, and
- takes appropriate action to address the threats that are not at an acceptable level by eliminating the circumstances that create the threats, applying safeguards to reduce threats to an acceptable level or, if considered appropriate, withdrawing from the audit engagement, where withdrawal is possible under applicable law and regulation

\* If the Ethics and Independence Partner becomes aware of a breach of the independence rules affecting the audit engagement, the Ethics and Independence Partner will promptly notify the lead audit engagement partner and will advise regarding appropriate actions.

[What are appropriate actions we take to eliminate the circumstances creating the threats to independence or safeguards we apply to reduce the threats to an acceptable level?](#) [ISA | 7938.1303]

Refer to the Global Quality & Risk Management Manual ([GQ&RMM](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81>).

[When does the engagement partner conclude on our compliance with independence requirements?](#) [ISA | 7938.1305]

We think about independence throughout the audit. The engagement partner concludes on our compliance with independence requirements:

- Prior to completion of interim reviews, if applicable
- Prior to issuance of our audit opinion

We also assess our independence as part of the client and engagement acceptance or continuance (CEAC) process and planning.

[What do we do when the circumstances creating the threats to independence cannot be eliminated or the threats cannot be reduced to an acceptable level?](#) [ISA | 7938.1308]

If the circumstances creating the threats to independence cannot be eliminated and the threats cannot be reduced to an acceptable level, the engagement partner communicates this to the appropriate individuals such as the Ethics and Independence Partner to determine the appropriate actions to take.

If considered appropriate, we withdraw from the audit engagement, where withdrawal is possible under applicable law or regulation.

## Acceptance and Continuance of Client Relationships and Audit Engagements

### International Standards on Auditing: ISA 220.22-24

#### Acceptance and Continuance of Client Relationships and Audit Engagements

22. The engagement partner shall determine that the firm's policies or procedures for the acceptance and continuance of client relationships and audit engagements have been followed, and that conclusions reached in this regard are appropriate. (Ref: Para. A49-A52, A58)

23. The engagement partner shall take into account information obtained in the acceptance and continuance process in planning and performing the audit engagement in accordance with the ISAs and complying with the requirements of this ISA. (Ref: Para. A53-A56)

24. If the engagement team becomes aware of information that may have caused the firm to decline the audit engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action. (Ref: Para. A57)

## ISA Application and Other Explanatory Material: ISA 220.A50-A59

### Acceptance and Continuance of Client Relationships and Audit Engagements (Ref: Para. 22-24)

A50. ISQM 1 requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and specific engagements.

A51. Information such as the following may assist the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate:

- The integrity and ethical values of the principal owners, key management and those charged with governance of the entity;
- Whether sufficient and appropriate resources are available to perform the engagement;
- Whether management and those charged with governance have acknowledged their responsibilities in relation to the engagement;
- Whether the engagement team has the competence and capabilities, including sufficient time, to perform the engagement; and
- Whether significant matters that have arisen during the current or previous engagement have implications for continuing the engagement.

A52. Under ISQM 1, for acceptance and continuance decisions, the firm is required to make judgments about the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. The engagement partner may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate. If the engagement partner has concerns regarding the appropriateness of the conclusions reached, the engagement partner may discuss the basis for those conclusions with those involved in the acceptance and continuance process.

A53. If the engagement partner is directly involved throughout the firm's acceptance and continuance process, the engagement partner will be aware of the information obtained or used by the firm, in reaching the related conclusions. Such direct involvement may also provide a basis for the engagement

partner's determination that the firm's policies or procedures have been followed and that the conclusions reached are appropriate.

A54. Information obtained during the acceptance and continuance process may assist the engagement partner in complying with the requirements of this ISA and making informed decisions about appropriate courses of action. Such information may include:

- Information about the size, complexity and nature of the entity, including whether it is a group audit, the industry in which it operates and the applicable financial reporting framework;
- The entity's timetable for reporting, such as at interim and final stages;
- In relation to group audits, the nature of the control relationships between the parent and its entities and business units; and
- Whether there have been changes in the entity or in the industry in which the entity operates since the previous audit engagement that may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed.

A55. Information obtained during acceptance and continuance may also be relevant in complying with the requirements of other ISAs, as well as this ISA, for example with respect to:

- Establishing an understanding of the terms of the audit engagement, as required by ISA 210;<sup>31</sup>
- Identifying and assessing risks of material misstatement, whether due to error or fraud, in accordance with ISA 315 (Revised 2019) and ISA 240;<sup>32</sup>
- Understanding the group, its components and its environments, in the case of an audit of group financial statements in accordance with ISA 600 (Revised), and directing, supervising and reviewing the work of component auditors;
- Determining whether, and how, to involve an auditor's expert in accordance with ISA 620; and
- The entity's governance structure in accordance with ISA 260 (Revised)<sup>33</sup> and ISA 265.<sup>34</sup>

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31 ISA 210, Agreeing the Terms of Audit Engagements, paragraph 9

32 ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

33 ISA 260 (Revised), Communication with Those Charged with Governance

34 ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

A56. Law, regulation, or relevant ethical requirements may require the successor auditor to request, prior to accepting the audit engagement, the predecessor auditor to provide known information regarding any facts or circumstances that, in the predecessor auditor's judgment, the successor auditor needs to be aware of before deciding whether to accept the engagement. In some circumstances, the predecessor auditor may be required, on request by the proposed successor auditor, to provide information regarding identified or suspected non-compliance with laws and regulations to the proposed successor auditor. For example, if the predecessor auditor has withdrawn from the engagement as a result of identified or suspected non-compliance with laws and regulations, the IESBA Code requires that the predecessor auditor, on request by a proposed successor auditor, provide all relevant facts and other information concerning such non-compliance that, in the predecessor auditor's opinion, the proposed successor auditor needs to be aware of before deciding whether to accept the audit appointment.

A57. In circumstances when the firm is obligated by law or regulation to accept or continue an audit engagement, the engagement partner may take into account information obtained by the firm about the nature and circumstances of the engagement.

A58. In deciding on the necessary action, the engagement partner and the firm may conclude that it is appropriate to continue with the audit engagement and, if so, determine what additional steps are necessary at the engagement level (e.g., the assignment of more staff or staff with specific expertise). If the engagement partner has further concerns or is not satisfied that the matter has been appropriately dealt with, the firm's policies or procedures for resolving differences of opinion may be applicable.

## Considerations Specific to Public Sector Entities (Ref: Para. 22-24)

A59. In the public sector, auditors may be appointed in accordance with statutory procedures and the public sector auditor may not need to establish all policies or procedures regarding the acceptance and continuance of audit engagements. Nevertheless, the requirements and considerations for the acceptance and continuance of client relationships and engagements as set out in paragraphs 22-24 and A49-A57 may be valuable to public sector auditors in performing risk assessments and in carrying out reporting responsibilities.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Perform procedures over client and engagement continuance [ISA | 957]

#### What do we do?

Perform procedures over the continuance of the client relationship and the audit engagement.

#### Why do we do this?

Early in our audit planning, we consider the client relationship and evaluate the specific audit engagement. We often refer to this process as client and engagement continuance. It also helps us evaluate whether we can perform the audit with competence and objectivity.

### Execute the Audit

**Who determines that our client and engagement continuance procedures have been followed and that conclusions reached are appropriate?** [ISA | 957.1800]

The engagement partner determines that:

- our client and engagement continuance procedures have been followed; and
- conclusions reached in this regard are appropriate.

**How do we perform client and engagement continuance?** [ISA | 957.1300]

We perform client and engagement continuance each year by following the protocols in the Global Quality & Risk Management Manual together with any local policies, procedures and guidance.

Client continuance focuses on the risks associated with the client. Engagement continuance focuses on the risks associated with the audit engagement, and whether we have the appropriate resources and skills available to perform the engagement.

The Global Quality & Risk Management Manual together with any local policies, procedures and guidance detail the specific activities we perform as part of the client and engagement continuance process, including the use of our firm tools, such as CEAC and Sentinel.

#### When do we perform client and engagement continuance? [ISA | 957.1600]

We complete the steps related to client and engagement continuance before we obtain a signed engagement letter and start the audit.

#### When do we revisit or update our client and engagement continuance evaluation? [ISA | 957.2000]

At times during the engagement, it may be appropriate to re-evaluate client and/or engagement continuance. This may be the case if a particular event significantly changes the engagement's risk profile since we last evaluated continuance.

Examples of such events can be found in the Global Quality & Risk Management Manual.

#### How do we re-evaluate our existing client and/or audit relationship? [ISA | 957.2300]

When we identify changes that cause us to re-evaluate our client and/or engagement continuance, we follow the Global Quality & Risk Management Manual. This tells us what procedures to perform and when.

#### What information may we learn during the client/engagement continuance or re-evaluation process that might affect our audit? [ISA | 957.2400]

During the continuance or re-evaluation process, we may identify information that may affect our planned audit approach or audit strategy. Examples of such matters include:

- changes in the nature, size, or organizational structure of the entity's business or the industry in which it operates which may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed;
- factors that point to other accounting, auditing, or financial reporting risks; and
- industry-specific training or experience requirements.

#### What do we do with information that we obtain during the continuance or re-evaluation process? [ISA | 957.2500]

As evidence that we considered information obtained from the continuance or re-evaluation process, we include the relevant CEAC reports in our audit file, along with our consideration of how this information affects the audit.

For example, when performing our client and engagement continuance procedures, we may learn that the entity's credit rating has been downgraded to a non-investment grade. This fact alone may not affect our decision to perform the audit; however, the information may help us identify and assess certain risks that are relevant to the audit - for example, an increased risk related to going concern.

What if the engagement partner becomes aware of information that may have caused us to decline the audit engagement had that information been known prior to continuing the client relationship or specific engagement? [ISA | 957.2600]

The engagement partner consults the risk management partner as soon as practicable if we become aware of information that may have caused us to:

- significantly alter our original risk assessment in CEAC; or
- decline the audit engagement

had that information been known prior to continuing the client relationship or specific engagement.

How do we document our conclusions reached regarding the continuance of client relationships and audit engagements? [ISA | 957.2700]

We document conclusions on client and engagement continuance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

## 2 Initial Audit | Perform client and engagement acceptance procedures [ISA | 981]

### What do we do?

Perform procedures over client and engagement acceptance before starting the initial audit

### Why do we do this?

In an initial audit, we often have little or no experience with the entity, so we perform additional steps as part of our client and engagement acceptance process.

We perform these additional procedures before we accept an initial audit because the information we obtain might affect our decision to accept an audit client or engagement.

## Execute the Audit

Initial Audit | Who determines that our client and engagement continuance procedures have been followed and that conclusions reached are appropriate? [ISA | 981.157412]

The engagement partner determines that:

- our client and engagement acceptance procedures have been followed; and
- conclusions reached in this regard are appropriate.

Initial Audit | What procedures do we perform during client and engagement acceptance for an initial audit? [ISA | 981.1300]

The client and engagement acceptance procedures we perform for initial audits are set out in the Global Quality & Risk Management (GQ&RM) Manual together with any local policies and procedures and guidance.

Initial Audit | How do we document our conclusions reached regarding the acceptance of client relationships and audit engagements? [ISA | 981.1400]

We document conclusions on client and engagement acceptance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

**Initial Audit | When do we perform the procedures relating to client and engagement acceptance for an initial audit?** [ISA | 981.1500]

We perform the procedures for an initial audit as part of our other client and engagement acceptance procedures and before we accept the initial audit.

The information we learn during this process can affect whether we decide to accept an audit client or engagement and how we conduct the audit. For example, we may identify certain risks or complexities during client and engagement acceptance that suggest a need for more experienced resources.

**Initial Audit | What information do we focus on when performing client and engagement acceptance procedures on an initial audit?** [ISA | 981.1600]

When performing client and engagement acceptance procedures, we focus on information that helps us decide how we approach our initial audit, given our lack or limited knowledge about the entity.

Specifically, we focus on those matters that could affect our risk assessment, overall audit approach, and/or the audit procedures we will perform in the audit's first year.

**Initial Audit | How might information obtained through client and engagement acceptance procedures on an initial audit impact our audit plan and audit strategy?** [ISA | 981.1700]

Information obtained through client and engagement acceptance procedures may:

- affect how we staff the engagement, including specialists and specific team members we involve;
- lead us to obtain special knowledge of a particular industry;
- highlight highly complex accounting policies or principles that we will address early in the initial audit;
- highlight significant transactions (e.g. a large acquisition) in the prior period for which we will plan to obtain evidence over opening balances; and
- suggest that the entity does not have a knowledgeable accounting and finance department.

The table below sets out some more specific examples of information we may learn through the acceptance process, and how it may affect the way we plan and perform the audit.

Type of new information	Examples of how we might change our audit plan
<b>New client has a history of losses</b>	<ul style="list-style-type: none"> <li>• Perform additional testing over going concern and plan to perform these tests earlier in the audit</li> <li>• Determine whether there are any new risks of material misstatement and significant risks</li> </ul>
<b>New audit client had a material acquisition in the prior year</b>	<ul style="list-style-type: none"> <li>• Perform additional procedures over the opening balances, to obtain evidence over the balances related to the business acquired so we do not rely unduly on procedures performed by the predecessor auditor</li> </ul>



	<ul style="list-style-type: none"> <li>• Increase our supervision over the opening balances procedures</li> <li>• Increase our oversight of and coordination with specialists and specific team members</li> <li>• Determine whether there any new risks of material misstatement and significant risks</li> </ul>
<b>New client has a history of issues in ICFR - e.g. control deficiencies - due to a lack of qualified accounting staff and executive officers</b>	<ul style="list-style-type: none"> <li>• Understand historical control deficiencies to determine if we can rely on the entity's ICFR</li> <li>• Determine whether there any new risks of material misstatement and significant risks</li> </ul>
<b>Engagement requires industry-specific experience</b>	<ul style="list-style-type: none"> <li>• Determine whether the engagement partner and other engagement team members have sufficient industry credentials before we plan the audit and perform audit procedures</li> </ul>
<b>Engagement requires extensive involvement of specialists or specific team members</b>	<ul style="list-style-type: none"> <li>• Increase our oversight of and coordination with specialists and specific team members</li> </ul>

What if we don't appropriately respond to information we learn through the acceptance process for an initial audit? [ISA | 981.10893]

If we don't identify and respond to these matters appropriately in the initial audit, we might:

- perform an insufficient audit and fail to support our audit opinion;
- fail to identify material misstatements in the financial statements;
- fail to exercise the appropriate level of due professional care throughout the audit; or
- expose the firm to potential legal and regulatory investigation.

What do we do with information that we obtain during the acceptance process? [ISA | 981.157413]

As evidence that we considered information obtained from the acceptance process, we include the relevant CEAC reports in our audit file, along with our consideration of how this information affects the audit.

For example, when performing our client and engagement acceptance procedures, we may learn that the entity's credit rating has been downgraded to a non-investment grade. This fact alone may not affect our decision to perform the audit; however, the information may help us identify and assess certain risks that are relevant to the audit - for example, an increased risk related to going concern.

What if the engagement partner becomes aware of information that may have caused us to decline the audit engagement had that information been known prior to accepting the client relationship or specific engagement? [ISA | 981.157415]

The engagement partner consults the risk management partner as soon as practicable if we become aware of information that may have caused us to:

- significantly alter our original risk assessment in CEAC; or
- decline the audit engagement

had that information been known prior to accepting the client relationship specific engagement.

How do we document our conclusions reached regarding the acceptance of client relationships and audit engagements? [ISA | 981.157416]

We document conclusions on client and engagement acceptance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

## Engagement Resources

### International Standards on Auditing: ISA 220.25-28

#### Engagement Resources

25. The engagement partner shall determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, the firm's policies or procedures, and any changes that may arise during the engagement. (Ref: Para. A59-A70, A73-A74, A79)

26. The engagement partner shall 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. (Ref: Para. A62, A71-A74)

27. If, as a result of complying with the requirements in paragraphs 25 and 26, the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the audit engagement, the engagement partner shall take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: Para. A75–A78)

28. The engagement partner shall take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the audit engagement. (Ref: Para. A63-A69)

### ISA Application and Other Explanatory Material: ISA 220.A60-A79

#### Engagement Resources (Ref: Para. 25-28)

A60. Under ISQM 1, the resources assigned or made available by the firm to support the performance of audit engagements include:

- Human resources;
- Technological resources; and
- Intellectual resources.

A61. Resources for an audit engagement are primarily assigned or made available by the firm, although there may be circumstances when the engagement team directly obtains resources for the audit engagement. For example, this may be the case when a component auditor is required by statute, regulation or for another reason to express an audit opinion on the financial statements of a component, and the component auditor is also appointed by component management to perform audit procedures on behalf of the group auditor.<sup>35</sup> In such circumstances, the firm's policies or procedures may require the engagement partner to take different actions, such as requesting information from the component auditor, to determine whether sufficient and appropriate resources are assigned or made available.

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<sup>35</sup> ISA 600 (Revised), paragraph 3

A62. A relevant consideration for the engagement partner, in complying with the requirements in paragraphs 25 and 26, may be whether the resources assigned or made available to the engagement team enable fulfillment of relevant ethical requirements, including ethical principles such as professional competence and due care.

## Human Resources

A63. Human resources include members of the engagement team (see also paragraphs A5, A15-A21) and, where applicable, an auditor's external expert and individuals from within the entity's internal audit function who provide direct assistance on the audit.

## Technological Resources

A64. The use of technological resources on the audit engagement may assist the auditor in obtaining sufficient appropriate audit evidence. Technological tools may allow the auditor to more effectively and efficiently manage the audit. Technological tools may also allow the auditor to evaluate large amounts of data more easily to, for example, provide deeper insights, identify unusual trends or more effectively challenge management's assertions, which enhances the ability of the auditor to exercise professional skepticism. Technological tools may also be used to conduct meetings and provide communication tools to the engagement team. Inappropriate use of such technological resources may, however, increase the risk of overreliance on the information produced for decision making purposes, or may create threats to complying with relevant ethical requirements, for example, requirements related to confidentiality.

A65. The firm's policies or procedures may include required considerations or responsibilities for the engagement team when using firm approved technological tools to perform audit procedures and may require the involvement of individuals with specialized skills or expertise in evaluating or analyzing the output.

A66. When the engagement partner requires individuals from another firm to use specific automated tools and techniques when performing audit procedures, communications with those individuals may

indicate that the use of such automated tools and techniques needs to comply with the engagement team's instructions.

A67. The firm's policies or procedures may specifically prohibit the use of certain IT applications or features of IT applications (e.g., software that has not yet been specifically approved for use by the firm). Alternatively, the firm's policies or procedures may require the engagement team to take certain actions before using an IT application that is not firm-approved to determine it is appropriate for use, for example by requiring:

- The engagement team to have appropriate competence and capabilities to use the IT application.
- Testing the operation and security of the IT application.
- Specific documentation to be included in the audit file.

A68. The engagement partner may exercise professional judgment in considering whether the use of an IT application on the audit engagement is appropriate in the context of the engagement, and if so, how the IT application is to be used. Factors that may be considered in determining whether a particular IT application, that has not been specifically approved for use by the firm, is appropriate for use in the audit engagement include whether:

- Use and security of the IT application complies with the firm's policies or procedures.
- The IT application operates as intended.
- Personnel have the competence and capabilities required to use the IT application.

## Intellectual Resources

A69. Intellectual resources include, for example, audit methodologies, implementation tools, auditing guides, model programs, templates, checklists or forms.

A70. The use of intellectual resources on the audit engagement may facilitate the consistent application and understanding of professional standards, law and regulation, and related firm policies or procedures. For this purpose, the engagement team may be required, in accordance with the firm's policies or procedures, to use the firm's audit methodology and specific tools and guidance. The engagement team may also consider whether the use of other intellectual resources is appropriate and relevant based on the nature and circumstances of the engagement, for example, an industry specific methodology or related guides and performance aids.

## Sufficient and Appropriate Resources to Perform the Engagement (Ref: Para. 25)

A71. In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, ordinarily the engagement partner may depend on the firm's related policies or procedures (including resources) as described in paragraph A6. For example, based on information communicated by the firm, the engagement partner may be able to depend on the firm's technological development, implementation and maintenance programs when using firm-approved technology to perform audit procedures.

## Competence and Capabilities of the Engagement Team (Ref: Para. 26)

A72. When determining that the engagement team has the appropriate competence and capabilities, the engagement partner may take into consideration such matters as the team's:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
- Understanding of professional standards and applicable legal and regulatory requirements.
- Expertise in specialized areas of accounting or auditing.
- Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the audit engagement.
- Knowledge of relevant industries in which the entity being audited operates.
- Ability to exercise professional skepticism and professional judgment.
- Understanding of the firm's policies or procedures.

A73. Internal auditors and an auditor's external expert are not members of the engagement team. ISA 610 (Revised 2013)<sup>36</sup> and ISA 620<sup>37</sup> include requirements and guidance relating to the assessment of the competence and capabilities of internal auditors and an auditor's external expert, respectively.

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<sup>36</sup> ISA 610 (Revised 2013), paragraph 15

<sup>37</sup> ISA 620, paragraph 9

## Project Management

A74. In situations where there are many engagement team members, for example in an audit of a larger or more complex entity, the engagement partner may involve an individual who has specialized skills or knowledge in project management, supported by appropriate technological and intellectual resources of the firm. Conversely, in an audit of a less complex entity with few engagement team members, project management may be achieved by a member of the engagement team through less formal means.

A75. Project management techniques and tools may support the engagement team in managing the quality of the audit engagement by, for example:

- Increasing the engagement team's ability to exercise professional skepticism through alleviating budget or time constraints that may otherwise impede the exercise of professional skepticism;
- Facilitating timely performance of audit work to effectively manage time constraints at the end of the audit process when more difficult or contentious matters may arise;
- Monitoring the progress of the audit against the audit plan,<sup>38</sup> including the achievement of key milestones, which may assist the engagement team in being proactive in identifying the need for making timely adjustments to the audit plan and the assigned resources; or
- Facilitating communication among members of the engagement team, for example, coordinating arrangements with component auditors and auditor's experts.

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<sup>38</sup> See ISA 300, paragraph 9.

## Insufficient or Inappropriate Resources (Ref: Para. 27)

A76. ISQM 1 addresses the firm's commitment to quality through its culture that exists throughout the firm, which recognizes and reinforces the firm's role in serving the public interest by consistently performing quality engagements, and the importance of quality in the firm's strategic decisions and

actions, including the firm's financial and operational priorities. ISQM 1 also addresses the firm's responsibilities for planning for resource needs, and obtaining, allocating or assigning resources in a manner that is consistent with the firm's commitment to quality. However, in certain circumstances, the firm's financial and operational priorities may place constraints on the resources assigned or made available to the engagement team. In such circumstances, these constraints do not override the engagement partner's responsibility for achieving quality at the engagement level, including for determining that the resources assigned or made available by the firm are sufficient and appropriate to perform the audit engagement.

A77. The engagement partner's determination of whether additional engagement level resources are required is a matter of professional judgment and is influenced by the requirements of this ISA and the nature and circumstances of the audit engagement. As described in paragraph A11, in certain circumstances, the engagement partner may determine that the firm's responses to quality risks are ineffective in the context of the specific engagement, including that certain resources assigned or made available to the engagement team are insufficient. In those circumstances, the engagement partner is required to take appropriate action, including communicating such information to the appropriate individuals in accordance with paragraph 27 and paragraph 39(c). For example, if an audit software program provided by the firm has not incorporated new or revised audit procedures in respect of recently issued industry regulation, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the audit engagement.

A78. If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:

- Changing the planned approach to the nature, timing and extent of direction, supervision and review (see also paragraph A94).
- Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation.
- Following the firm's policies or procedures for resolving differences of opinion if the engagement partner does not obtain the necessary resources for the audit engagement.
- Following the firm's policies or procedures for withdrawing from the audit engagement, when withdrawal is possible under applicable law or regulation.

## Considerations Specific to Public Sector Entities (Ref: Para. 25-28)

A79. In the public sector, specialized skills may be necessary to discharge the terms of the audit mandate in a particular jurisdiction. Such skills may include an understanding of the applicable reporting arrangements, including reporting to the legislature or other governing body or reporting in the public interest. The wider scope of a public sector audit may include, for example, some aspects of performance auditing.

## How do we comply with the Standards? [ISA | KAEGHDWC]

# 1 Determine sufficient and appropriate engagement resources are assigned or made available [ISA | 8007]

## What do we do?

The engagement partner determines that sufficient and appropriate engagement resources are assigned or made available to the engagement team in a timely manner AND takes responsibility for using those resources.

## Why do we do this?

Having sufficient and appropriate resources in relation to the nature and circumstances of the engagement allows the engagement team to comply with relevant ethical requirements, including ethical principles such as professional competence and due care.

## Execute the audit

### What comprises engagement resources? [ISA | 8007.157353]

Resources assigned or made available to the engagement team to support the performance of engagements include:

- human resources;
- technological resources; and
- intellectual resources.

### What does 'human resources' mean? [ISA | 8007.157354]

Human resources include members of the engagement team and, where applicable, engaged KPMG specialists and individuals within the entity's internal audit function who provide direct assistance on an audit.

### What does 'technological resources' mean? [ISA | 8007.157355]

Technological resources include the following (not all inclusive):

- KPMG Clara workflow; including Advanced Capabilities;
- KPMG Clara for Clients;
- CEAC;
- Sentinel;
- Tools that allow us to evaluate data more easily, including:
  - Alteryx®;
  - Microsoft Power BI®;
  - IDEA®;
- Project management tools;
- Microsoft Teams.



Technological resources on the engagement may assist the engagement team in obtaining sufficient appropriate audit evidence. Technological tools may allow the engagement team to manage the audit more effectively and efficiently. Technological tools may allow the engagement team to evaluate large amounts of data more easily to, for example, provide deeper insights, identify unusual trends or more effectively challenge management's assertions, which enhances the ability of the auditor to exercise professional skepticism. Technological tools may also be used to conduct meetings and assist in communications.

[Are there specific considerations to using technological resources?](#) [ISA | 8007.157356]

We perform the activity '[Plan and perform CAATs](#)' when using technology tools on the engagement.

[What does 'intellectual resources' mean?](#) [ISA | 8007.157357]

Intellectual resources include the information the firm uses to enable the operation of the system of quality management and promote consistency in the performance of engagements.

Intellectual resources include, for example, the KPMG Audit Execution Guide, Alex, relevant risk management manual, FAQs, Implementation Guides, templates, checklists, forms, accounting guides, industry or subject matter specific guides, or access to information sources (e.g. subscriptions to websites that provide in depth information about entities or other information that is typically used in the performance of engagements).

The use of intellectual resources facilitates the consistent application and understanding of professional standards, law and regulation, and related KPMG policies and procedures.

[Who comprises an engagement team?](#) [ISA | 8007.1300]

The engagement team includes all those who perform audit procedures on the engagement and includes:

- all partners, managers, and staff
- employed KPMG specialists and specific team members
- any other individuals who perform audit procedures on the engagement, including:
  - individuals (including component auditors) from a KPMG member firm
  - individuals (including component auditors) from a non-KPMG member firm
  - individuals from service delivery centers or another service provider.

When joint auditors conduct an audit, the joint engagement teams collectively constitute the "engagement team".

The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing. Regardless of the location or employment status of such individuals, any individual who performs audit procedures on the engagement is a member of the engagement team.

The definition of an engagement team includes individuals who perform audit procedures on the audit engagement. Audit procedures comprise risk assessment procedures and further audit procedures. Audit procedures include inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry.

The engagement team does not include:

- engagement quality control (EQC) reviewer,
- limited scope quality control (LSQC) reviewer,
- other engagement reviewers,
- engaged KPMG specialists,
- accredited sampling professionals (ASP),
- management's specialists,
- individuals within the entity's internal audit function who provide direct assistance on an engagement,
- individuals whose involvement with the engagement is limited to consultation on specific matters. In this case, we perform the activity '[Undertake appropriate consultations](#)'.
- other individuals who perform activities that are not audit procedures (e.g. performing extraction and processing of data from an entity's system but not evaluating the relevance and reliability of such data).

#### Who is a 'service provider'? [ISA | 8007.159667]

In the context of the definition of an engagement team, a service provider is an individual or organization external to the firm that provides a resource that is used in the system of quality management or in performing engagements. Service providers exclude the firm's network, other network firms, or other structures or organizations in the network.

#### What do we consider when engaging individuals who are not personnel (i.e. partners and staff in our member firm) to perform audit procedures? [ISA | 8007.159995]

Refer to Sections [9.8](#) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=225> and [12.7](#) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/231?jm=245> of the Global Quality & Risk Management Manual (GQ&RMM) for policies and procedures when engaging third parties (including individuals from other KPMG member firms or affiliates) to perform audit procedures on the engagement.

#### Who assigns or makes resources available for an engagement? [ISA | 8007.157358]

Resources for an engagement are primarily assigned or made available by the KPMG member firm, although there may be circumstances when the engagement team directly obtains resources for the engagement.

For example, this may be the case when the group engagement team involves the auditor of statutory financial statements of the component to also perform audit procedures for the group audit purposes. In such circumstances, the engagement partner may request information from that component auditor to determine whether sufficient and appropriate resources are assigned or made available.

#### Who determines that sufficient and appropriate resources are assigned or made available to the engagement and are used appropriately? [ISA | 8007.157359]

The engagement partner determines that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, KPMG policies and procedures, and any changes that may arise during the engagement, to:

- perform the audit engagement in accordance with the KPMG Audit Execution Guide;

- perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements; and
- issue an auditor's report that is appropriate in the circumstances.

The engagement partner also takes responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the engagement.

#### What does the engagement partner think about when evaluating if sufficient and appropriate resources are assigned or made available? [ISA | 8007.157360]

When evaluating whether sufficient and appropriate resources are assigned or made available in a timely manner, the engagement partner thinks about:

- the nature and circumstances of the engagement;
- any changes that may arise during the engagement;
- the applicable professional standards and legal and regulatory requirements;
- the effectiveness of the KPMG member firm's system of quality management.

The engagement partner thinks about whether the resources assigned or made available to the engagement team enable fulfilment of relevant ethical requirements, including ethical principles such as professional competence and due care.

The engagement partner may also involve an individual who has specialized skills or knowledge in project management to help manage the quality of the audit engagement, supported by appropriate technological and intellectual resources of the firm.

#### What is a system of quality management (SoQM) and why is it important? [ISA | 8007.158545]

As described in International Standard on Quality Management 1 (ISQM 1), SoQM is a system designed, implemented and operated by a KPMG member firm to support the consistent performance of quality engagements by providing the KPMG member firm with reasonable assurance that:

- the KPMG member firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- engagement reports issued by the KPMG member firm or engagement partners are appropriate in the circumstances.

Each member firm has a responsibility to design, implement and operate SoQM in accordance with ISQM1.

In addition, KPMG International has established requirements that promote consistency across the KPMG network in the design, implementation, and operation of the member firms' systems of quality management (KPMG's Global SoQM). The Global Quality & Risk Management Manual (GQ&RMM) sets out relevant policies related to KPMG's Global SoQM designed to help member firms implement and operate a system of quality management that meets the requirements of ISQM 1. See [GQ&RMM Policy 3.1.2](#) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/5?jm=6-policy-24622> for further information.

#### What comprises KPMG member firm's system of quality management? [ISA | 8007.15423]

The system of quality management establishes quality objectives, identifies and assesses risks to the achievement of the quality objectives, and designs, implements and operates controls to address the quality risks. KPMG member firms are subject to a globally defined system of quality management

as outlined in the Global Quality & Risk Management Manual that sets out global quality objectives, quality risks, process risk points and controls which include those established related to human resources, technological resources and intellectual resources used on relevant engagements.

**Can the engagement partner rely on the KPMG member firm's system of quality management when evaluating if sufficient and appropriate resources are assigned or made available?** [ISA | 8007.157361]

Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management, unless the engagement partner's understanding or experience indicates that the system of quality management would not be effective or when information provided by the firm or others indicates that the system of quality management is not operating effectively (e.g. annual evaluation of the system of quality management, results of external inspections).

For example, the engagement partner may be able to rely on system of quality of management controls related to:

- Personnel recruitment and professional training processes
- Tools that support the firm's monitoring of independence
- Tools that support the CEAC process
- SATs included on the KPMG member firm SAT list.

However, the operation of an effective system of quality management does not relieve the engagement partner of their responsibility to determine the resources assigned or made available are sufficient and appropriate in relation to the particular audit engagement.

For example, the firm may design an audit program to be used in circumstances that are applicable to the audit engagement (e.g. an industry-specific audit program). Other than determining the timing and extent of procedures to be performed, there may be little or no need for supplemental audit procedures to be added to the audit program at the engagement level.

Alternatively, based on the specific nature and circumstances of the engagement, the engagement team may need to plan and perform procedures to address risks of material misstatement not contemplated by the firm's audit programs.

**How may our considerations related to the KPMG member firm's system of quality management differ when members of the engagement team are from another KPMG member firm?** [ISA | 8007.157362]

The engagement partner is responsible for managing and achieving quality on the group audit, which includes complying with their member firm's policies and procedures.

Engagement team members from another KPMG member firm are subject to a globally defined system of quality management, which includes a base level of consistency in KAEG and the Global Quality & Risk Management Manual (regardless of member firm specific customization), and the consistency in using the KPMG Clara workflows. Based on the engagement partner's understanding of the system of quality management in place for those engagement team members from another KPMG member firm provided by:

- the engagement partner's member firm,
- the other KPMG member firm or
- the engagement team members,

no further action may be needed to comply with the engagement partner's member firm's policies and procedures.

If further action is necessary, the actions that may be taken depend on the information obtained from involvement and communications with the engagement team member from another KPMG member firm. The more actions related to direction the we take, the less actions that relate to supervision and review may be necessary to comply with our member firm's policies and procedures.

For example, if an engagement team member from another KPMG member firm is performing audit procedures and identifies a difficult or contentious matter that is relevant to our audit (that is not subject to consultation under their firm's policies or procedures), we direct them to communicate this difficult or contentious matter to us, so we can determine whether to consult to comply with our member firm's policies and procedures.

[How may our considerations related to a KPMG member firm's system of quality management differ when members of the engagement team are from a non-KPMG firm?](#) [ISA | 8007.157363]

The system of quality management of a non-KPMG member firm component auditor may not be similar to KPMG's globally defined system of quality management.

For example, policies or procedures regarding direction, supervision and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language or culture than that of the engagement partner's firm.

Accordingly, if the engagement team includes individuals who are from another firm, different actions are taken by KPMG or the engagement partner, some of which are facilitated through the use of their member firm's Group Audit Instructions and related appendices for non-KPMG component auditors, to implement KPMG's policies or procedures in respect of the work of those individuals.

Policies and procedures related to	Actions the engagement partner may consider
Whether the individual has the appropriate competence and capabilities, including sufficient time, to perform the engagement (i.e. sufficient and appropriate human resources)	The individual would not be subject to the engagement partner firm's recruitment and training processes and therefore the engagement partner may obtain information from a licensing or registration body or from the individual from the other firm related to their competence and capabilities (e.g. by using the Competence and Capabilities Template).
Understanding the ethical requirements that are relevant to the engagement	The individual would not be subject to KPMG's training in respect of KPMG's policies or procedures for relevant ethical requirements. In this case, the engagement team may provide information or guides containing the provisions of the relevant ethical requirements applicable to the engagement to the individual. See

	<p>activity '<a href="#">Communicate to the component auditors our requirements related to ethics and independence</a>' and <a href="#">Policy 9.7 of the GQ&amp;RMM</a> <a href="https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224">https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224</a> OR <a href="#">Policy 16.3 of the RMM-US</a> <a href="https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003">https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003</a> for additional information when using third parties on the engagement.</p>
Confirming independence	<p>For example, individuals who are not employed by KPMG are not able to complete independence declarations directly on the KPMG's independence tools.</p> <p>The engagement team requests that the component auditor provides a written independence confirmation to evidence that the individuals at the component auditor are independent in relation to the engagement. See activity '<a href="#">Group Audit   Request the component auditors to communicate matters relevant to ethics and independence</a>' and <a href="#">Policy 9.7.5 of the GQ&amp;RMM</a> <a href="https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224-policy-929">https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224-policy-929</a> OR <a href="#">Policy 16.3 of the RMM-US</a> <a href="https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003">https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003</a> for further information when using third parties on the engagement.</p>
Appropriate and sufficient technological and intellectual resources	<p>Individuals who are not employed by KPMG will not have access to KPMG's technological and intellectual resources.</p> <p>The engagement team requests that the component auditor provides a written confirmation to evidence that the component auditor has sufficient and appropriate technological and intellectual resources to perform the work requested in accordance with the group audit instructions.</p>

[What are additional considerations when determining if sufficient and appropriate human resources are assigned?](#) [ISA | 8007.157364]

The engagement partner performs the activity '[Have knowledge, skill and ability to perform engagement and issue report](#)' when determining whether the individuals involved in the engagement have the appropriate competence and capabilities.

[What if the resources assigned or made available to the engagement team are insufficient or inappropriate?](#) [ISA | 8007.157365]

If the resources assigned or made available to the engagement are insufficient or inappropriate based on engagement partner's professional judgment, the engagement partner takes appropriate action,

including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement.

For example, an entity entered into a complex financial instrument during the year. The engagement partner may determine that they do not possess the specialized skills, knowledge, or experience to perform appropriate procedures over that specific financial instrument and therefore may involve an employed KPMG specialist to perform audit procedures at the end of the reporting period.

For another example, in a group audit, when there are insufficient or inappropriate resources in relation to work being performed at a component by a component auditor, the group engagement partner may discuss the matter with the component auditor, management or the firm to make sufficient and appropriate resources available.

If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:

- Changing the planned approach to the nature, timing and extent of direction supervision and review.
- Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation.

Perform the activity '[Resolve differences of opinion](#)' if the engagement partner does not obtain the necessary resources for the engagement.

- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation.

## 1.1 Have knowledge, skill and ability to perform engagement and issue report [ISA | 7595]

### What do we do?

The engagement partner determines that the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate knowledge, skill and ability, including time, to perform the engagement in accordance with the KPMG Audit Execution Guide and issue an appropriate auditor's report.

### Why do we do this?

The audit is to be performed by a person or persons having adequate knowledge, skill and ability, including time. However proficient we may be in other fields, including business and finance, we cannot meet the requirements of the KPMG Audit Execution Guide (KAEG) and issue an appropriate auditor's report without proper education and experience in the field of accounting and auditing.

### Execute the Audit



Who determines the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team collectively have the knowledge skill and ability, including time? [ISA | 7595.15416]

The engagement partner determines that the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate knowledge, skill and ability, including time, to:

- perform the audit engagement in accordance with the KPMG Audit Execution Guide;
- perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements; and
- issue an auditor's report that is appropriate in the circumstances.

What does 'knowledge, skill and ability' mean? [ISA | 7595.15418]

Knowledge and skill relate to the competence of the individuals participating in the audit engagement. In other words, it means adequate technical training and proficiency as an auditor.

Ability relates to the capability of those individuals to exercise their competence in the circumstances of the engagement. Factors that influence capability may include, for example, geographic location, and the availability of time and resources.

Is 'competence and capabilities' the same as 'knowledge, skill and ability'? [ISA | 7595.15419]

Yes. While some auditing standards use the term 'competence and capabilities' and other standards refer to 'knowledge, skill, and ability', for purposes of the KAEG, these terms have the same meaning.

Do we expect all members of the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, to have the same knowledge, skill and ability? [ISA | 7595.15420]

No. Members of the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, have appropriate knowledge, skill and ability 'collectively', but we do not expect them to each have the same knowledge, skill and ability.

For example,

- the engagement partner usually has many more years of relevant experience than an audit assistant; or
- KPMG specialists (either employed or engaged) in the engagement usually have a different skill set and an increased level of knowledge, skill and ability in their specialized field.

How do we obtain the necessary knowledge and skill? [ISA | 7595.15421]

We obtain the necessary knowledge and skill through:

How do we obtain the necessary knowledge and skill?

<b>Formal education</b>	We undergo adequate technical training in accounting and auditing, which also includes an adequate measure of general education, to meet the requirements of the profession.
<b>Continual education throughout our career</b>	Continual education includes: <ul style="list-style-type: none"> <li>• studying, understanding, and applying new pronouncements on accounting principles and auditing procedures as they are developed by authoritative bodies within the accounting profession;</li> <li>• studying, understanding, and applying relevant auditing standards and related literature (e.g. the KPMG Audit Execution Guide and tools); and</li> <li>• a continual awareness of developments taking place in business and in the profession.</li> </ul>
<b>On-job experience</b>	<p>We obtain this experience with the proper direction, supervision and review of our work by a more experienced member in the engagement team.</p> <p>The nature and extent of direction, supervision and review vary depending on the degree of our education and professional experience, which are attributes that complement one another. The members of the engagement team exercising authority upon an engagement weigh these attributes in determining the extent of their directions to and supervision of less experienced team members and review of their work.</p> <p>In addition, the engagement partner exercises professional judgment in the varying degrees of their supervision and review of the work performed and judgments exercised by the rest of the engagement team, who in turn have responsibilities to meet..</p>

Our objective is to be satisfied that the engagement team, engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have sufficient proficiency in accounting, auditing and other relevant fields to evaluate the information recorded in the financial statements objectively, exercising professional judgment.

**What may the engagement partner think about when evaluating the knowledge, skill and ability, including time, of the engagement team as a whole?** [ISA | 7595.15422]

When evaluating the engagement team's knowledge, skill and ability as a whole, the engagement partner may think about the team's:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- understanding of professional standards and applicable legal and regulatory requirements;
- technical expertise, including expertise with relevant information technology and specialized areas of accounting or auditing;

- knowledge of relevant industries in which the entity operates;
- ability to apply professional skepticism and professional judgment;
- understanding of the KPMG member firm's system of quality management;
- available time to fulfil the audit responsibilities.

#### What is a system of quality management (SoQM) and why is it important? [ISA | 7595.158545]

As described in International Standard on Quality Management 1 (ISQM 1), SoQM is a system designed, implemented and operated by a KPMG member firm to support the consistent performance of quality engagements by providing the KPMG member firm with reasonable assurance that:

- the KPMG member firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- engagement reports issued by the KPMG member firm or engagement partners are appropriate in the circumstances.

Each member firm has a responsibility to design, implement and operate SoQM in accordance with ISQM1.

In addition, KPMG International has established requirements that promote consistency across the KPMG network in the design, implementation, and operation of the member firms' systems of quality management (KPMG's Global SoQM). The Global Quality & Risk Management Manual (GQ&RMM) sets out relevant policies related to KPMG's Global SoQM designed to help member firms implement and operate a system of quality management that meets the requirements of ISQM 1. See [GQ&RMM Policy 3.1.2](https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/5?jm=6-policy-24622) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/5?jm=6-policy-24622> for further information.

#### What comprises KPMG member firm's system of quality management? [ISA | 7595.15423]

The system of quality management establishes quality objectives, identifies and assesses risks to the achievement of the quality objectives, and designs, implements and operates controls to address the quality risks. KPMG member firms are subject to a globally defined system of quality management as outlined in the Global Quality & Risk Management Manual that sets out global quality objectives, quality risks, process risk points and controls which include those established related to human resources, technological resources and intellectual resources used on relevant engagements.

#### What does the KPMG member firm's system of quality management include in aims to achieve quality objectives with respect that specific team members and employed KPMG specialists possess knowledge, skill and ability? [ISA | 7595.15424]

The KPMG member firm's system of quality management includes controls designed to reduce the risk to an acceptably low level that specific team members and employed KPMG specialists assigned to audit engagements as part of the engagement team, who have overall responsibility for the involvement in the engagement, do not have the knowledge, skill and ability to appropriately fulfil their role.

These policies and procedures consider the person's professional qualifications, experience and training. They, at a minimum, include that the person with overall responsibility for the involvement in the engagement complete training that addresses:

What does the training address?	Additional information
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<p>The importance of specific team members' and employed KPMG specialists' role in the audit.</p> <p>This training includes:</p> <ul style="list-style-type: none"> <li>• the value of an audit and why it is of significant public interest;</li> <li>• how an audit engagement differs from an advisory engagement;</li> <li>• key concepts underlying the performance of an effective audit;</li> <li>• the role and responsibilities of the specific team members and employed KPMG specialists as a member of the engagement team.</li> </ul>	<p>The form of training may vary by specific team member and employed KPMG specialist provided that the required content elements are included.</p>
<p>The professional standards and related updates that are relevant to the work the specific team members and employed KPMG specialists perform in the audit.</p>	<p>The form and content of training relates to auditing standards and, where applicable, accounting standards. The topics depend on how the specific team members and employed KPMG specialists will be involved in the audit.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>• training on the relevant aspects of the auditing standard related to estimates is appropriate for employed KPMG specialists assisting in auditing fair value measurements.</li> <li>• training that includes relevant aspects of AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements, is appropriate for specific team members (e.g. IT Audit) performing work in a PCAOB integrated audit.</li> </ul>

[Does the KPMG member firm's system of quality management relieve the engagement partner of their responsibilities?](#) [ISA | 7595.157366]

Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management, unless the engagement partner's understanding or experience indicates that the system of quality management is not in compliance with KPMG's global system of quality management or when information provided by the firm or others indicates that the system of quality management is in compliance with KPMG's global system of quality management (e.g. annual evaluation of the system of quality management, results of external inspections).

However, an effective system of quality management does not relieve the engagement partner of their responsibility to determine whether the assigned specific team members and employed KPMG specialists have the necessary knowledge, skill and ability for the particular audit engagement.

[How may our considerations related to the KPMG member firm's system of quality management differ when members of the engagement team are from another KPMG member firm?](#) [ISA | 7595.157362]

The engagement partner is responsible for managing and achieving quality on the group audit, which includes complying with their member firm's policies and procedures.

Engagement team members from another KPMG member firm are subject to a globally defined system of quality management, which includes a base level of consistency in KAEG and the Global Quality & Risk Management Manual (regardless of member firm specific customization), and the consistency in using the KPMG Clara workflows. Based on the engagement partner's understanding of the system of quality management in place for those engagement team members from another KPMG member firm provided by:

- the engagement partner's member firm,
- the other KPMG member firm or
- the engagement team members,

no further action may be needed to comply with the engagement partner's member firm's policies and procedures.

If further action is necessary, the actions that may be taken depend on the information obtained from involvement and communications with the engagement team member from another KPMG member firm. The more actions related to direction the we take, the less actions that relate to supervision and review may be necessary to comply with our member firm's policies and procedures.

For example, if an engagement team member from another KPMG member firm is performing audit procedures and identifies a difficult or contentious matter that is relevant to our audit (that is not subject to consultation under their firm's policies or procedures), we direct them to communicate this difficult or contentious matter to us, so we can determine whether to consult to comply with our member firm's policies and procedures.

[How may our considerations related to a KPMG member firm's system of quality management differ when members of the engagement team are from a non-KPMG firm?](#) [ISA | 7595.157363]

The system of quality management of a non-KPMG member firm component auditor may not be similar to KPMG's globally defined system of quality management.

For example, policies or procedures regarding direction, supervision and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language or culture than that of the engagement partner's firm.

Accordingly, if the engagement team includes individuals who are from another firm, different actions are taken by KPMG or the engagement partner, some of which are facilitated through the use of their member firm's Group Audit Instructions and related appendices for non-KPMG component auditors, to implement KPMG's policies or procedures in respect of the work of those individuals.

Policies and procedures related to	Actions the engagement partner may consider
Whether the individual has the appropriate competence and capabilities, including sufficient time, to perform the engagement (i.e. sufficient and appropriate human resources)	The individual would not be subject to the engagement partner firm's recruitment and training processes and therefore the engagement partner may obtain information from a licensing or registration body or from the individual from the other firm related to their competence and capabilities (e.g. by using the Competence and Capabilities Template).
Understanding the ethical requirements that are relevant to the engagement	The individual would not be subject to KPMG's training in respect of KPMG's policies or procedures for relevant ethical requirements. In this case, the engagement team may provide information or guides containing the provisions of the relevant ethical requirements applicable to the engagement to the individual. See activity ' <a href="#">Communicate to the component auditors our requirements related to ethics and independence</a> ' and <a href="#">Policy 9.7 of the GQ&amp;RMM</a> <a href="https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224">https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224</a> Or <a href="#">Policy 16.3 of the RMM-US</a> <a href="https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003">https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003</a> for additional information when using third parties on the engagement.
Confirming independence	For example, individuals who are not employed by KPMG are not able to complete independence declarations directly on the KPMG's independence tools.  The engagement team requests that the component auditor provides a written independence confirmation to evidence that the individuals at the component auditor are independent in relation to the engagement. See activity ' <a href="#">Group Audit   Request the component auditors to communicate matters relevant to ethics and independence</a> ' and <a href="#">Policy 9.7.5 of the GQ&amp;RMM</a> <a href="https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224-policy-929">https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81?jm=224-policy-929</a> Or <a href="#">Policy 16.3 of the RMM-US</a> <a href="https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003">https://alex.kpmg.com/AROWeb/document/lfc/find/US_DPP_MANUALS_QRMM_016_003</a> for further information when using third parties on the engagement.
Appropriate and sufficient technological and intellectual resources	Individuals who are not employed by KPMG will not have access to KPMG's technological and intellectual resources.

	The engagement team requests that the component auditor provides a written confirmation to evidence that the component auditor has sufficient and appropriate technological and intellectual resources to perform the work requested in accordance with the group audit instructions.
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Are there special situations where we take specific actions related to knowledge, skill and ability? [ISA | 7595.15426]

Yes. We take specific actions to determine whether the engagement team, the engaged KPMG specialists and internal auditors who provide direct assistance who are not part of the engagement team, possess the appropriate knowledge, skill and ability, including time, which include:

- [Determine knowledge, skill and ability of specific team members](#)
- [Determine knowledge, skill and ability of employed KPMG specialists](#)
- [Assess the knowledge, skill and ability of the engaged KPMG specialist](#)
- ISA | [Determine knowledge, skill and ability of team members in US GAAP engagements](#)
- PCAOB & US GAAS | [Determine knowledge, skill and ability of team members in US-auditing-standard engagements](#)
- [Determine knowledge, skill and ability of team members in IFRS engagements](#)
- [Group Audit or Multiple Locations | Understand the component auditor's professional competence](#)
- PCAOB & US GAAS | [Integrated | Internal Audit | Evaluate the internal auditors' and/or others competence and objectivity](#)
- [Not Integrated | Evaluate the internal auditor's competence and objectivity](#)

Does the engagement partner think about knowledge, skill and ability differently when the engagement team uses D&A routines? [ISA | 7595.15431]

Yes. When evaluating whether the engagement team members collectively have the appropriate knowledge, skill and ability on engagements in which we use D&A routines, the engagement partner may think about whether the engagement team members involved with those routines:

- understand the [D&A routines](#)' technical features and functionalities, including any pre-requisites for the use of the routines (for example, attendance to training or use of specific user guides);
- know how to read, understand, and interpret the results of the routines; and
- understand the requirements in the KPMG Audit Execution Guidance (KAEG) as they relate to the use of D&A routines.

What if the resources assigned or made available to the engagement team are insufficient or inappropriate? [ISA | 7595.157365]

If the resources assigned or made available to the engagement are insufficient or inappropriate based on engagement partner's professional judgment, the engagement partner takes appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement.



For example, an entity entered into a complex financial instrument during the year. The engagement partner may determine that they do not possess the specialized skills, knowledge, or experience to perform appropriate procedures over that specific financial instrument and therefore may involve an employed KPMG specialist to perform audit procedures at the end of the reporting period.

For another example, in a group audit, when there are insufficient or inappropriate resources in relation to work being performed at a component by a component auditor, the group engagement partner may discuss the matter with the component auditor, management or the firm to make sufficient and appropriate resources available.

If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:

- Changing the planned approach to the nature, timing and extent of direction supervision and review.
- Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation.

Perform the activity '[Resolve differences of opinion](#)' if the engagement partner does not obtain the necessary resources for the engagement.

- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation.

## 1.1.1 Determine knowledge, skill and ability of specific team members [ISA | 7597]

### What do we do?

Obtain the 'Knowledge, Skill and Ability Work Paper' and rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of specific team members for our purposes.

### Why do we do this?

We do this because the audit is to be performed by a person or persons having adequate knowledge, skill and ability. This applies to any specific team member that participates in the engagement.

## Execute the Audit

[How does the engagement partner determine that specific team members assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement?](#) [ISA |

7597.15410]

To determine that specific team members assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement, the engagement partner considers both:

- the information included in the Knowledge, Skill and Ability Work Paper - training, experience and professional qualifications and affiliations of specific team members; and
- the KPMG member firm's system of quality management. This includes controls designed to reduce the risk to an acceptably low level that specific team members do not have the knowledge, skill and ability to appropriately fulfil their role.

The engagement partner also thinks about the particular facts and circumstances of the engagement, including the nature, scope and objectives of the specific team members' work.

For example, a specific team member assigned to assist in the area of income taxes who has experience only in service-oriented entities may not be the right candidate to participate in an engagement in the oil and gas industry.

[Does the KPMG member firm's system of quality management relieve the engagement partner of his or her responsibilities?](#) [ISA | 7597.15411]

Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management, unless the engagement partner's understanding or experience indicates that the system of quality management is not in compliance with KPMG's global system of quality management or when information provided by the firm or others indicates that the system of quality management is not in compliance with KPMG's global system of quality management (e.g. annual evaluation of the system of quality management, results of external inspections).

However, an effective system of quality management does not relieve the engagement partner of their responsibility to determine whether the assigned specific team members have the necessary knowledge, skill and ability for the particular audit engagement.

[What do we do when we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of specific team members?](#) [ISA | 7597.15412]

If we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of specific team members, we perform the activity '[Assess the knowledge, skill and ability of the engaged KPMG specialist](#)', adapted as necessary, to determine the knowledge, skill and ability of specific team members.

[What is the Knowledge, Skill and Ability Work Paper?](#) [ISA | 7597.15413]

The Knowledge, Skill and Ability Work Paper is a work paper where specific team members document their training, experience and professional qualifications and affiliations.

The purpose of the Knowledge, Skill and Ability Work Paper is to provide the engagement partner with sufficient information to determine whether specific team members have the necessary knowledge, skill and ability for the particular audit engagement.

This work paper is not necessary when the person's involvement is limited to consultation.

[Who completes the Knowledge, Skill and Ability Work Paper if more than one individual is involved?](#) [ISA | 7597.15414]

If, for each type of specific team member, more than one individual is involved in the audit engagement, only the 'lead team member' completes and signs off on the Knowledge, Skill and Ability

Work Paper. The 'lead team member' is the specific team member who has overall responsibility for that type of involvement in the engagement. For example, the tax partner, rather than all tax professionals that participate in the engagement, completes and signs off on the work paper.

[Can specific team members complete the Knowledge, Skill and Ability Work Paper once and use it for multiple audit engagements?](#) [ISA | 7597.15415]

Yes. Specific team members may complete the Knowledge, Skill and Ability Work Paper once, update it as necessary and have it available to provide to audit engagement teams upon request. Recognizing that specific team members may be involved in more than one audit engagement, the work paper has been designed so that the specific team members can use it on multiple engagements.

However, specific team members may deem it appropriate - or the engagement partner may request them - to adjust or supplement the information included in the work paper to more specifically reflect the circumstances of a particular engagement.

[Is the Knowledge, Skill and Ability Work Paper tailored for different types of specific team members?](#) [ISA | 7597.15417]

No. The Knowledge, Skill and Ability Work Paper has been developed for any type of specific team member. However, KPMG member firms may also develop work papers that are tailored to the work performed by each type of specific team member.

[Can a KPMG member firm develop an equivalent work paper\(s\)?](#) [ISA | 7597.15425]

Yes. If a KPMG member firm has an equivalent work paper(s), the specific team members use such work paper(s) instead.

[What do we do if a specific team member's work is used by several auditors in a group audit?](#) [ISA | 7597.15427]

In circumstances where a specific team member's work is used by several auditors in a group audit - i.e. the specific team member is involved by one auditor in a group audit, and that specific team member performs work also for use by other auditors in the group audit - the engagement partner in each engagement team using the work of that specific team member individually evaluates and concludes whether the specific team member has the necessary knowledge, skill and ability to perform the work for the specific purpose of their own engagement.

In other words, either:

- each engagement partner obtains the Knowledge, Skill and Ability Work Paper from the specific team member and signs off on it for purposes of their own engagement; or
- one auditor obtains the Knowledge, Skill and Ability Work Paper from the specific team member, and the other auditors request access to the work paper of the first auditor that involved the specific team member. If:
  - we include in our audit file a copy of the Knowledge, Skill and Ability Work Paper completed by another auditor participating in the group audit, the engagement partner also signs off on the work paper.
  - an engagement partner reviewed the other auditor's Knowledge, Skill and Ability Work Paper, but does not have a copy of that work paper, the engagement partner documents the results of that review in the Knowledge, Skill and Ability Work Paper, including a summary of the relevant training and experience.

What does the KPMG member firm's system of quality management include in aims to achieve quality objectives with respect that specific team members possess knowledge, skill and ability? [ISA | 7597.15428]

The KPMG member firm's system of quality management includes policies and procedures aimed at achieving quality objectives with respect that specific team members assigned to audit engagements as part of the engagement team, who have overall responsibility for the involvement in the engagement, have the knowledge, skill and ability to appropriately fulfil their role.

What do the policies and procedures consider? [ISA | 7597.15430]

The system of quality management's policies and procedures consider the specific team members' professional qualifications, experience and training.

They, at a minimum, include that the person with overall responsibility for the involvement in the engagement complete training that addresses:

What does the training address?	Additional information
<p>The importance of specific team members' role in the audit.</p> <p>This training includes:</p> <ul style="list-style-type: none"> <li>the value of an audit and why it is of significant public interest;</li> <li>how an audit engagement differs from an advisory engagement;</li> <li>key concepts underlying the performance of an effective audit;</li> <li>the role and responsibilities of the specific team members as a member of the engagement team.</li> </ul>	<p>The form of training may vary by specific team member provided that the required content elements are included.</p>
<p>The professional standards and related updates that are relevant to the work the specific team members perform in the audit.</p>	<p>The form and content of training relates to auditing standards and, where applicable, accounting standards. The topics depend on how the specific team members will be involved in the audit.</p> <p>For example, training that includes relevant aspects of AS 2201, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements, is appropriate for specific team members (e.g. IT Audit) performing work in a PCAOB integrated audit.</p>

Training for specific team members with expertise in IT (IT Audit specific team members), at a minimum, complies with the requirements in [Section 13.3.4](https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/232?jm=277-) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/232?jm=277->

policy-25288 and [Section 10.2.2](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83?jm=85-policy-985-procedure-44190) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83?jm=85-policy-985-procedure-44190> of the Global Quality & Risk Management Manual (GQ&RMM) and includes:

- Core curriculum for IT Audit;
- If applicable, curriculum for Lead IT Audit Professionals; and
- If applicable, curriculum for IT Audit Professionals working on PCAOB or US GAAS engagements.

## 1.1.2 Determine knowledge, skill and ability of employed KPMG specialists [ISA | 7600]

### What do we do?

Obtain the 'Knowledge, Skill and Ability Work Paper' and rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists for our purposes.

### Why do we do this?

We do this because the audit is to be performed by a person or persons having adequate knowledge, skill and ability. This applies to any employed KPMG specialist that participates in the engagement.

## Execute the Audit

[How does the engagement partner determine that employed KPMG specialists assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement?](#) [ISA |

7600.15314]

To determine that employed KPMG specialists assigned to the audit engagement have the necessary knowledge, skill and ability for the particular engagement, the engagement partner considers both:

- the information included in the Knowledge, Skill and Ability Work Paper - training, experience and professional qualifications and affiliations of employed KPMG specialists; and
- the KPMG member firm's system of quality management. This includes controls designed to reduce the risk to an acceptably low level that employed KPMG specialists do not have the knowledge, skill and ability to appropriately fulfil their role.

The engagement partner also thinks about the particular facts and circumstances of the engagement, including the nature, scope and objectives of the employed KPMG specialists' work.

For example, a valuation specialist who has experience in valuing oil and gas reserves, may not be the right candidate to value coal reserves.

[Does the KPMG member firm's system of quality management relieve the engagement partner of their responsibilities?](#) [ISA | 7600.15316]

Ordinarily the engagement partner may depend on the KPMG member firm's system of quality management, unless the engagement partner's understanding or experience indicates that the system of quality management is not in compliance with KPMG's global system of quality management or

when information provided by the firm or others indicates that the system of quality management is not in compliance with KPMG's global system of quality management (e.g. annual evaluation of the system of quality management, results of external inspections).

However, an effective system of quality management does not relieve the engagement partner of their responsibility to determine whether the assigned employed KPMG specialists have the necessary knowledge, skill and ability for the particular audit engagement.

[What do we do when we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists?](#) [ISA | 7600.15320]

If we identify information that suggests that we cannot rely on the KPMG member firm's system of quality management to determine the knowledge, skill and ability of employed KPMG specialists, we perform the activity '[Assess the knowledge, skill and ability of the engaged KPMG specialist](#)', adapted as necessary, to determine the knowledge, skill and ability of employed KPMG specialists.

[What is the Knowledge, Skill and Ability Work Paper?](#) [ISA | 7600.15323]

The Knowledge, Skill and Ability Work Paper is a work paper where employed KPMG specialists document their training, experience and professional qualifications and affiliations.

The purpose of the Knowledge, Skill and Ability Work Paper is to provide the engagement partner with sufficient information to determine whether employed KPMG specialists have the necessary knowledge, skill and ability for the particular audit engagement.

This work paper is not necessary when the person's involvement is limited to consultation.

[Who completes the Knowledge, Skill and Ability Work Paper if more than one individual is involved?](#)  
[ISA | 7600.15325]

If, for each type of employed KPMG specialist, more than one individual is involved in the audit engagement, only the 'lead team member' completes and signs off on the Knowledge, Skill and Ability Work Paper. The 'lead team member' is the employed KPMG specialist who has overall responsibility for that type of involvement in the engagement.

[Can employed KPMG specialists complete the Knowledge, Skill and Ability Work Paper once and use it for multiple audit engagements?](#) [ISA | 7600.15327]

Yes. Employed KPMG specialists may complete the Knowledge, Skill and Ability Work Paper once, update it as necessary and have it available to provide to audit engagement teams upon request. Recognizing that employed KPMG specialists may be involved in more than one audit engagement, the work paper has been designed so that the employed KPMG specialists can use it on multiple engagements.

However, employed KPMG specialists may deem it appropriate - or the engagement partner may request them - to adjust or supplement the information included in the work paper to more specifically reflect the circumstances of a particular engagement.

[Is Knowledge, Skill and Ability Work Paper tailored for different types of employed KPMG specialists?](#)  
[ISA | 7600.15329]

No. The Knowledge, Skill and Ability Work Paper has been developed for any type of employed KPMG specialist. However, KPMG member firms may also develop work papers that are tailored to the work performed by each type of employed KPMG specialist.

**Can a KPMG member firm develop an equivalent work paper(s)?** [ISA | 7600.15331]

Yes. If a KPMG member firm has an equivalent work paper(s), the employed KPMG specialists use such work paper(s) instead.

**What do we do if an employed KPMG specialist's work is used by several auditors in a group audit?**

[ISA | 7600.15333]

In circumstances where an employed KPMG specialist's work is used by several auditors in a group audit - i.e. the employed KPMG specialist is involved by one auditor in a group audit, and that employed KPMG specialist performs work also for use by other auditors in the group audit - the engagement partner in each engagement team using the work of that employed KPMG specialist individually evaluates and concludes whether the employed KPMG specialist has the necessary knowledge, skill and ability to perform the work for the specific purpose of their own engagement.

In other words, either:

- each engagement partner obtains the Knowledge, Skill and Ability Work Paper from the employed KPMG specialist and signs off on it for purposes of their own engagement; or
- one auditor obtains the Knowledge, Skill and Ability Work Paper from the employed KPMG specialist, and the other auditors request access to the work paper of the first auditor that involved the employed KPMG specialist. If:
  - we include in our audit file a copy of the Knowledge, Skill and Ability Work Paper signed off by another auditor participating in the group audit, the engagement partner also signs off on the work paper.
  - an engagement partner reviewed the other auditor's Knowledge, Skill and Ability Work Paper, but does not have a copy of that work paper, the engagement partner documents the results of that review in the Knowledge, Skill and Ability Work Paper, including a summary of the relevant training and experience.

**What does the KPMG member firm's system of quality management include in aim to achieve quality objectives with respect that employed KPMG specialists possess knowledge, skill and ability?** [ISA |

7600.15334]

The KPMG member firm's system of quality management includes controls designed to reduce the risk to an acceptably low level that employed KPMG specialists assigned to audit engagements as part of the engagement team, who have overall responsibility for the involvement in the engagement, do not have the knowledge, skill and ability to appropriately fulfil their role.

**What do the policies and procedures consider?** [ISA | 7600.15335]

The system of quality management's policies and procedures consider the employed KPMG specialists' professional qualifications, experience and training.

They, at a minimum, include that the person with overall responsibility for the involvement in the engagement complete training that addresses:



What does the training address?	Additional information
<p>The importance of employed KPMG specialists' role in the audit.</p> <p>This training includes:</p> <ul style="list-style-type: none"> <li>the value of an audit and why it is of significant public interest;</li> <li>how an audit engagement differs from an advisory engagement;</li> <li>key concepts underlying the performance of an effective audit;</li> <li>the role and responsibilities of the employed KPMG specialists as a member of the engagement team.</li> </ul>	<p>The form of training may vary by employed KPMG specialist provided that the required content elements are included.</p>
<p>The professional standards and related updates that are relevant to the work the employed KPMG specialists perform in the audit.</p>	<p>The form and content of training relates to auditing standards and, where applicable, accounting standards. The topics depend on how the employed KPMG specialists will be involved in the audit.</p> <p>For example, training on the relevant aspects of the auditing standard related to estimates is appropriate for employed KPMG specialists assisting in auditing fair value measurements.</p>

## 1.1.3 US GAAP | Determine knowledge, skill and ability of team members in US GAAP engagements [ISA | 7601]

### What do we do?

IF an engagement is a US GAAP engagement, THEN complete the Assessment of Training and Experience Work Paper AND meet the minimum training requirements.

### Why do we do this?

The audit is to be performed by a person or persons having adequate knowledge, skill and ability. However proficient we may be in other fields, including business and finance, we cannot meet the requirements of the KPMG Audit Execution Guide (KAEG) and issue an appropriate auditor's report without proper education and experience in the field of accounting (e.g. US GAAP) and auditing.

# Execute the Audit

## What is a US GAAP engagement for purposes of this activity? [ISA | 7601.15303]

US GAAP engagements are, for purposes of this activity, engagements in which the applicable financial reporting framework is US GAAP and is performed by non-US KPMG member firms. These engagements include:

- audits of financial statements;
- reviews of interim financial information; and
- audit or interim review procedures performed over components for a group audit. This does not include engagements when audit or interim review procedures are designed by the group auditor (e.g. inventory observations to determine the quantity of goods on hand or accounts receivable confirmations to support their existence).

## What is US GAAP? [ISA | 7601.15306]

U.S. Generally Accepted Accounting Principles (U.S. GAAP) encompass broad principles and conventions of general application as well as rules and procedures that determine accepted accounting practices at a particular time. The Financial Accounting Standards Board (FASB) is the designated organization in the private sector for establishing standards of financial accounting and reporting in the U.S. Those standards govern the preparation of financial reports. They are officially recognized as authoritative by the Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA). The SEC has statutory authority to establish financial accounting and reporting standards for publicly held companies; however, the SEC's policy has been to rely on the private sector for this function to the extent that the private sector demonstrates ability to fulfil the responsibility in the public interest.

## What does the engagement partner consider when determining whether the engagement team collectively possesses knowledge, skill and ability to perform the US GAAP engagement? [ISA | 7601.15309]

When determining whether the engagement team collectively possesses knowledge, skill and ability to perform the US GAAP engagement, the engagement partner considers:

- the completion of the minimum training requirements;
- the number of years of experience with the entity that each individual has (including their own), and the nature of that experience in terms of the role(s) that they have performed on the engagement;
- other engagements the individuals have worked on that involve US GAAP, the type of experience gained on these engagements, and how comparable (e.g. similar industry) this experience is to the engagement being performed. Considerations include:
  - information about the entities that the engagement team member has worked on (e.g. size, industry, and whether they are listed and, if so, where);
  - information about the individuals' involvement in terms of the services provided, the number of years involved, and the nature and extent of the role(s) performed on these engagements. Information such as areas of focus and approximate number of hours spent on the engagements may be helpful in determining the relevance of the experience.
- other experience that may be relevant, including US GAAP experience in another role, such as DPP or accounting advisory roles.

- the engagement specifics, including the significant risks. The experience of an engagement team may be deemed sufficient for one engagement but not sufficient for another engagement.

Whose training and experience does the engagement partner consider when determining whether the engagement team collectively possesses knowledge, skill and ability to perform the US GAAP engagement? [ISA | 7601.15311]

When determining whether the engagement team collectively possesses knowledge, skill and ability to perform the US GAAP engagement, the engagement partner considers all relevant aspects of their own training and experience along with the training and experience of:

- the engagement manager with primary responsibility for the engagement; and
- other members of the engagement team whose training and experience contribute to the collective ability of the engagement team to perform the US GAAP engagement. Those engagement team members may include:
  - specific team members and/or employed KPMG specialists; and
  - additional members of the engagement team who perform a key role in the engagement. For example, other partners or managers.

How does the engagement partner consider whether the engagement team collectively possesses knowledge, skill and ability to perform the US GAAP engagement? [ISA | 7601.15317]

The Assessment of Training and Experience Work Paper helps the engagement partner to determine that the engagement team members collectively possess the knowledge, skill and ability to perform the US GAAP engagement. The training and experience of the engagement quality control (EQC) reviewer, if appointed, is also documented.

Who reviews the Assessment of Training and Experience Work Paper? [ISA | 7601.15321]

The responsible partner reviews the Assessment of Training and Experience Work Paper.

The responsible partner is a partner with the authority to:

- assign the engagement partner, engagement manager with primary responsibility for the engagement and the EQC reviewer to engagements; and
- agree on relevant safeguards or additional support to be provided to engagement teams.

Can the responsible partner assign their review and sign-off of the work paper to somebody else? [ISA | 7601.15322]

Yes. The responsible partner may assign the review and sign-off of the work paper to a designee.

What are safeguards and additional support and where do we document them? [ISA | 7601.15324]

Safeguards and additional support are mechanisms that the engagement partner implements, with the agreement of the responsible partner, if the collective knowledge, skill and ability of the engagement team are initially insufficient to perform the US GAAP engagement.

For example, the performance of additional reviews by other partners, managers, or individuals that the engagement partner deems necessary to include in the engagement team to obtain the appropriate level of collective experience.

We document the safeguards and additional support in Section 1 of the Assessment of Training and Experience Work Paper.

The training and experience of individuals involved in the engagement as safeguards or additional support may be included in Section 4 of the work paper if the engagement partner considers it necessary.

[Do we update the Assessment of Training and Experience Work Paper if subsequent to the collective experience assessment and prior to the date of the auditor's report, additional required US GAAP update courses become available?](#) [ISA | 7601.15348]

No. If, subsequent to the collective experience assessment and prior to the date of the auditor's report, additional required US GAAP update courses become available, we do not consider this a significant change to the information in the work paper that warrant completion of Section 3 of the Assessment of Training and Experience Work Paper.

However, the engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if applicable, the EQC reviewer have completed all available mandatory US GAAP courses, including the periodic US GAAP updates, prior to the date of the auditor's report.

[Do we include all our US GAAP-related experience in Section 4 of the Assessment of Training and Experience Work Paper?](#) [ISA | 7601.15349]

Yes. We include all relevant experience in Section 4 of the Assessment of Training and Experience Work Paper.

For example,

- a first-year partner that has obtained experience in the role of senior manager includes such experience;
- a first-year manager who has obtained experience on US GAAP engagements as an engagement in-charge includes such experience; and
- partners or managers who have recently joined the firm include their previous experience from prior organizations (including other KPMG-member firms).

[When do we complete the Assessment of Training and Experience Work Paper?](#) [ISA | 7601.15350]

We complete the Assessment of Training and Experience Work Paper during the planning phase of the audit.

[Do we wait to complete the assessment until all training courses of the calendar year are available?](#) [ISA | 7601.15351]

No.

The minimum training requirements include a series of periodic US GAAP updates that are released throughout the calendar year. However, we do not wait to complete the work paper until all the updates are available. We complete the Assessment of Training and Experience Work Paper during the planning phase of the audit.

However, the engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if assigned, the EQC reviewer have completed all available

mandatory US GAAP courses, including the periodic update courses, prior to the date of the auditor's report.

**Group Audit or Component Audit | Do non-US KPMG component auditors complete the Assessment of Training and Experience Work Paper?** [ISA | 7601.15352]

Yes. Relevant individuals from the non-US KPMG component auditor that participate in a US GAAP engagement complete the Assessment of Training and Experience Work Paper (Sections 1 through 4).

See activity '[Obtain information in writing from component auditors about their applicable experience and training in certain situations](#)' for further information.

**What are the minimum training requirements for non-U.S. KPMG team members specific to US GAAP engagements?** [ISA | 7601.15353]

The minimum training requirements for non-U.S. KPMG team members specific to US GAAP engagements are as follows:

To whom do the training requirements apply?	Training requirements to be completed:
<ul style="list-style-type: none"> <li>All partners, managers, and engagement in-charges who are members of the engagement team (excluding specific team members and employed KPMG specialists)</li> <li>EQC reviewer</li> </ul>	<p>One-time requirement:</p> <ul style="list-style-type: none"> <li>Baseline US GAAP</li> </ul> <p>On an ongoing basis for each consecutive period starting with the period in which the Baseline US GAAP is completed:</p> <ul style="list-style-type: none"> <li>Periodic updates relating to Baseline US GAAP.</li> </ul>

**When do we meet the minimum training requirements?** [ISA | 7601.15354]

We meet the minimum training requirements before the commencement of substantial work on the engagement (i.e. before risk assessment procedures have started). We keep the minimum training requirements current from then on.

**What do we do when we were unable to attend one or more of the periodic updates relating to Baseline US GAAP?** [ISA | 7601.15355]

Individuals required to take the periodic updates relating to Baseline US GAAP who did not complete one or two of those (i.e. there is a gap between completed periodic updates) complete the missing periodic updates before the commencement of substantial work on a US GAAP engagement.

If more than two periodic updates are missing, the individuals complete the Baseline US GAAP training again before the commencement of substantial work on a US GAAP engagement.

**Does the engagement partner confirm, as part of the period-end audit procedures, that the engagement team and, if appointed, the EQC reviewer have completed all the required trainings?** [ISA | 7601.15356]

Yes. The engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if applicable, the EQC reviewer have completed all mandatory US GAAP courses, including the periodic US GAAP updates, prior to the date of the auditor's report.

[Why does the engagement partner perform this confirmation?](#) [ISA | 7601.15357]

The engagement partner performs this confirmation because, even though the required trainings are documented in the Assessment of Training and Experience Work Paper at the beginning of the audit, additional required periodic US GAAP update courses may become available afterwards.

When additional required periodic US GAAP update courses become available, we do not update Section 3 of the Assessment of Training and Experience Work Paper because we do not consider this event a significant change to the information in the work paper. Hence, the engagement partner performs the confirmation just prior to the date of the auditor's report.

## 1.1.4 IFRS | Determine knowledge, skill and ability of team members in IFRS engagements [ISA | 7603]

### What do we do?

IF an engagement is performed by a non-IFRS KPMG member firm and the financial reporting framework is IFRS (IFRS engagement), THEN complete the Assessment of Training and Experience Work Paper AND meet the minimum training requirements.

### Why do we do this?

The audit is to be performed by a person or persons having adequate knowledge, skill and ability. However proficient we may be in other fields, including business and finance, we cannot meet the requirements of the KPMG Audit Execution Guide (KAEG) and issue an appropriate auditor's report without proper education and experience in the field of accounting (e.g. IFRS) and auditing.

## Execute the Audit

[What is an IFRS engagement for purposes of this activity?](#) [ISA | 7603.15233]

IFRS engagements are, for purposes of this activity, engagements performed by non-IFRS KPMG member firms in which the financial reporting framework is IFRS. These engagements include:

- audits of financial statements;
- reviews of interim financial information; and
- audit or interim review procedures performed over IFRS financial information of a component (e.g. IFRS reporting package submitted to parent company). This does not include engagements when audit or interim review procedures are designed by the group auditor (e.g. inventory observations to determine the quantity of goods on hand or accounts receivable confirmations to support their existence).

[What is IFRS?](#) [ISA | 7603.15235]

International Financial Reporting Standards (IFRS) are standards and interpretations issued by the International Accounting Standards Board (IASB). They comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS);
- Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC); and
- Interpretations originated by the Standard's Interpretations Committee (SIC).

#### What is an IFRS KPMG member firm? [ISA | 7603.15236]

An IFRS KPMG member firm is a KPMG member firm in which IFRS is the predominant financial reporting framework.

IFRS is the predominant financial reporting framework when the KPMG member firm has a substantial practice of listed entities or entities that otherwise have a high public profile reporting in accordance with IFRS and:

- the laws and regulations in the jurisdiction in which the member firm operates have adopted:
  - IFRS as the applicable financial reporting framework for, at a minimum, listed entities in that jurisdiction, or
  - national standards that are based on and are consistent with currently effective IFRS as issued by the IASB, and KPMG's existing IFRS guidance (e.g. Insights into IFRS) is applied to those national standards, or
- the jurisdiction has no laws or regulations in relation to the applicable financial reporting framework, a significant proportion of the KPMG member firm's audit clients in that jurisdiction apply IFRS as issued by the IASB and, in addition, the professional qualifications and related training for graduate joiners to the member firm's audit function include IFRS.

#### Where can we find a list of IFRS KPMG member firms? [ISA | 7603.15239]

We can find a list of IFRS KPMG member firms on the ISG website (see "[Countries where IFRS is the predominant financial reporting framework](https://spo-global.kpmg.com/sites/GO-OI-BUS-ISG/SitePages/ifrs-network.aspx) <https://spo-global.kpmg.com/sites/GO-OI-BUS-ISG/SitePages/ifrs-network.aspx>").

#### What is a non-IFRS KPMG member firm? [ISA | 7603.15494]

A non-IFRS KPMG member firm is any KPMG member firm in which IFRS is not the predominant financial reporting framework.

For example, the US firm is a non-IFRS KPMG member firm.

#### What does the engagement partner consider when determining whether the engagement team collectively possesses knowledge, skill and ability to perform the IFRS engagement? [ISA | 7603.15241]

When determining whether the engagement team collectively possesses knowledge, skill and ability to perform the IFRS engagement, the engagement partner considers:

- the completion of the minimum training requirements;
- the number of years of experience with the entity that each individual has (including their own), and the nature of that experience in terms of the role(s) that they have performed on the engagement;
- other engagements the individuals have worked on that involve IFRS, the type of experience gained on these engagements, and how comparable (e.g. similar industry) this experience is to the engagement being performed. Considerations include:



- information about the entities that the engagement team member has worked on (e.g. size, industry, and whether they are listed and, if so, where);
- information about the individuals' involvement in terms of the services provided, the number of years involved, and the nature and extent of the role(s) performed on these engagements. Information such as areas of focus and approximate number of hours spent on the engagements may be helpful in determining the relevance of the experience;
- other experience that may be relevant, including IFRS experience in another role, such as DPP or accounting advisory roles;
- the engagement specifics, including the significant risks. The experience of an engagement team may be deemed sufficient for one engagement but not sufficient for another engagement.

Whose training and experience does the engagement partner consider when determining whether the engagement team collectively possesses knowledge, skill and ability to perform the IFRS engagement? [ISA | 7603.15242]

When determining whether the engagement team collectively possesses knowledge, skill and ability to perform the IFRS engagement, the engagement partner considers all relevant aspects of their own training and experience along with the training and experience of:

- the engagement manager with primary responsibility for the engagement; and
- other members of the engagement team whose training and experience contribute to the collective ability of the engagement team to perform the IFRS engagement. Those engagement team members may include:
  - specific team members and/or employed KPMG specialists; and
  - additional members of the engagement team who perform a key role in the engagement. For example, other partners or managers.

How does the engagement partner consider whether the engagement team collectively possesses knowledge, skill and ability to perform the IFRS engagement? [ISA | 7603.15243]

The Assessment of Training and Experience Work Paper helps the engagement partner to determine that the engagement team members collectively possess the knowledge, skill and ability to perform the IFRS engagement. The training and experience of the engagement quality control (EQC) reviewer, if appointed, is also documented.

Who reviews the Assessment of Training and Experience Work Paper? [ISA | 7603.15321]

The responsible partner reviews the Assessment of Training and Experience Work Paper.

The responsible partner is a partner with the authority to:

- assign the engagement partner, engagement manager with primary responsibility for the engagement and the EQC reviewer to engagements; and
- agree on relevant safeguards or additional support to be provided to engagement teams.

Can the responsible partner assign their review and sign-off of the work paper to somebody else? [ISA | 7603.15322]

Yes. The responsible partner may assign the review and sign-off of the work paper to a designee.

What are safeguards and additional support and where do we document them? [ISA | 7603.15255]

Safeguards and additional support are mechanisms that the engagement partner implements, with the agreement of the responsible partner, if the collective knowledge, skill and ability of the engagement team are initially insufficient to perform the IFRS engagement.

For example, the performance of additional reviews by other partners, managers, or individuals that the engagement partner deems necessary to include in the engagement team to obtain the appropriate level of collective experience.

We document the safeguards and additional support in Section 1 of the Assessment of Training and Experience Work Paper.

The training and experience of individuals involved in the engagement as safeguards or additional support may be included in Section 4 of the work paper if the engagement partner considers it necessary.

[Do we update the Assessment of Training and Experience Work Paper if subsequent to the collective experience assessment and prior to the date of the auditor's report, additional required IFRS update courses become available?](#) [ISA | 7603.15256]

No. If, subsequent to the collective experience assessment and prior to the date of the auditor's report, additional required IFRS update courses become available, we do not consider this a significant change to the information in the work paper that warrant completion of Section 3 of the Assessment of Training and Experience Work Paper.

However, the engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if applicable, the EQC reviewer have completed all mandatory IFRS courses, including the periodic IFRS updates, prior to the date of the auditor's report.

[Do we include all our IFRS-related experience in Section 4 of the Assessment of Training and Experience Work Paper?](#) [ISA | 7603.15257]

Yes. We include all relevant experience in Section 4 of the Assessment of Training and Experience Work Paper.

For example,

- a first-year partner that has obtained experience in the role of senior manager includes such experience;
- a first-year manager who has obtained experience on IFRS engagements as an engagement in-charge includes such experience; and
- partners or managers who have recently joined the firm include their previous experience from prior organizations (including other KPMG-member firms).

[When do we complete the Assessment of Training and Experience Work Paper?](#) [ISA | 7603.15350]

We complete the Assessment of Training and Experience Work Paper during the planning phase of the audit.

[Do we wait to complete the assessment until all training courses of the calendar year are available?](#)  
[ISA | 7603.15268]

No.

The minimum training requirements include a series of periodic IFRS updates that are released throughout the calendar year. However, we do not wait to complete the work paper until all the updates are available. We complete the Assessment of Training and Experience Work Paper during the planning phase of the audit.

However, the engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if assigned, the EQC reviewer have completed all mandatory IFRS courses, including the periodic update courses, prior to the date of the auditor's report.

**Group Audit or Component Audit | Do non-IFRS KPMG component auditors complete the Assessment of Training and Experience Work Paper?** [ISA | 7603.15258]

Yes. To assist the group engagement partner in determining the collective knowledge, skill and ability of the engagement teams that participate in the IFRS group audit, the group engagement partner requests relevant individuals from non-IFRS KPMG component auditors to provide the completed relevant sections of the 'Assessment of Training and Experience Work Paper' (non-US components) or the 'US Assessment of Training and Experience Work Paper - IFRS' (US components).

See activities:

- ['Obtain information in writing from component auditors about their applicable experience and training in certain situations'](#) for further information;
- PCAOB | ['Obtain information from KPMG component auditors about the results of their quality inspections, and professional background and qualifications'](#) for further information about PCAOB engagements, specifically; and
- PCAOB or US GAAS | ['Determine knowledge, skill and ability of team members in US-auditing-standard engagements'](#) for further information about PCAOB and US GAAS engagements (if the IFRS engagement is performed in accordance with PCAOB standards or US GAAS).

**What are the minimum training requirements for non-U.S. KPMG team members specific to IFRS engagements?** [ISA | 7603.15259]

The minimum training requirements for non-U.S. KPMG team members specific to IFRS engagements are as follows:

To whom do the training requirements apply?	Training requirements to be completed:
<ul style="list-style-type: none"> <li>• Engagement partner</li> <li>• Engagement manager with primary responsibility for the engagement</li> <li>• EQC reviewer</li> </ul>	<p>One-time requirement:</p> <ul style="list-style-type: none"> <li>• Baseline IFRS.</li> </ul> <p>On an ongoing basis for each consecutive period starting with the period in which the Baseline IFRS is completed:</p> <ul style="list-style-type: none"> <li>• Periodic updates relating to Baseline IFRS.</li> </ul>

#### Where are these courses provided/taken? [ISA | 7603.15260]

The Baseline IFRS course and the periodic IFRS updates may be provided locally, or the individuals required to receive that training may participate in regional or other KPMG member firm sessions.

#### When do we meet the minimum training requirements? [ISA | 7603.15354]

We meet the minimum training requirements before the commencement of substantial work on the engagement (i.e. before risk assessment procedures have started). We keep the minimum training requirements current from then on.

#### What do we do when we were unable to attend one or more of the periodic updates relating to Baseline IFRS? [ISA | 7603.15262]

Engagement partners and managers required to take the periodic updates relating to Baseline IFRS who did not complete one or two of those (i.e. there is a gap between completed periodic updates) complete the missing periodic updates before the commencement of substantial work on an IFRS engagement.

If more than two periodic updates are missing, the individuals complete the Baseline IFRS training again before the commencement of substantial work on an IFRS engagement.

#### Does the engagement partner confirm, as part of the period-end audit procedures, that the engagement team and, if appointed, the EQC reviewer have completed all the required trainings? [ISA | 7603.15264]

Yes. The engagement partner, as part of the period-end audit procedures, confirms that the relevant engagement team members and, if applicable, the EQC reviewer have completed all mandatory IFRS courses, including the periodic IFRS updates, prior to the date of the auditor's report.

#### Why does the engagement partner perform this confirmation? [ISA | 7603.15265]

The engagement partner performs this confirmation because, even though the required trainings are documented in the Assessment of Training and Experience Work Paper at the beginning of the audit, additional required periodic IFRS update courses may become available afterwards.

When additional required periodic IFRS update courses become available, we do not update Section 3 of the Assessment of Training and Experience Work Paper because we do not consider this event a significant change to the information in the work paper. Hence, the engagement partner performs the confirmation just prior to the date of the auditor's report.

## Direction, Supervision, and Review

### International Standards on Auditing: ISA 220.29-34

#### Engagement Performance

##### Direction, Supervision and Review

29. The engagement partner shall take responsibility for the direction and supervision of the members of the engagement team and the review of their work. (Ref: Para. A80)

30. The engagement partner shall determine that the nature, timing and extent of direction, supervision and review is: (Ref: Para. A81-A89, A94-A97)

- (a) Planned<sup>7</sup> and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements; and
- (b) Responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm.

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7 ISA 300, Planning an Audit of Financial Statements, paragraph 11

31. The engagement partner shall review audit documentation at appropriate points in time during the audit engagement, including audit documentation relating to: (Ref: Para. A90-A93)

- (a) Significant matters;<sup>8</sup>
- (b) Significant judgments, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached; and
- (c) Other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.

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8 ISA 230, Audit Documentation, paragraph 8(c)

32. On or before the date of the auditor's report, the engagement partner shall determine, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. (Ref: Para. A90-A94)

33. Prior to dating the auditor's report, the engagement partner shall review the financial statements and the auditor's report, including, if applicable, the description of the key audit matters<sup>9</sup> and related audit documentation, to determine that the report to be issued will be appropriate in the circumstances.<sup>10</sup>

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9 ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report

10 ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements or ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report

34. The engagement partner shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities. (Ref: Para. A98)

## ISA Application and Other Explanatory Material: ISA 220.A80-A98

### Engagement Performance

#### Scalability (Ref: Para. 29)

A80. When an audit is not carried out entirely by the engagement partner, or in an audit of an entity whose nature and circumstances are more complex, it may be necessary for the engagement partner to assign direction, supervision, and review to other members of the engagement team. However, as part of the engagement partner's overall responsibility for managing and achieving quality on the audit engagement and to be sufficiently and appropriately involved, the engagement partner is required

to determine that the nature, timing and extent of direction, supervision and review is undertaken in accordance with paragraph 30. In such circumstances, personnel or members of the engagement team, including component auditors, may provide information to the engagement partner to enable the engagement partner to make the determination required by paragraph 30.

## Direction, Supervision and Review (Ref: Para. 30)

A81. Under ISQM 1, the firm is required to establish a quality objective that addresses the nature, timing and extent of the direction and supervision of engagement teams and review of their work. ISQM 1 also requires that such direction, supervision and review is planned and performed on the basis that the work performed by less experienced members of the engagement team is directed, supervised and reviewed by more experienced engagement team members.

A82. Direction and supervision of the engagement team and the review of the work of the engagement team are firm-level responses that are implemented at the engagement level, of which the nature, timing and extent may be further tailored by the engagement partner in managing the quality of the audit engagement. Accordingly, the approach to direction, supervision and review will vary from one engagement to the next, taking into account the nature and circumstances of the engagement. The approach will generally include a combination of addressing the firm's policies or procedures and engagement specific responses.

A83. The approach to the direction and supervision of the members of the engagement team and the review of their work provides support for the engagement partner in fulfilling the requirements of this ISA, and in concluding that the engagement partner has been sufficiently and appropriately involved throughout the audit engagement in accordance with paragraph 40.

A84. Ongoing discussion and communication among members of the engagement team allows less experienced engagement team members to raise questions with more experienced engagement team members (including the engagement partner) in a timely manner and enables effective direction, supervision and review in accordance with paragraph 30.

## Direction

A85. Direction of the engagement team may involve informing the members of the engagement team of their responsibilities, such as:

- Contributing to the management and achievement of quality at the engagement level through their personal conduct, communication and actions.
- Maintaining a questioning mind and being aware of unconscious or conscious auditor biases in exercising professional skepticism when gathering and evaluating audit evidence (see paragraph A35).
- Fulfilling relevant ethical requirements.
- The responsibilities of respective partners when more than one partner is involved in the conduct of an audit engagement.
- The responsibilities of respective engagement team members to perform audit procedures and of more experienced engagement team members to direct, supervise and review the work of less experienced engagement team members.
- Understanding the objectives of the work to be performed and the detailed instructions regarding the nature, timing and extent of planned audit procedures as set forth in the overall audit strategy and audit plan.

- Addressing threats to the achievement of quality, and the engagement team's expected response. For example, budget constraints or resource constraints should not result in the engagement team members modifying planned audit procedures or failing to perform planned audit procedures.

## Supervision

A86. Supervision may include matters such as:

- Tracking the progress of the audit engagement, which includes monitoring:
  - The progress against the audit plan;
  - Whether the objective of work performed has been achieved; and
  - The ongoing adequacy of assigned resources.
- Taking appropriate action to address issues arising during the engagement, including for example, reassigning planned audit procedures to more experienced engagement team members when issues are more complex than initially anticipated.
- Identifying matters for consultation or consideration by more experienced engagement team members during the audit engagement.
- Providing coaching and on-the-job training to help engagement team members develop skills or competencies.
- Creating an environment where engagement team members raise concerns without fear of reprisals.

## Review

A87. Review of the engagement team's work provides support for the conclusion that the requirements of this ISA have been addressed.

A88. Review of the engagement team's work consists of consideration of whether, for example:

- The work has been performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- There is a need to revise the nature, timing and extent of work performed;
- The work performed supports the conclusions reached and is appropriately documented;
- The evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion; and
- The objectives of the audit procedures have been achieved.

A89. The firm's policies or procedures may contain specific requirements regarding:

- The nature, timing and extent of review of audit documentation;
- Different types of review that may be appropriate in different situations (e.g., review of each individual working paper or selected working papers); and
- Which members of the engagement team are required to perform the different types of review.

## The Engagement Partner's Review (Ref: Para. 30-34)



A90. As required by ISA 230, the engagement partner documents the date and extent of the review.<sup>39</sup>

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39 ISA 230, paragraph 9(c)

A91. Timely review of documentation by the engagement partner at appropriate stages throughout the audit engagement enables significant matters to be resolved to the engagement partner's satisfaction on or before the date of the auditor's report. The engagement partner need not review all audit documentation.

A92. The engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgments. Significant judgments in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team, for example:

- Matters related to planning the engagement, such as matters related to determining materiality.
- The composition of the engagement team, including:
  - Personnel using expertise in a specialized area of accounting or auditing;
  - The use of personnel from service delivery centers.
- The decision to involve an auditor's expert, including the decision to involve an external expert.
- The engagement team's consideration of information obtained in the acceptance and continuance process and proposed responses to that information.
- The engagement team's risk assessment process, including situations where consideration of inherent risk factors and the assessment of inherent risk requires significant judgment by the engagement team.
- The engagement team's consideration of related party relationships and transactions and disclosures.
- Results of the procedures performed by the engagement team on significant areas of the engagement, for example, conclusions in respect of certain accounting estimates, accounting policies or going concern considerations.
- The engagement team's evaluation of the work performed by experts and conclusions drawn therefrom.
- In group audit situations:
  - The proposed overall group audit strategy and group audit plan;
  - Decisions about the involvement of component auditors, including how to direct and supervise them and review their work; and
  - The evaluation of work performed by component auditors and the conclusions drawn therefrom.
- How matters affecting the overall audit strategy and audit plan have been addressed.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The proposed audit opinion and matters to be communicated in the auditor's report, for example, key audit matters, or a "Material Uncertainty Related to Going Concern" paragraph.

A93. The engagement partner exercises professional judgment in determining other matters to review, for example based on:

- The nature and circumstances of the audit engagement.
- Which engagement team member performed the work.
- Matters relating to recent inspection findings.
- The requirements of the firm's policies or procedures.

## Nature, Timing and Extent

A94. The nature, timing and extent of the direction, supervision and review are required to be planned and performed in accordance with the firm's policies or procedures, as well as professional standards and applicable legal and regulatory requirements. For example, the firm's policies or procedures may include that:

- Work planned to be performed at an interim date is to be directed, supervised and reviewed at the same time as the performance of the procedures rather than at the end of the period, so that any necessary corrective action can be taken in a timely manner.
- Certain matters are to be reviewed by the engagement partner and the firm may specify the circumstances or engagements in which such matters are expected to be reviewed.

## Scalability

A95. The approach to direction, supervision and review may be tailored depending on, for example:

- The engagement team member's previous experience with the entity and the area to be audited. For example, if the work related to the entity's information system is being performed by the same engagement team member who performed the work in the prior period and there are no significant changes to the information system, the extent and frequency of the direction and supervision of the engagement team member may be less and the review of the related working papers may be less detailed.
- The complexity of the audit engagement. For example, if significant events have occurred that make the audit engagement more complex, the extent and frequency of the direction and supervision of the engagement team member may be greater and the review of the related working papers may be more detailed.
- The assessed risks of material misstatement. For example, a higher assessed risk of material misstatement may require a corresponding increase in the extent and frequency of the direction and supervision of engagement team members and a more detailed review of their work.
- The competence and capabilities of the individual engagement team members performing the audit work. For example, less experienced engagement team members may require more detailed instructions and more frequent, or in-person, interactions as the work is performed.
- The manner in which the reviews of the work performed are expected to take place. For example, in some circumstances, remote reviews may not be effective in providing the necessary direction and may need to be supplemented by in-person interactions.
- The structure of the engagement team and the location of engagement team members. For example, direction and supervision of individuals located at service delivery centers and the review of their work may:
  - Be more formalized and structured than when members of the engagement team are all situated in the same location; or

- Use IT to facilitate the communication between the members of the engagement team.

A96. Identification of changes in the engagement circumstances may warrant reevaluation of the planned approach to the nature, timing or extent of direction, supervision or review. For example, if the assessed risk of material misstatement at the financial statement level increases because of a complex transaction, the engagement partner may need to change the planned level of review of the work related to the transaction.

A97. In accordance with paragraph 30(b), the engagement partner is required to determine that the approach to direction, supervision and review is responsive to the nature and circumstances of the audit engagement. For example, if a more experienced engagement team member becomes unavailable to participate in the supervision and review of the engagement team, the engagement partner may need to increase the extent of supervision and review of the less experienced engagement team members.

## Review of Communications to Management, Those Charged with Governance, or Regulatory Authorities (Ref: Para. 34)

A98. The engagement partner uses professional judgment in determining which written communications to review, taking into account the nature and circumstances of the audit engagement. For example, it may not be necessary for the engagement partner to review communications between the engagement team and management in the ordinary course of the audit.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Direct and supervise the engagement team and review their work [ISA | 767]

#### What do we do?

The engagement partner takes responsibility for the direction, supervision, and performance of the audit in compliance with applicable professional standards, legal and regulatory requirements and the firm's policies and procedures, and the review of the work performed.

#### Why do we do this?

Direction, supervision and review is planned and performed on the basis that the work performed by less experienced members of the engagement team is directed, supervised and reviewed by more experienced engagement team members. The approach to the direction and supervision of the members of the engagement team and the review of their work provides support for the engagement partner in concluding that the engagement partner has been sufficiently and appropriately involved throughout the audit engagement.

The engagement partner may seek assistance from appropriate engagement team member(s) in fulfilling their responsibilities to direct, supervise, and perform the engagement and review the work performed by the engagement team members. However, under law, the engagement partner may be held personally accountable (as well as accountable on behalf of KPMG) for the audit and the auditor's report and consequently, at all times, retains responsibility for the engagement and its performance.

# Execute the Audit

## Who is an engagement partner? [ISA | 767.160164]

An engagement partner is the partner or other appropriate person (e.g. managing directors, directors) in the firm who is responsible for the audit engagement. The engagement partner is responsible for the direction, supervision, and the review of the work performed, and for the auditor's report that is issued on behalf of the firm. The engagement partner is responsible for compliance of relevant professional, legal and regulatory body requirements.

When joint auditors conduct an audit, the joint engagement partners collectively constitute the "engagement partner".

In a group audit, the engagement partner responsible for the group audit is referred to as the "group engagement partner."

## Who is an "other audit partner"? [ISA | 767.1600]

An "other audit partner" is an audit partner or other appropriate person (e.g. managing director or director) who is a member of the engagement team, and to whom the engagement partner may delegate certain responsibilities, including partner level review responsibilities. However, those responsibilities specifically required to be fulfilled by the engagement partner cannot be delegated and the ultimate responsibility for managing and achieving the overall quality on the engagement resides with the engagement partner.

## Who comprises an engagement team? [ISA | 767.1300]

The engagement team includes all those who perform audit procedures on the engagement and includes:

- all partners, managers, and staff
- employed KPMG specialists and specific team members
- any other individuals who perform audit procedures on the engagement, including:
  - individuals (including component auditors) from a KPMG member firm
  - individuals (including component auditors) from a non-KPMG member firm
  - individuals from service delivery centers or another service provider.

When joint auditors conduct an audit, the joint engagement teams collectively constitute the "engagement team".

The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing. Regardless of the location or employment status of such individuals, any individual who performs audit procedures on the engagement is a member of the engagement team.

The definition of an engagement team includes individuals who perform audit procedures on the audit engagement. Audit procedures comprise risk assessment procedures and further audit procedures. Audit procedures include inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry.

The engagement team does not include:

- engagement quality control (EQC) reviewer,
- limited scope quality control (LSQC) reviewer,
- other engagement reviewers,
- engaged KPMG specialists,
- accredited sampling professionals (ASP),
- management's specialists,
- individuals within the entity's internal audit function who provide direct assistance on an engagement,
- individuals whose involvement with the engagement is limited to consultation on specific matters. In this case, we perform the activity '[Undertake appropriate consultations](#)'.
- other individuals who perform activities that are not audit procedures (e.g. performing extraction and processing of data from an entity's system but not evaluating the relevance and reliability of such data).

#### [Who is a 'service provider'? \[ISA | 767.159667\]](#)

In the context of the definition of an engagement team, a service provider is an individual or organization external to the firm that provides a resource that is used in the system of quality management or in performing engagements. Service providers exclude the firm's network, other network firms, or other structures or organizations in the network.

#### [What do we consider when engaging individuals who are not personnel \(i.e. partners and staff in our member firm\) to perform audit procedures? \[ISA | 767.159995\]](#)

Refer to Sections [9.8](#) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/81?jm=225> and [12.7](#) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/231?jm=245> of the Global Quality & Risk Management Manual (GQ&RMM) for policies and procedures when engaging third parties (including individuals from other KPMG member firms or affiliates) to perform audit procedures on the engagement.

#### [Who is a 'specialist'? \[ISA | 767.14104\]](#)

A specialist is an individual (or firm) that possesses special skill or knowledge in a particular field other than accounting or auditing whose work is used to assist us in obtaining sufficient appropriate audit evidence. While different auditing standards refer to these individuals (or firms) as 'specialists' or 'experts', we refer to them as 'specialists'.

#### [Are there different categories of specialists? \[ISA | 767.14108\]](#)

Yes. We categorize specialists into three types depending on their role and relationship to the audit engagement:

- employed KPMG specialists - specialists who are partners or employees of the KPMG member firm that performs the particular audit;
- engaged KPMG specialists - specialists who are not partners or employees of the KPMG member firm that performs the particular audit; and
- management's specialists - specialists who are either employed or engaged by the entity to assist management in the financial reporting process.

There are certain activities that we perform in the same way irrespective of whether a KPMG specialist is engaged or employed by our firm. Within those activities, we simply refer to the specialists as 'KPMG specialists' rather than 'employed KPMG specialists' and 'engaged KPMG specialists.'

**What are examples of parties engaged or employed by management or KPMG that do not qualify as 'specialists'? [ISA | 767.14110]**

Individuals (or firms) with special skill or knowledge in the field of accounting or auditing do not represent specialists. That includes accounting advisory services personnel retained by management or KPMG. In addition, because income taxes and information technology are considered specialized areas of accounting and auditing, individuals (or firms) with special skill or knowledge in these areas are generally not specialists either. Instead, we consider individuals employed by KPMG who have special skill or knowledge in these areas and who assist us in our audits to be 'specific team members.'

Certain individuals (or firms) may or may not be considered a specialist depending on the nature of their work. For example:

Relevant party	Represents a specialist when they...	Does not represent a specialist when they...
<b>Attorney</b>	Assist in the interpretation of a contractual provision or law to help management or the auditor determine or evaluate the appropriate accounting or disclosure	Provide information to the engagement team pursuant to a letter of audit inquiry concerning litigation, claims and assessments.  However, if certain matters arising from the letter warrant further evaluation by an attorney that includes, for example, interpretation of a contractual provision or law that assists management in determination of appropriate accounting or disclosure, the attorney may represent a specialist for purposes of that further evaluation (see question <a href="#">'Is a legal counsel consulted by an entity considered to be a 'specialist'?'</a> for further guidance).
<b>Individual or firm with valuation expertise</b>	Apply their valuation expertise in making an estimate of fair value of securities for which there is no observable market	Provide price data regarding private transactions not otherwise available to the entity or the auditor, which the entity or the auditor then uses in its own estimation process or to develop an independent expectation of an estimate

**Can an individual (or firm) with a special skill or knowledge in the field of income taxes be considered a 'specialist' in any circumstances?** [ISA | 767.14125]

Yes. There may be situations where the entity's accounting for income taxes or our audit procedures in this area may entail an interpretation of specialized areas of income tax law in order to determine appropriate accounting or disclosure under the applicable financial reporting framework. Individuals (or firms) retained by management or KPMG to lend their knowledge or skill in such areas could be considered specialists (e.g. legal specialists). At the same time, individuals (or firms) who then apply the findings and conclusions of these specialists in accounting for the entity's income taxes or related audit procedures would not be considered specialists.

**Who is a 'specific team member'?** [ISA | 767.1400]

A specific team member is a KPMG partner or employee with expertise in a specialized area of accounting or auditing. These include specific team members with expertise in performing audit procedures related to IT (e.g. IT Audit), accounting (e.g. accounting advisory service professionals) and accounting for income taxes (e.g. KPMG Tax professionals with knowledge in the area of income taxes).

**What does it mean to give direction to the engagement team?** [ISA | 767.1700]

Giving direction to the engagement team includes a variety of activities, which may include:

- communicating our responsibilities, including complying with all ethical requirements and professional standards
- emphasizing the importance of managing and achieving high quality audits (through our personal conduct, communication and actions), including complying with firm policies and timely raising concerns that arise during the audit
- addressing threats to the achievement of quality, and the engagement team's expected response. For example, budget constraints or resource constraints should not result in the engagement team members modifying planned audit procedures or failing to perform planned audit procedures
- maintaining a questioning mind and being aware of unconscious or conscious auditor biases in exercising professional skepticism when gathering and evaluating audit evidence
- communicating key information about the audit, including our key objectives, the detailed instructions regarding the nature, timing and extent of planned audit procedures as set forth in the overall audit strategy and audit plan and information about the entity and risks that will impact the audit
- getting involved in evaluating and resolving issues that arise throughout the audit
- providing leadership to the engagement team
- informing the responsibilities of the respective engagement team members to perform audit procedures and of more experienced engagement team members to direct, supervise and review the work of less experienced engagement team members
- communicating the responsibilities of respective partners when more than one partner is involved in the conduct of an audit engagement.

Ongoing discussions and communication among all members of the engagement team can be an effective way to allow less experienced team member(s) to raise questions to more experienced team member(s) (including the engagement partner) in a timely manner and enables effective direction, supervision and review of their work.



### What does it mean to supervise the engagement team? [ISA | 767.157367]

Supervising the engagement team include a variety of activities, which may include:

- tracking the progress of the engagement, which includes monitoring:
  - the progress against the audit plan
  - whether the objective of work performed has been achieved; and
  - the ongoing adequacy of assigned resources
- taking appropriate action to address issues arising during the engagement, including for example, reassigning planned audit procedures to more experienced engagement team members when issues are more complex than initially anticipated
- identifying matters for consultation or consideration by more experienced engagement team members during the engagement
- providing coaching and on-the-job training to help engagement team members develop skills and competencies
- creating an environment where engagement team members raise concerns without fear of reprisals.

### What type of factors impact the extent of supervision necessary for the engagement team? [ISA | 767.1800]

In determining the extent of supervision necessary, the engagement partner and other engagement team member(s) performing supervisory activities take into account various factors, including:

Factors	More supervision needed	Less supervision needed
Nature of the entity, including its size and complexity	Complex organizational structure and/or larger entities with complex or diversified operations	Simple organizational structure and/or smaller sized entities with simpler operations
Nature of the assigned work for each engagement team member, including: <ul style="list-style-type: none"> <li>• the procedures to be performed, and</li> <li>• the controls, or account balances and disclosures to be tested</li> </ul>	Procedures that are more challenging to perform, such as more precise substantive analytical procedures or testing in more complex areas of the audit, such as estimates or more complex accounting areas	More routine and straightforward procedures or areas of the audit
Assessed risks of material misstatement	Areas where inherent risk is assessed as Elevated or Significant	Areas where inherent risk is assessed as Base

Knowledge, skill, and ability of the individual team member(s) performing the audit work	Less experienced members of the engagement team or professionals who have less familiarity with the client's industry	More experienced members of the engagement team or professionals who have extensive experience with the client's industry
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These factors may also be relevant for the extent of direction of engagement team members and the review of their work.

#### What does it mean to review the engagement team's work? [ISA | 767.157368]

Review of the engagement team's work provides support for the conclusion that the engagement partner has taken overall responsibility for managing and achieving quality on the engagement.

Review of the engagement team's work consists of consideration of whether, for example:

- The work has been performed in accordance with KPMG's policies or procedures, professional standards and applicable legal and regulatory requirements;
- Significant matters have been raised for further consideration;
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- There is a need to revise the nature, timing and extent of work performed;
- The work performed supports the conclusions reached and is appropriately documented;
- The evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion; and
- The objectives of the audit procedures have been achieved.

#### How does the engagement partner take responsibility for the direction, supervision and performance of the audit, and the review of the work performed? [ISA | 767.14054]

The responsibility for the direction, supervision and performance of the audit, and review of the work performed is undertaken by:

- [the engagement partner determining roles and informing engagement team members of their responsibilities;](#)
- [the engagement partner to assign to engagement team members those tasks which are commensurate with their knowledge, skill and ability and to subsequently supervise the performance of the activities;](#)
- [the engagement partner reviewing the work of engagement team members and us documenting conclusions.](#)

The engagement partner determines that the nature, timing and extent of direction, supervision and review are:

- planned and performed in accordance with KPMG's policies or procedures, professional standards, and applicable legal and regulatory requirements; and
- responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team by the firm.

**What does it mean to be responsive to the nature and circumstances of the engagement?** [ISA | 767.157369]

The engagement partner thinks about the engagement resources and specifics of the engagement when determining the necessary direction, supervision and review of the engagement and it may depend on a variety of factors, including the size, structure, geographical dispersion and complexity of the entity and the engagement team.

Also, if changes occur during the engagement, the nature, timing and extent of direction, supervision and review may be adjusted.

For example, unanticipated circumstances (e.g. a new complex business transaction) may arise during the engagement that may cause the engagement partner to request the involvement of appropriately experienced personnel in addition to those initially assigned or made available.

For another example, if a more experience engagement team member becomes unavailable to participate in the supervision and review of the engagement team, the engagement partner may need to increase the extent of supervision and review of the less experience engagement team members.

**What may we think about when determining the nature, timing and extent of direction, supervision and review?** [ISA | 767.157370]

Examples of factors the engagement team may think about include:

- the engagement team member's previous experience with the entity and the area to be audited

For example, if the work related to the entity's information system is being performed by the same engagement team member who performed the work in the prior period and there are no significant changes to the information system, the extent and frequency of the direction and supervision of the engagement team member may be less and the review of the related work may be less detailed.

- the manner in which the reviews of the work performed are expected to take place

For example, in some circumstances, remote reviews may not be effective in providing the necessary direction and may need to be supplemented by in-person interactions.

- the structure of the engagement team and the location of engagement team members.

For example, direction and supervision of individuals located at service delivery centers and the review of their work may:

- be more formalized and structured than when members of the engagement team are all situated in the same location; or
- use IT to facilitated the communication between the members of the engagement team.

**Group Audits | Do the direction, supervision and review responsibilities of group engagement partner differ from those of an engagement partner in a standalone audit?** [ISA | 767.14052]

No. The group engagement partner is responsible for the group audit engagement and its performance, and for the auditor's report(s) on the group financial statements that is issued on behalf of the firm. The group engagement partner has ultimate responsibility of the group engagement team, including component auditors.

Similar to the engagement partner in a standalone audit, other audit partners may be involved in the audit, such as with an audit of a component in a group audit. However, the engagement partner that has ultimate responsibility for the engagement to audit the group financial statements is the group engagement partner.

**Can only the engagement partner direct and supervise the engagement team and review their work?** [ISA | 767.1900]

No. Appropriate engagement team member(s) can assist the engagement partner in fulfilling the engagement partner's responsibilities. Those team members comply with the same requirements as the engagement partner with respect to the direction, supervision and review responsibilities assigned to them. However, the overall responsibility still resides with the engagement partner despite the delegation of these activities.

**What procedures, tasks or actions can the engagement partner assign to other members of the engagement team?** [ISA | 767.14050]

Activities explicitly stated as 'performed by the engagement partner' are performed by the engagement partner. Other activities that are indicated as 'being the responsibility of the engagement partner' may be delegated to appropriate members of the engagement team.

**Who might be considered to be an appropriate engagement team member?** [ISA | 767.2000]

An appropriately skilled or suitably experienced member of the engagement team can be considered as an appropriate engagement team member for purpose of assisting the engagement partner with their responsibilities. This is an experienced auditor having practical audit experience and a reasonable understanding of audit processes, applicable legal and regulatory requirements, business environment in which the entity operates and auditing and financial reporting issues relevant to the entity's industry.

**When do we plan our direction and supervision of team members, and the review of their work?** [ISA | 767.14051]

At the beginning of the audit, when we are putting together our audit plan. The audit plan includes a description of the nature, timing and extent of the planned direction and supervision of the engagement team and the review of their work.

If circumstances change during the engagement, we update the audit plan for:

- any significant changes to the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work, and
- the reasons for such changes.

## 1.1 Determine roles and inform engagement team members of their responsibilities [ISA | 768]

## What do we do?

Determine and communicate roles and responsibilities to engagement team members, including employed KPMG specialists and specific team members involved in the audit.

## Why do we do this?

To better facilitate the delivery of a quality audit, each member of the engagement team needs to understand their role and their responsibilities. Lack of role clarity might result in procedures not being sufficient and/or appropriate, or performed by a team member without the proper competence and capability.

## Execute the Audit

[Who determines which engagement team member takes which role\(s\)/responsibility\(s\)?](#) [ISA | 768.1300]

The engagement partner determines that members of the engagement team, and any engaged KPMG specialists 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 appropriately perform the audit procedures necessary. In this manual and in some auditing standards, we sometimes refer to 'competence and capabilities' as 'knowledge, skill and ability' and vice versa of various engagement team members.

[What roles are determined?](#) [ISA | 768.14187]

This depends on local risk management policies, as the roles could differ depending on the type of engagement. This determines what activities each engagement team member performs and what specific terms (i.e. engagement manager, engagement in-charge, managing director) are used.

[How does the engagement partner determine and communicate roles and responsibilities to engagement team members?](#) [ISA | 768.1400]

The engagement partner:

- [informs the specific team members of work to be performed](#);
- [informs the employed KPMG specialists of various matters and implement coordination measures](#);
- [assesses the objectivity of the employed KPMG specialists](#);
- directs the engagement team members to [inform the engagement partner of significant accounting and auditing issues](#); and
- supervises the engagement team to [resolve differences of opinion](#).

### 1.1.1 Inform the specific team members of work to be performed

[ISA | 7672]

## What do we do?

Inform the specific team members of work to be performed and agree on specific matters, in writing

## Why do we do this?

After we have identified what audit areas will involve the work of specific team members and who those specific team members will be, we reach a written agreement with the specific team members about certain matters.

Our aim is to determine and mutually understand the roles and responsibilities of the specific team members. Obtaining this understanding in writing during audit planning helps us to:

- communicate the roles and responsibilities properly; and
- align the objectives of all parties.

Documenting upfront our understanding with specific team members therefore results in a more effective audit strategy and plan. This helps us perform an effective, efficient and collaborative audit.

## Execute the audit

[What do we agree to in writing with specific team members?](#) [ISA | 7672.14131]

We document the key aspects of understanding of the work to be performed by the specific team members that will drive their roles and responsibilities and integration of their work with that of the rest of the engagement team.

[What are the key aspects of understanding that will drive the roles and responsibilities of the specific team members?](#)

The table below sets out some key aspects that will drive the roles and responsibilities of the specific team members.

Aspect	Related matters to think about
The nature, scope and objectives of their work	This may include relevant facts about the subject matter of the specific team member's involvement, related entity processes and controls, applicable laws to be followed, and the specific requests we have for the work to be performed by the specific team members
Our respective roles and responsibilities	This may include who will perform the detailed testing of data or assumptions, if any, the timing and scope of the procedures to be performed by the specific team members
The nature, timing and extent of communication between us	This includes the form of any report or audit documentation each specific team member will provide

Any confidentiality requirements	Confidentiality requirements may be driven by professional standards and/or laws or regulations of a particular jurisdiction
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### Do the working papers of specific team member form part of our audit documentation?

Yes. Specific team members are members of the engagement team, so their working papers form part of our audit documentation.

### What other matters may we consider informing the specific team members about? [ISA | 7672.14134]

There may be a variety of other matters that are relevant to the specific team member's work. They may include, for example:

- materiality, performance materiality and audit misstatement posting threshold relevant to the subject matter of the specific team member's work
- relevant requirements of the applicable financial reporting framework
- other matters
  - Whether the work of the specific team member will be part of the matters to be communicated with those charged with governance, if applicable;
  - How to deal with storage of large amounts of data used by the specific team member, including retention and sign-offs on their work;
  - Establishing a timeline or milestones for the work of the specific team member (e.g. RAPD, kick-off meeting with the audit engagement team, kick-off meeting with management and any management's specialists, timing of communications between the audit engagement team and the specific team member, deadline for completion of procedures to be performed by the specific team member, deadline for obtaining all audit documentation relating to the specific team member's work, expected date of our auditor's report).

### How might we communicate relevant matters to specific team members?

We may inform the specific team members about relevant matters in various ways but some leading practices include:

- Either inviting the specific team members to attend our planning and risk assessment discussion (RAPD) or, after the RAPD, communicating to the specific team member relevant matters discussed during the RAPD that could affect the specific team member's work.
- Sharing with the specific team members, to the extent considered appropriate in the circumstances of the particular audit, our documentation regarding the RMMs identified with reference to the subject matter of the specific team member's work, our CAR assessment for those identified RMMs, and our planned audit approach to the RMMs, which may include, if applicable, relevant PRPs and controls to be tested, and our planned substantive procedures; in addition, for accounting estimates, communicating to the specific team members the data, assumptions and methods we have identified for the estimate. We consider the feedback provided by the specific team members on these matters.

### When determining the roles and responsibilities of the specific team members, what else might we think about? [ISA | 7672.14136]



If this is not the first year of the specific team member's involvement in our audit, we may review the scope, nature and timing of the specific team member's involvement in the prior year audit and consider whether it is necessary to revise any aspect of their involvement to appropriately respond to changes in identified and assessed risks of material misstatement and/or combined audit risk or for their involvement to be more effective and efficient in the current year.

#### How do we evidence our agreement with the specific team member? [ISA | 7672.14137]

Our written agreement of the key aspects that drive the roles and responsibilities of the specific team members may be in the form of:

- a document manually signed by each party outside the KPMG Clara workflow and incorporated into our audit documentation; or
- a sign-off by us and the specific team member on a relevant activity screen and/or attachment in the KPMG Clara workflow.

## 1.1.2 Inform engagement partner of significant accounting and auditing issues [ISA | 771]

### What do we do?

Direct engagement team members to inform the engagement partner (or other supervising engagement team members, if applicable) of significant accounting and auditing issues

### Why do we do this?

If engagement team members do not raise significant accounting and auditing issues with the engagement partner, there is a risk that those issues are not evaluated by an appropriately experienced person and, therefore, are not properly considered and addressed in the context of the whole audit.

## Execute the Audit

#### What is a significant accounting and auditing issue? [ISA | 771.1300]

Significant accounting and auditing issues are those matters that demand more significant judgments or could impact/alter our audit approach and can include items such as:

- matters that give rise to significant risks/financial statement level risks
- significant deficiencies and material weaknesses in internal control
- material misstatements
- significant findings and issues identified during review of interim financial information
- significant matters involving the selection, application, and consistency of accounting principles, including related disclosures
- significant modifications of audit strategy and planned audit procedures, including changes in the assessed risks of material misstatement
- disagreements among members of the engagement team
- disagreements with management
- circumstances that caused significant difficulties in applying audit procedures

- contradictory or inconsistent information with our final conclusions regarding significant findings and issues
- issues identified with respect to relevant independence and ethical requirements, including any engagement team rotation requirements
- matters that resulted in or could have resulted in a modification to the auditor's report, including going concern
- matters related to actual or suspected fraud
- noncompliance with laws and regulations, including illegal acts

#### To whom do we communicate potential significant accounting and auditing issues? [ISA | 771.1400]

In all cases, the person overseeing/supervising is informed. However, for significant matters we also inform the engagement partner. Whenever there is doubt over any issues or situations, raise it to the engagement partner.

#### Who is responsible to direct the engagement team members to raise significant accounting and auditing issues? [ISA | 771.1500]

The engagement partner informs members of the engagement team to timely bring to their attention any significant accounting and auditing issues identified during the audit, so that the engagement partner can evaluate those issues and determine that appropriate actions are taken. This includes both specialists and specific team members.

#### How do we communicate significant accounting and auditing issues to the engagement partner? [ISA | 771.14264]

Significant accounting and auditing issues may be communicated in verbal and/or written forms.

#### When do we communicate a significant accounting and auditing issue? [ISA | 771.1600]

Communication(s) related to significant accounting and auditing issues are made as soon as possible after being identified during our audit procedures. Timely communication helps improve the timeliness of addressing and resolving the matter.

## 1.2 Review the work of engagement team members [ISA | 773]

### What do we do?

Review the work of the engagement team members

### Why do we do this?

The evidence of the work that we do supports the auditors' report. Such evidence is properly reviewed by a more experienced professional to confirm that the risks of material misstatements are assessed and addressed properly and that our work is documented properly - including resolution of information that is inconsistent with our conclusions, consultations performed and conclusions reached. The ultimate responsibility is with the engagement partner and the reviews performed by other engagement team members do not reduce the responsibility of the engagement partner.

## Execute the Audit

### What does a review of the work of engagement team members consist of? [ISA | 773.1300]

A review consists of consideration whether the audit documentation is sufficient and the conclusions reached are appropriate. Many factors go into making this determination, including whether:

- the work has been performed in accordance with professional standards and applicable legal and regulatory requirements;
- significant matters have been raised for further consideration;
- appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- the nature, timing and extent of work performed needs to be revised;
- the work performed supports the conclusions reached and is appropriately documented;
- the evidence obtained is sufficient and appropriate to support the auditor's report; and
- the objectives of the procedures have been achieved.

### How is the review conducted and evidenced? [ISA | 773.1400]

Reviews can take place in a variety of forms, including through meetings, review of physical documentation or reviews of electronic work (through the KPMG Clara workflow).

As a rule of thumb for evidencing the reviews, [we include in the audit documentation the relevant sign off of the reviewer and the date on which they reviewed such work](#). The KPMG Clara workflow application enables us to evidence the reviewer of the work through the sign offs on each relevant workpaper within the tool. The KPMG Clara workflow tool also enables us to evidence the date on which a workpaper was reviewed.

The following table provides example scenarios for reviewing audit documentation:

When	Then
Audit documentation is reviewed more than once	Dual dating is not mandatory; however, absent dual dating, an experienced auditor might presume that the review was performed on the single date of the audit documentation. If a reviewer dates a significant amount of audit documentation on or near the date of the auditors' report(s), an experienced auditor may question whether the review was timely and effective or whether the dates are accurate.
Physical documentation is reviewed	In limited circumstances, it may not be efficient or practicable to review audit documentation electronically. In such circumstances, a reviewer may indicate review by signing or initialing and dating the audit documentation, either manually or through electronic sign-off (i.e. digital signature or a picture of the reviewer's manual signature).

Documentation is reviewed via e-mail	In certain time sensitive circumstances it may not be practical to provide a manual or electronic sign-off (e.g. not having access to one's computer, scanning capabilities or an internet connection, and cell phones do not support the electronic sign-off process). In these limited situations an individual may document his or her review of the audit documentation in an e-mail message sent to the engagement partner, manager or associate.
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How do we review the work of engagement team members? [ISA | 773.1500]

We:

- [perform the minimum required reviews](#);
- [evaluate the work of the specific team member](#);
- [evaluate the work of the employed KPMG specialist](#);
- [assess whether we have undertaken appropriate consultations](#);
- [assess whether we have documented our resolution of information that is inconsistent with our conclusions](#); and
- [assess whether we have documented the details of the matters consulted on and the conclusions reached](#).

## 1.2.1 Perform minimum required review [ISA | 774]

### What do we do?

Perform minimum required review on work performed by the engagement team

### Why do we do this?

So that the auditor's report is properly supported by our audit documentation, reviews are conducted in a timely manner by the engagement partner and appropriate members of the engagement team.

## Execute the Audit

Who performs reviews? [ISA | 774.1300]

All audit documentation is reviewed by an engagement team member that is more experienced than the preparer. Additionally, audit documentation is reviewed in accordance with KPMG's review requirements set forth in this activity.

What do we consider when performing the review? [ISA | 774.1500]

We consider whether:

- the work was performed and documented in accordance with the firm's policies or procedures, professional standards, and applicable legal and regulatory requirements;
- the objectives of the procedures were achieved and responsive to the nature and circumstances of the engagement; and
- the results of the work support the conclusions reached.

What is KPMG policy on reviews by an engagement manager? [ISA | 774.6207]

The engagement manager reviews the following audit documentation:

- All audit documentation with designated engagement manager minimum review requirements.
- All audit documentation as determined by the engagement partner or other audit partner.

[When do we review audit documentation?](#) [ISA | 774.1700]

We, including the engagement partner, review the audit documentation at appropriate stages during the audit and on or before the date of the auditor's report as timely reviews allow significant findings or issues to be resolved on a timely basis. The exact timing of when we review each phase varies among each engagement.

[How do we determine the minimum review requirements?](#) [ISA | 774.1800]

The KPMG Clara workflow is designed to capture minimum review responsibilities for the engagement partner, other audit partner, engagement manager, and EQCR/LSQR for each individual activity screen.

[What are the areas that an engagement partner reviews?](#) [ISA | 774.1900]

The engagement partner reviews the relevant audit documentation in the following areas:

- review requirements in the KPMG Clara workflow for the engagement partner review
- the appropriateness of the tailoring decisions in the engagement file,
- significant matters
- significant judgments, including those relating to difficult or contentious matters identified during the course of the engagement, and the conclusions reached
- audit documentation related to significant risks and our audit response thereto including audit documentation relating to work performed by employed KPMG specialists and specific team members related to these significant risks
- other matters that in the engagement partner's professional judgement are relevant to their responsibilities
- financial statements with related disclosures, schedules and supplementary information
- auditors' report(s) including, if applicable, the description of critical/key audit matters and related documentation, to determine that the report to be issued will be appropriate in the circumstances, and
- formal written communications to management, those charged with governance or regulatory authorities. This includes, if applicable to the engagement, additional KPMG reports (i.e. reports on an entity's compliance with contractual agreements or regulatory requirements).

[Group Audit | How does the group engagement partner's review of the relevant audit documentation differ in a group audit?](#) [ISA | 774.160086]

Relevant 'audit documentation' includes written communications from the component auditor (e.g. Clearance Memorandum). To determine the extent of the group engagement partner's review of audit documentation in the component auditor's audit file (see activity '[Determine whether to review additional component auditor documentation after evaluating their communications](#)' for further information), the group engagement partner thinks about the following when making this determination:

- the results of their review of the communications from the component auditor (e.g. planned audit procedures communicated in Planning Highlights Memorandum and the results of audit procedures in the Clearance Memorandum) and the level of detail included in those communications,
- the extent of review of the component auditor's audit file performed by those who assist the group engagement partner with supervision and the level of detail included in the documentation of the review performed that is available for the group engagement partner to review, and
- their discussions and involvement with the component auditor and those who assist the group engagement partner with supervision of component auditors.

[What can the engagement partner think about in exercising professional judgement in determining other matters to review?](#) [ISA | 774.157409]

In exercising professional judgment in determining other matters to review, the engagement partner thinks about:

- the nature and circumstances of the audit engagement
- which engagement team member performed the work
- matters relating to recent inspection findings
- the requirements of the firm's policies and procedures.

[What other documentation do either an engagement partner or other audit partner review?](#) [ISA | 774.14346]

In addition to the areas the engagement partner is required to review, the following audit documentation is reviewed, either by the engagement partner or the other audit partner on the engagement.

- review requirements in the KPMG Clara workflow for the partner review
- representation letter(s), and
- communications to those charged with governance.

[What else do we do when reviewing the work of specific team members and employed KPMG specialists?](#) [ISA | 774.14352]

In addition to the general review guidance included earlier in this activity, we perform the following activities:

For specific team members - '[Evaluate the work of the specific team member](#)'; and

For employed KPMG specialists - '[Evaluate the work of the employed KPMG specialist](#)'.

## 1.2.2 Evaluate the work of the specific team member [ISA | 7673]

### What do we do?

Evaluate the work of the specific team member for use in the audit

### Why do we do this?

We evaluate whether the specific team members' findings are relevant and reasonable, and consistent with our understanding with the specific team members achieved during the planning stage of the audit and whether their findings are consistent with other audit evidence. If we don't do this, we may inappropriately use the work of the specific team members or fail to consider disconfirming evidence or inconsistencies with other audit evidence.

## Execute the audit

### What do we consider when evaluating the work of the specific team member? [ISA | 7673.14112]

We review the specific team member's work to evaluate the relevance and reasonableness of their findings, specifically whether:

- the specific team member's work is in accordance with our understanding and agreement with the specific team member; and
- the specific team member's findings and conclusions are consistent with results of the work performed by the specific team member, other evidence obtained by us, and our understanding of the entity and its environment.

### What other relevant factors may we think about when reviewing the specific team member's work? [ISA | 7673.14113]

We may think about other relevant factors when evaluating the specific team member's work, such as whether their findings and conclusions are:

- Clearly expressed, including reference to the objectives agreed with us, the scope of the work performed and standards applied;
- Based on an appropriate period and take into account subsequent events, where relevant;
- Subject to any reservation, limitation or restriction on use, and if so, whether this has implications for us; and
- Based on appropriate consideration of errors or deviations encountered by the specific team member.

### What do we do when the specific team member identifies specific matters in the audit documentation? [ISA | 7673.14114]

We assess whether the specific matter is significant to their conclusions by considering such items as materiality of the matter, complexity of the matter, whether the specific matter could reasonably be expected to influence users of the financial statements.

### What is a specific matter? [ISA | 7673.14115]

A specific matter may consist of significant underlying assumptions or other key inputs that were not tested by the specific team member. This may occur when additional assumptions or other inputs are identified after we have reached the understanding with the specific team member about the work to be performed and the specific team member is not able to evaluate those inputs.

Other specific matters may include other observations in the documentation prepared by the specific team member that may require follow-up by the audit engagement team (e.g. management letter points, indications of deficiencies in internal control) or that may appear to contradict management's assertions.



**If the specific matter is significant to their conclusion, how do we respond?** [ISA | 7673.14116]

We discuss and agree to the manner in which the specific matters included in the audit documentation are expected to be addressed and resolved, and document such agreement. Then, specific team members satisfy themselves with the resolution of any such specific matters and incorporate their findings into their overall conclusion prior to signing-off on the related audit documentation.

**If the specific matter is not significant to their conclusion, how do we continue with our audit procedures?** [ISA | 7673.14117]

The nature of specific matters that are not significant to the specific team member's conclusions is clearly described as such, and the specific team members indicate in the audit documentation that the matters do not impact their conclusions for the period under audit.

**What do we do when we discuss an identified or potential control deficiency with the specific team member?** [ISA | 7673.14118]

If we discuss with the specific team member the implications of an identified or potential control deficiency, the audit documentation provided by the specific team member includes such discussions.

**What is the extent of documentation expected from the specific team member?** [ISA | 7673.14119]

The specific team members include in the audit documentation they provide, at a minimum, the following:

- description of the nature of the involvement of the specific team members;
  - an understanding of the conditions which gave rise to their involvement in the engagement, based on discussions with us (e.g. significance of estimates or accounts being audited to the financial statements as a whole).
- procedures performed by the specific team members related findings;
  - the specific procedures performed and related findings in arriving at their conclusions.
- conclusions reached by the specific team members
  - specific team members document their conclusions, based on the results of procedures performed and related findings, regarding the area(s) of the audit in which they are involved; and
  - conclusions do not include qualifying language or contradictory information, and are not expressed as negative assurance (e.g. "nothing came to our attention...").
- training completed by the specific team member as per procedures in '[Determine knowledge, skill and ability of specific team members](#).'
- signature of the specific team member(s)
  - the audit documentation includes evidence of the sign-off by the specific team member(s) who prepared and reviewed, if applicable, the audit documentation.

**Is there anything additional we are aware of in regards to the specific team members' documentation?** [ISA | 7673.14121]

Yes. We keep in mind that all work papers prepared and/or reviewed by the specific team members in connection with their involvement in the audit are an element of audit evidence and, therefore, are retained in the audit file.

Also, communication by specific team members about industry-leading practices or recommendations that do not impact their conclusions are not appropriate to be included in the specific team members' documentation.

**What do we do when the specific team member's work is not in accordance with our understanding and agreement with the specific team member?** [ISA | 7673.14122]

If the specific team member's work is not in accordance with the understanding and agreement between us and the specific team member, we may perform the following procedures:

- Discuss with the specific team member what procedures were not performed and the reasons why the specific team member has not performed those procedures;
- Discuss with the specific team member what alternative procedures might have been performed in place of the procedures originally agreed upon.

**What may we additionally think about when reviewing the work of the specific team member?** [ISA | 7673.14123]

We may think about how the specific team member has:

- communicated their findings to the engagement partner/other partner and engagement manager and when;
- evidenced their challenge to management's assumptions and management's response, if applicable;
- documented the specific details about key meetings - date of meeting, who (name and position) they met with, who from KPMG attended and whether there are notes or minutes; and
- referenced the detailed working papers provided to the audit engagement team for inclusion in the audit file.

**What do we do if we determine that the specific team member's work is not relevant or reasonable?** [ISA | 7673.14124]

If we determine that the specific team member's work is not relevant or reasonable, we first discuss the issues with the specific team member to reach a common understanding of all the facts.

Thereafter, we:

- agree with the specific team member on the nature and extent of further work to be performed by them, or
- perform additional audit procedures appropriate to the circumstances.

If we are not able to resolve the matter and conclude that the specific team member's work is inadequate, we then consider the impact on our auditor's report.

## Consultation

## International Standards on Auditing: ISA 220.35

### Consultation

35. The engagement partner shall: (Ref: Para. A99-A102)

(a) Take responsibility for the engagement team undertaking consultation on:

(i) Difficult or contentious matters and matters on which the firm's policies or procedures require consultation; and

(ii) Other matters that, in the engagement partner's professional judgment, require consultation;

(b) Determine that members of the engagement team have undertaken appropriate consultation during the audit engagement, both within the engagement team, and between the engagement team and others at the appropriate level within or outside the firm;

(c) Determine that the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted; and

(d) Determine that conclusions agreed have been implemented.

## ISA Application and Other Explanatory Material: ISA 220.A99-A102

### Consultation (Ref: Para. 35)

A99. ISQM 1 requires the firm to establish a quality objective that addresses consultation on difficult or contentious matters and how the conclusions agreed are implemented. Consultation may be appropriate or required, for example for:

- Issues that are complex or unfamiliar (e.g., issues related to an accounting estimate with a high degree of estimation uncertainty);
- Significant risks;
- Significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual;
- Limitations imposed by management; and
- Non-compliance with laws or regulations.

A100. Effective consultation on significant technical, ethical and other matters within the firm or, where applicable, outside the firm may be achieved when those consulted:

- Are given all the relevant facts that will enable them to provide informed advice; and
- Have appropriate knowledge, seniority and experience.

A101. It may be appropriate for the engagement team, in the context of the firm's policies or procedures, to consult outside the firm, for example, where the firm lacks appropriate internal resources. The engagement team may take advantage of advisory services provided by firms, professional and regulatory bodies or commercial organizations that provide relevant quality control services.

A102. The need for consultation outside the engagement team on a difficult or contentious matter may be an indicator that the matter is a key audit matter.<sup>40</sup>

<sup>40</sup> ISA 701, paragraphs 9 and A14

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Undertake appropriate consultations [ISA | 779]

## What do we do?

Undertake appropriate consultations during the engagement, document, agree and implement any conclusions

## Why do we do this?

Sometimes, during the course of our audit, issues arise that the engagement team is not able to resolve alone. In these circumstances, we consult with appropriately qualified / informed personnel. By doing so, we are able to reach an informed conclusion. In turn, this promotes audit quality and the correct performance of supervising activities.

## Execute the Audit

### What is a consultation? [ISA | 779.1300]

Consultation includes discussion at the appropriate professional level about matters that are typically difficult or contentious or other matters that in our professional judgment warrant consultations, where the impact of the conclusion would be significant to the financial statements, our assessment of internal control over financial reporting (ICFR) or to our audit or review procedures or conclusions. Consultation uses appropriate research resources as well as the collective experience and technical skills of the firm.

Consultations, including required consultations, result in conclusions that are documented and agreed with the consulted party and that the engagement partner determines has been implemented. (for example, in a Field Documentation Clearance (FDC) in the U.S. when consulting with DPP). Refer to activity '[Document consultations](#)'.

### How do we perform an effective consultation? [ISA | 779.14162]

For a consultation to be effective, the person(s) being consulted with is provided with all the relevant facts that will enable them to provide informed advice and the consulting party has the appropriate knowledge, seniority, and experience.

### Who might we consult with? [ISA | 779.14143]

We may consult with many different people throughout the audit, which can include, but is not limited to:

US	<ul style="list-style-type: none"> <li>• Business Unit or Regional Professional Practice Partner</li> <li>• DPP</li> <li>• Office of General Counsel</li> <li>• Washington National Tax</li> <li>• Industry or subject matter experts</li> <li>• Risk Management</li> <li>• Risk Management - Independence</li> </ul>
International	<ul style="list-style-type: none"> <li>• DPP</li> <li>• Industry or subject matter experts</li> </ul>

- Risk Management Partner
- Global Independence Group
- Member firm legal counsel

#### Who might we consult with outside the firm? [ISA | 779.14159]

We might consult with advisory services provided by other firms, professional and regulatory bodies, or commercial organizations that provide relevant quality control services.

#### When do we consult with others? [ISA | 779.1400]

We consult when it is required, or when we come across technical accounting, financial reporting, regulatory or auditing matters which could significantly impact our audit.

Consultations may include the following characteristics:

- Relates to a fraud risk, a significant risk, a significant unusual transaction, or other contentious matter;
- Authoritative literature is unclear or subject to interpretation, or for which there is no literature directly on point;
- The issue is subject to significant regulatory scrutiny; or
- The questions relate to application of a newly issued standard for which practice is evolving.

#### What types of matters might we consult about? [ISA | 779.14160]

Consultations relate to significant, complex, or risk related matters, including subjects for ethical matters, independence, client acceptance and continuance, engagement acceptance and continuance, etc.

#### Are there specific situations when we are required to consult? [ISA | 779.6604]

Yes. Each member firm DPP maintains a list of all mandatory consultation requirements for accounting and auditing/review matters accessible from their DPP portal home page. Mandatory consultation requirements represent mandatory consultations with respect to accounting and auditing/review matters required by global policy and additional consultation requirements with respect to accounting and auditing/review matters identified as mandatory by the DPP (local mandatory consultation requirements), if applicable.

For engagements performed by U.S engagement teams, refer to the [Consultation Requirements Matrix](https://alex.kpmg.com/AROWeb/document/lfc/ConsultationRequirementsMatrix/toc/ConsultationRequirementsMatrix?tocref=) <https://alex.kpmg.com/AROWeb/document/lfc/ConsultationRequirementsMatrix?tocref=> (CRM) and the [Required Consultations with Risk Management - Independence](https://alex.kpmg.com/AROWeb/document/lfc/Required_Consultations_Independence/toc/Required_Consultations_Independence?tocref=) [https://alex.kpmg.com/AROWeb/document/lfc/Required\\_Consultations\\_Independence/toc/Required\\_Consultations\\_Independence?tocref=](https://alex.kpmg.com/AROWeb/document/lfc/Required_Consultations_Independence/toc/Required_Consultations_Independence?tocref=).

#### Does KAEG contain mandatory consultation requirements? [ISA | 779.14163]

Yes. Throughout KAEG are mandatory consultation requirements. Refer to the KAEG Consultation Listing for a summary of all consultations. In addition to the consultations set forth in the KPMG Audit Execution Guide elsewhere, we consult with DPP when:

- (a) there is a significant accounting or reporting matter for which there is no authoritative literature or the literature is ambiguous and the approach taken or being considered is likely to create a precedent

- (b) a departure is being considered from a relevant KPMG policy or requirement (including a relevant requirement in an ISA) that is contained in the KPMG Audit Execution Guide, the ISRM, the GQ&RMM or other authoritative audit execution guidance, and is related to a significant matter. In this circumstance, we also consult with the ISG.
- (c) application of KPMG guidance on the interpretation or application of IFRSs as contained in IFRS Insights or IS Alerts is considered to be inappropriate in a particular set of circumstances for a matter that is significant because it is either material to the client's financial statements or likely to create a precedent. In such circumstances, we also consult with the ISG.
- (d) the "true and fair" override in respect of IFRS or a national financial reporting framework is being considered. In the case of a possible "true and fair" override in respect of IFRSs or a financial reporting framework that is generally recognized as being based on IFRSs, we also consult with the ISG.
- (e) when a change in accounting policy resulting from an IFRS Interpretations Committee agenda decision is not applied in annual financial statements or interim financial statements issued following the publication of the agenda decision.
- (f) we learn of an investigation involving an audit client or the member firm by a regulatory body
- (g) there is a difference of opinion with another audit firm on a significant accounting or reporting matter affecting the client's financial statements
- (h) a KPMG member firm is asked to provide a generic opinion (i.e. an opinion not involving the facts or circumstances of a specific entity) on the application of IFRS or a financial reporting framework that is generally recognized as being based on IFRS. Such a generic opinion may be provided only where permitted by, and subject to, local auditing or ethical standards and subject to relevant KPMG member firm requirements. If such a generic opinion is likely to create a precedent (e.g. the opinion is not based on or is inconsistent with existing KPMG guidance on the interpretation or application of IFRSs as contained in IFRS Insights or IS Alerts or on a previously agreed generic opinion), we also consult with the ISG. Further, we also consult with ISG when a member firm is asked to provide a generic opinion on the application of IFRS or a financial reporting framework that is generally recognized as being based on IFRS by an entity that is part of a group whose headquarters are in a country other than that member firm's country, or
- (i) a DPP may specify other consultation requirements (e.g. a DPP may require consultation in the event there is actual, pending threatened or potential legal proceedings against a KPMG member firm).

#### Do we consider each time we seek the views of others to be a consultation? [ISA | 779.11530]

No. During the audit, we may seek the views of others on issues as they arise. These discussions are encouraged. Such discussions may be informal inquiries and not considered consultations as defined above.

#### What is an informal inquiry? [ISA | 779.6605]

Informal inquiries are used to assist us in forming our own conclusions, and cannot be relied upon solely for forming our conclusions. Informal inquiries do not address matters that are subject to mandatory consultation. Informal inquiries may be initiated for:

- Inquiries about location of relevant guidance;
- Inquiries about the current status of standard-setting activities;

- Inquiries about proposed transactions that did not occur, are not expected to occur, or do not otherwise relate to an alternative transaction that occurred, and thus do not impact the financial statements under audit;
- General discussions about technical topics.
- Assistance on an area of guidance we are unfamiliar with;
- Guidance on how to approach a certain matter; or
- Confirmation of our interpretation of certain requirements.

Informal inquiries may be escalated to a consultation.

#### Who determines when to consult? [ISA | 779.14147]

It is the engagement partner's responsibility to determine when to consult, including when conditions are met that require consultation under KPMG Policy. However, other engagement team member(s) may bring matters to the attention of the engagement partner or other audit partner, so they can decide if consultation is necessary.

#### Who initiates a consultation or an informal inquiry? [ISA | 779.14149]

Normally, the engagement partner initiates the consultation or informal inquiry. In some instances, a different member of the engagement team may initiate the consultation or informal inquiry under the direction of the partner; however, the engagement partner is involved and remains responsible throughout the consultation or informal inquiry.

#### What are the engagement partner's responsibilities related to consultation during the engagement? [ISA | 779.14150]

The engagement partner:

- (a) takes responsibility for the engagement team undertaking consultations on difficult or contentious matters, matters included in KPMG's policies and requirements, and other matters that, in the engagement partner's professional judgment, require consultation
- (b) determines that members of the engagement team have undertaken appropriate consultation during the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm
- (c) determines that the nature and scope of, and conclusions resulting from, such consultations are documented and agreed with the party consulted, and
- (d) determines that conclusions agreed have been implemented.

#### Who is responsible for implementing the conclusions resulting from a consultation? [ISA | 779.14158]

The engagement partner ultimately has the responsibility. The implementation of actions resulting from the conclusions reached can be performed by another engagement team member. However, it is the responsibility of the engagement partner to determine that the consultations agreed have been implemented.

## 2 Document consultations [ISA | 1654]

### What do we do?

Perform procedures to document consultations



## Why do we do this?

When we consult during the audit, we document the details of the consultation and their resolution in order to properly evidence our conclusions which support the auditor's opinion.

## Execute the Audit

[How do we document consultations made throughout the audit?](#) [ISA | 1654.6610]

When we consult with others, we document:

- [Details of the matters consulted on and the conclusions reached](#)

[What do we document for an informal inquiry?](#) [ISA | 1654.6609]

As we use the response to the informal inquiry as input to forming our own conclusion about the issue, we do not make reference in our audit documentation to the informal inquiry or the respondent. For example, in the U.S. no FDC is provided by DPP for inclusion in the audit documentation for informal inquiries.

[When do we document our consultation and its conclusions?](#) [ISA | 1654.14156]

We document our consultations as soon as practicable after we initiate the consultation and reach a conclusion.

[Do we confirm that all appropriate consultations have been undertaken?](#) [ISA | 1654.8802]

Yes. The engagement manager and engagement partner confirm that all appropriate consultations have been undertaken.

## 2.1 Document the details of the matters consulted on and the conclusions reached

[ISA | 1655]

### What do we do?

Document, in a memorandum reviewed and approved by the appropriate party, details of the matters consulted on and the conclusions reached.

### Why do we do this?

When we consult during the audit, we document the details of the consultation and their resolution in order to properly evidence our conclusions which support the auditor's opinion.

## Execute the Audit

[What do we document for a consultation?](#) [ISA | 1655.1400]

We document in a memorandum reviewed and approved by the party or parties being consulted:

- Background and facts relevant to the consultation, including any disconfirming evidence considered;
- The name of the party with whom we consulted;

- Nature and scope of the consultation, including any related or secondary issues identified during the consultation, and conclusions reached;
- For consultations related to accounting matters, key audit considerations/implications related to the issue that were discussed with the consulted party;
- Evidence of review of the appropriate party consulted;
- The date the consultation was finalized.

For each consultation, we also document how the conclusions reached were implemented.

In order for both the engagement team and those consulted to agree on the nature and scope of, and conclusions resulting from, consultations, the engagement team provides relevant documentation of the consultation to the professionals that we have consulted and:

- obtain, in writing, that they agree with the conclusions reached by the individual seeking consultation, and
- confirm that the documentation includes a factual representation of the matters considered and the conclusions reached.

We do not include any issues in our memorandum to the consulted party that were not discussed with the consulted party.

[What other matters may be included in our documentation of a consultation?](#) [ISA | 1655.8933]

Documentation of consultations may include other matters such as:

- alternative views with regard to technical accounting matters;
- impact of key audit considerations/implications on the following areas of the audit:
  - risk assessment;
  - internal control over financial reporting;
  - nature, timing and extent of audit procedures expected to be performed; and
  - audit evidence expected to be accumulated.

## Engagement Quality Review

### International Standards on Auditing: ISA 220.36

#### Engagement Quality Review

36. For audit engagements for which an engagement quality review is required, the engagement partner shall: (Ref: Para. A103)

- (a) Determine that an engagement quality reviewer has been appointed;
- (b) Cooperate with the engagement quality reviewer and inform other members of the engagement team of their responsibility to do so;
- (c) Discuss significant matters and significant judgments arising during the audit engagement, including those identified during the engagement quality review, with the engagement quality reviewer; and
- (d) Not date the auditor's report until the completion of the engagement quality review. (Ref: Para. A104-A106)

# ISA Application and Other Explanatory Material: ISA 220.A103-A106

## Engagement Quality Review (Ref: Para. 36)

A103. ISQM 1 contains requirements that the firm establish policies or procedures addressing engagement quality reviews in accordance with ISQM 2,<sup>41</sup> and requiring an engagement quality review for certain types of engagements.<sup>42</sup> ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performing and documenting an engagement quality review.

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<sup>41</sup> ISQM 2, Engagement Quality Reviews

<sup>42</sup> ISQM 1, paragraph 34(f)

## Completion of the Engagement Quality Review Before Dating of the Auditor's Report (Ref: Para. 36(d))

A104. ISA 700 (Revised) requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements.<sup>43</sup> If applicable to the audit engagement, ISQM 2 and this ISA require that the engagement partner be precluded from dating the engagement report until notification has been received from the engagement quality reviewer that the engagement quality review is complete. For example, if the engagement quality reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate then the engagement quality review is not complete.<sup>44</sup>

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<sup>43</sup> ISA 700 (Revised), paragraph 49

<sup>44</sup> ISQM 2, paragraph 26

A105. An engagement quality review that is conducted in a timely manner at appropriate stages during the audit engagement may assist the engagement team in promptly resolving matters raised to the engagement quality reviewer's satisfaction on or before the date of the auditor's report.

A106. Frequent communications between the engagement team and the engagement quality reviewer throughout the audit engagement may assist in facilitating an effective and timely engagement quality review. In addition to discussing significant matters with the engagement quality reviewer, the engagement partner may assign responsibility for coordinating requests from the engagement quality reviewer to another member of the engagement team.

## How do we comply with the Standards? [ISA | KAEGHDWC]

# 1 The engagement partner remains responsible for the performance of an engagement subject to EQC review [ISA | 3929]

## What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to an engagement quality control review.

## Why do we do this?

The engagement partner signs the auditor's report and, consequently, is always responsible for the engagement even when there is an engagement quality control (EQC) reviewer. The EQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

## Execute the Audit

[Who is ultimately responsible for the engagement subject to EQC review and its performance?](#) [ISA | 3929.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the EQC reviewer and others who assist the reviewer.

[What responsibilities does the engagement partner have with regards to an EQC review?](#) [ISA | 3929.14897]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has specific responsibilities with regards to an EQC review, which include:

- determining that an EQC reviewer has been appointed during the CEAC process;
- cooperating with the EQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the EQC review, with the EQC reviewer;
- confirming that issues raised by the EQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the EQC review.

[When is the EQC review of an audit complete?](#) [ISA | 3929.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in the activities '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)' and '[Review the financial statements and the proposed auditor's report\(s\)](#)'.

For example, if the EQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the EQC review is not complete.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

[In what ways do the responsibilities of the engagement partner and the EQC review partner differ?](#) [ISA | 3929.14660]

Unlike the engagement team, including the engagement partner, the EQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support the audit opinion. If the EQC reviewer identifies additional audit procedures to be performed before the EQC reviewer completes their review, the engagement team - not the EQC reviewer - is responsible for performing the additional audit procedures. In contrast, the EQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

[When do we discuss significant findings or issues and significant judgments with the EQC reviewer?](#) [ISA | 3929.1500]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the EQC reviewer. However, bringing such matters to the EQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the EQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the EQC reviewer's objectivity, matters are not usually brought to the EQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The EQC reviewer is not making decisions on behalf of the engagement team or becoming involved in decision making on the engagement.

[When does the engagement partner have discussions with the EQC reviewer during the engagement?](#) [ISA | 3929.14661]

The engagement partner may have discussions with the EQC reviewer during the engagement, for example, to establish that a significant judgment made or conclusion reached by the engagement partner will be acceptable to the EQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the EQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely EQC review.

[What do we do if differences of opinion arise between the engagement team and the engagement reviewers?](#) [ISA | 3929.1600]

When differences of opinions arise between the engagement team and the engagement reviewers, we follow the steps in activity '[Resolve differences of opinion](#)'. Differences of opinion can arise given the extent of professional judgment involved in relation to significant matters, including complex accounting, auditing and financial reporting matters.

The EQC reviewer does not complete their review until the difference of opinion is resolved in accordance with the firm's procedures. If the EQC reviewer does not complete their review, the report is not issued.

### What does the engagement team or EQC reviewer do if there are concerns regarding the EQC reviewer's objectivity? [ISA | 3929.1700]

The engagement team or EQC reviewer consults with the risk management partner when there are concerns regarding the EQC reviewer's objectivity, either by the engagement team or the EQC reviewer. The EQC reviewer and engagement team are both responsible for helping the EQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

The EQC reviewer is also responsible for notifying the risk management partner and the responsible person for their appointment to the engagement if the EQC reviewer determines they are not able to carry out the role on the engagement in compliance with relevant ethical and independence requirements, laws and regulations, or able to carry out the role with objectivity. See additional information in the question '[How does the EQC perform the EQC review?](#)'

### Who coordinates the EQC review? [ISA | 3929.14662]

The engagement partner may assign the engagement manager or another engagement team member to coordinate the engagement team's interaction with the EQC reviewer and facilitate the conduct of the EQC review in an effective and timely manner throughout the engagement.

### How do we coordinate the EQC review? [ISA | 3929.14663]

The individual responsible for coordination may develop an EQC review plan to be discussed with the EQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the EQC review plan is to facilitate timely review by the EQC reviewer of the significant judgments made and conclusions reached by the engagement team and to enable the engagement team to respond fully to matters raised by the EQC reviewer prior to the date of the report(s).

### What elements might an EQC review plan include? [ISA | 3929.14664]

The EQC review plan may include the following:

- the engagement timeline
- when it is expected that the EQC reviewer will complete each of their responsibilities as set out in the KPMG Clara workflow
- if the EQC reviewer expects to use the assistance of an audit partner or other person, who is not an engagement team member, how the engagement team will interact with them
- approach to be used by the EQC reviewer to determine what audit documentation will be reviewed in addition to what is already reviewed in accordance with the activity '[Evaluate significant judgements made and conclusions reached in an audit](#)'
- whether the EQC reviewer will attend any meetings with the engagement team, with management, or those charged with governance and, if so, the expected dates of the meetings
- when and how significant findings or issues and significant judgments arising during the engagement will be brought to the attention of the EQC reviewer (see activity '[Perform the EQC review maintaining objectivity](#)' regarding maintaining the EQC reviewer's objectivity)
- when and how the EQC reviewer will be made aware of consultations by the engagement team with others within KPMG
- other matters that are relevant to the engagement or the EQC review.

## 2 The engagement partner remains responsible for the performance of an engagement subject to LSQC review [ISA | 3955]

### What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to a limited scope quality control review.

### Why do we do this?

The appointment of the limited scope quality control (LSQC) reviewer does not in any way diminish the engagement partner's responsibility for the engagement. This is because the LSQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

## Execute the Audit

[Who is ultimately responsible for the engagement subject to LSQC review and its performance?](#) [ISA | 3955.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the LSQC reviewer and others who assist the reviewer.

[In what ways do the responsibilities of the engagement partner and the LSQC review partner differ?](#) [ISA | 3955.1400]

Unlike the engagement team, including the engagement partner, the LSQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support an opinion. If the LSQC reviewer identifies additional audit procedures to be performed before the LSQC reviewer completes their review, the engagement team - not the LSQC reviewer - is responsible for performing the additional audit procedures. In contrast, the LSQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

[What responsibilities does the engagement partner have with regards to an LSQC review?](#) [ISA | 3955.1500]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has the following specific responsibilities with regards to an LSQC review:

- determining that an LSQC reviewer has been appointed during the CEAC process;
- cooperating with the LSQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the LSQC review, with the LSQC reviewer;
- confirming that issues raised by the LSQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the LSQC review.



**When is the LSQC review of an engagement complete?** [ISA | 3955.157372]

The engagement report is not to be dated until the completion of the LSQC review, as indicated by the LSQC reviewer's review of the relevant screens within the KPMG Clara workflow based on the scope of the LSQC review.

For example, if the LSQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the LSQC review is not complete.

The LSQC reviewer indicates their review is complete through the LSQC checklist in the KPMG Clara workflow.

**What procedure does the LSQC reviewer follow if one or more matters are not 'satisfactorily resolved'?** [ISA | 3955.1600]

When the LSQC reviewer believes that one or more matters are not 'satisfactorily resolved', this indicates a difference of opinion. The LSQC reviewer first directs the engagement team to resolve the matter. The LSQC reviewer does not complete their review until the difference of opinion is resolved. If the LSQC reviewer does not complete their review, the report is not issued.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

**When do we discuss significant findings or issues and significant judgments with the LSQC reviewer?** [ISA | 3955.1700]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the LSQC reviewer. Bringing such matters to the LSQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the LSQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the LSQC reviewer's objectivity, matters are not usually brought to the LSQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The LSQC reviewer is not making decisions on behalf of the engagement team or become involved in decision making on the engagement.

**When does the engagement partner have discussions with the LSQC reviewer during the engagement?** [ISA | 3955.1800]

The engagement partner may have discussions with the LSQC reviewer during the engagement, for example, to establish that a significant finding or issue or a significant judgment made or conclusions reached by the engagement partner will be acceptable to the LSQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the LSQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely LSQC review.

**What does the engagement team do if there are concerns regarding the LSQC reviewer's objectivity?** [ISA | 3955.14713]

The engagement team or LSQC reviewer consults with the risk management partner when there are concerns noted regarding the LSQC reviewer's objectivity, either the engagement team or the LSQC reviewer. The LSQC reviewer and engagement team are both responsible for helping the LSQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

If after consulting with the risk management partner, the LSQC reviewer's ability to perform an objective review may be impaired, another LSQC reviewer is appointed by the risk management partner.

**Who coordinates the LSQC review?** [ISA | 3955.14715]

The engagement partner may appoint the engagement manager or another engagement team member to coordinate the engagement team's interaction with the LSQC reviewer and facilitate the conduct of the LSQC review in an effective and timely manner throughout the engagement.

**How do we coordinate the LSQC review?** [ISA | 3955.14716]

The individual responsible for coordination may develop an LSQC review plan to be discussed with the LSQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the LSQC review plan is to facilitate timely review by the LSQC reviewer and to enable the engagement team to respond fully to matters raised by the LSQC reviewer prior to the date of the report(s).

## Differences of Opinion

### International Standards on Auditing: ISA 220.37-38

#### Differences of Opinion

37. If differences of opinion arise within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, including those who provide consultation, the engagement team shall follow the firm's policies or procedures for dealing with and resolving such differences of opinion. (Ref: Para. A107-A108)

38. The engagement partner shall:

- (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 Application and Other Explanatory Material: ISA 220.A107-A108

### Differences of Opinion (Ref: Para. 37-38)

A107. ISQM 1 requires the firm to establish a quality objective that addresses differences of opinion that arise within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management. ISQM 1 also requires that differences of opinion are brought to the attention of the firm and resolved.

A108. In some circumstances, the engagement partner may not be satisfied with the resolution of the difference of opinion. In such circumstances, appropriate actions for the engagement partner may include, for example:

- Seeking legal advice; or
- Withdrawing from the audit engagement, when withdrawal is possible under applicable law or regulation.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Resolve differences of opinion [ISA | 772]

#### What do we do?

If differing opinions arise, then seek to discuss and resolve through consultation with appropriate parties before the date of the auditor's report. Implement the conclusions reached and document the matter(s).

#### Why do we do this?

Evidencing and documenting the resolution of differences of opinion helps to demonstrate the robustness of, and rationale supporting, our opinion. It demonstrates that we have taken the required due professional care and contributes toward determining the appropriate auditor's report is issued.

### Execute the Audit

#### How is a difference of opinion resolved? [ISA | 772.1400]

If differences of opinion arise within the engagement team, or between the engagement team and the engagement quality control reviewer or individuals within the firm, including those who provide consultation, we:

- bring the difference of opinion to the attention of the engagement partner, if they are not involved in the matter, as soon as possible
- seek to discuss and, to the extent possible, resolve the disagreement
- bring to the attention of the EQC or LSQC reviewer
- consult with the appropriate parties as soon as possible
- implement the conclusions reached through discussions or consultations regarding the difference of opinion
- document the matter, in accordance with the question '[What do we do after a difference of opinion is resolved?](#)'.

We do not date the auditors' report(s) until differences of opinion are resolved and such resolution is implemented and documented.

#### Who do we consult with when there are unresolved differences of opinion? [ISA | 772.1600]

We consult as follows:

When there are unresolved differences of opinion:	Consulting parties
Among engagement team members, including employed KPMG specialists and specific team members	Risk Management Partner
Between the engagement partner and the EQC/LSQC reviewer	Risk Management Partner
Between the engagement team and a filing review partner or a designated review partner in the US Capital Markets Group or a local US accounting or capital markets group	The partner in charge of the US Capital Markets Group and Risk Management Partner
Between the engagement team and DPP on a consultation with DPP	The Head of DPP

For additional information, refer to the GQ&RMM ([Policy 10.3.4](https://www.gqrm-prod.kworld.kpmg.com/G/O/Content/83) <https://www.gqrm-prod.kworld.kpmg.com/G/O/Content/83>) for more details on the escalation process.

#### Are initial different views within the engagement team a difference of opinion? [ISA | 772.1500]

No. If everyone involved comes to the same view on the matter after further discussions, research, or through new or revised facts, there is no longer a difference of opinion. During the performance of an engagement, members of the engagement team may initially have different views on issues that arise. These different views are often discussed within the engagement team, including with the engagement partner, and/or with specific team members or KPMG specialists, which may lead to a resolution of the difference.

For example, members of the engagement team may initially have different views on the accounting treatment for a transaction; however, after gaining additional facts, all parties might agree on the appropriate accounting treatment. In this case, we do not document the initial different views as a difference of opinion.

#### What do we do after a difference of opinion is resolved? [ISA | 772.1700]

We include documentation in our file that outlines:

- the subject matter of the difference of opinion,
- the names and titles of the engagement team members or others with a difference of opinion, and
- reference to audit documentation where the subject matter of the difference of opinion exists and the resolution is documented.

If an engagement team member disagrees with the final conclusions reached, they document that disagreement and include that documentation in the engagement file.

Who reviews the documentation in the audit file related to the difference of opinion? [ISA | 772.1800]

The engagement partner reviews the related audit documentation and:

- takes responsibility that differences of opinion are addressed and resolved;
- determines that conclusions reached are documented and implemented; and
- not date the auditor's report until any differences of opinion are resolved.

## Monitoring and Remediation

### International Standards on Auditing: ISA 220.39

#### Monitoring and Remediation

39. The engagement partner shall take responsibility for: (Ref: Para. A109–A112)

- (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 Application and Other Explanatory Material: ISA 220.A109-A112

#### Monitoring and Remediation (Ref: Para. 39)

A109. ISQM 1 sets out requirements for the firm's monitoring and remediation process. ISQM 1 requires the firm to communicate to engagement teams information about the firm's monitoring and remediation process to enable them to take prompt and appropriate action in accordance with their responsibilities.<sup>45</sup> Further, information provided by members of the engagement team may be used by the firm in the firm's monitoring and remediation process, and exercising professional judgment and professional skepticism while conducting the audit may assist the members of the engagement team in remaining alert for information that may be relevant to that process.

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<sup>45</sup> ISQM 1, paragraph 47

A110. Information provided by the firm may be relevant to the audit engagement when, for example, it relates to findings on another engagement performed by the engagement partner or other members of the engagement team, findings from the local firm office or inspection results of previous audits of the entity.

A111. In considering information communicated by the firm through its monitoring and remediation process and how it may affect the audit engagement, the engagement partner may consider the remedial actions designed and implemented by the firm to address identified deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team. The engagement partner may also determine whether additional remedial actions are needed at the engagement level. For example, the engagement partner may determine that:

- An auditor's expert is needed; or
- The nature, timing and extent of direction, supervision and review needs to be enhanced in an area of the audit where deficiencies have been identified.

If an identified deficiency does not affect the quality of the audit (e.g., if it relates to a technological resource that the engagement team did not use) then no further action may be needed.

A112. An identified deficiency in the firm's system of quality management does not necessarily indicate that an audit engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the auditor's report was not appropriate in the circumstances.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Consider the results of the firm's monitoring and remediation process [ISA | 7605]

#### What do we do?

The engagement partner takes responsibility for considering the information from the KPMG member firm's monitoring and remediation process and its relevance on the engagement AND taking appropriate action.

#### Why do we do this?

Each KPMG member firm's monitoring and remediation process is designed to provide relevant, reliable and timely information about the design, implementation and operation of KPMG member firm's system of quality management and take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis. KPMG member firms design and perform monitoring activities to provide a basis for the identification of deficiencies. The results of these processes are communicated by KPMG member firms, and may include the identification of deficiencies. Engagement partners consider these results and whether they affect the audit engagement, in order to make any necessary adjustments to the audit plan or approach.

### Execute the Audit

[What are the engagement partner's responsibilities related to the KPMG member firm's monitoring and remediation process?](#) [ISA | 7605.157373]

The engagement partner takes responsibility for:

- obtaining an understanding of the information from the KPMG member firm's monitoring and remediation process, as communicated by the KPMG member firm. This includes, as applicable, information from the monitoring and remediation process of other KPMG member firms;
- determining the relevance and effect on the engagement of that information and taking appropriate action on the engagement; and
- remaining alert throughout the engagement for information that may be relevant to KPMG member firm's monitoring and remediation process and communicating such information to those responsible for the process.

#### What information is communicated by the KPMG member firm related to the firm's monitoring and remediation process? [ISA | 7605.14989]

As part of the KPMG member firm's system of quality management, KPMG member firm's communications to the engagement partner include the results of the:

- Quality Performance Review Program, which is at an engagement level;
- KPMG Quality & Compliance Evaluation (KQCE) Program, which are firm wide controls and policies undertaken by the member firm;
- Global Quality & Compliance Review (GQCR) Program, which is conducted periodically by a global team;
- Any other program established as part of the KPMG member firm's system of quality management.

For more details of KPMG's policies and procedures in regards to the firm's monitoring and remediation process, refer to the GQ&RMM or any other local firm's related policies and procedures.

#### How does the engagement partner obtain information regarding the results of the KPMG member firm's monitoring and remediation process? [ISA | 7605.14990]

The results of the KPMG member firm's monitoring and remediation process are communicated via KPMG's system of quality management for specific deficiencies relevant to the engagement partner and other appropriate personnel and the recommended remedial actions. Also, the engagement partner may refer to the KPMG Transparency Report along with its supplement and its equivalent for other KPMG member firms (global transparency or local transparency reports, if available), which includes results of the firm's monitoring and remediation procedures.

In addition, KPMG member firms prepare a SoQM Effectiveness Statement, which may be used to communicate within the KPMG network and third parties about the evaluation of the KPMG member firm's system of quality management.

#### How does the engagement partner determine the relevance and effect on the engagement of the information from the KPMG's monitoring and remediation process? [ISA | 7605.14991]

In considering information communicated by the KPMG member firm through its monitoring and remediation process and how it may affect the audit engagement, the engagement partner may consider the remedial actions designed and implemented by the KPMG member firm to address identified deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team.



For example, information provided by the KPMG member firm may be relevant to the engagement when it relates to findings on another engagement performed by the engagement partner or other members of the engagement team, findings from the KPMG member firm or inspection results of previous audits of the entity.

Additionally, the engagement partner may also determine additional remedial actions are needed at the engagement level.

For example, the engagement partner may determine that:

- A specific team member or KPMG specialist is needed; or
- The nature, timing and extent of direction, supervision and review needs to be enhanced in an area of the audit where deficiencies have been identified.

If an identified deficiency does not affect the quality of the audit (e.g. if it relates to a technological resource that the engagement team did not use) then no further action may be needed.

An identified deficiency in the KPMG member firm's system of quality management does not necessarily indicate that an engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the auditor's report was not appropriate in the circumstances.

If the engagement partner is not satisfied with the results and resolutions provided by the KPMG member firm, the engagement partner may refer to the risk management partner.

#### When does the engagement partner consider the information from the KPMG member firm's monitoring and remediation process? [ISA | 7605.157315]

The engagement partner considers the information from the KPMG member firm's monitoring and remediation process during the planning phase of the audit, so appropriate action can be taken for the engagement. However, the engagement team remains alert throughout the engagement for information that may be relevant to the KPMG member firm's monitoring and remediation process.

#### What do we do when the engagement team identifies information that may be relevant to the KPMG member firm's monitoring and remediation process? [ISA | 7605.157316]

If the engagement partner (including through being informed by other members of the engagement team) identifies such information during the engagement, the engagement partner communicates such information to those responsible for the process (e.g. risk management partner or the System of Quality Management (SoQM) Team).

For example, if an engagement team member identifies that a SAT released by the KPMG member firm has a defect, timely communication of such information to the appropriate personnel enables the KPMG member firm to take steps to update and rerelease the SAT.

#### Can only the engagement partner obtain an understanding of, address information from and communicate relevant information related to the KPMG member firm's monitoring and remediation process? [ISA |

7605.157318]

No. Appropriate engagement team member(s) can assist the engagement partner in fulfilling the engagement partner's responsibilities. Those team members comply with the same requirements as the engagement partner with respect to the KPMG member firm's monitoring and remediation process. However, the overall responsibility still resides with the engagement partner despite delegation of these activities.

[What procedures, tasks or actions can the engagement partner assign to other members of the engagement team?](#) [ISA | 7605.14050]

Activities explicitly stated as 'performed by the engagement partner' are performed by the engagement partner. Other activities that are indicated as 'being the responsibility of the engagement partner' may be delegated to appropriate members of the engagement team.

[Who might be considered to be an appropriate engagement team member?](#) [ISA | 7605.2000]

An appropriately skilled or suitably experienced member of the engagement team can be considered as an appropriate engagement team member for purpose of assisting the engagement partner with their responsibilities. This is an experienced auditor having practical audit experience and a reasonable understanding of audit processes, applicable legal and regulatory requirements, business environment in which the entity operates and auditing and financial reporting issues relevant to the entity's industry.

## Taking Overall Responsibility for Managing and Achieving Quality

### International Standards on Auditing: ISA 220.40

#### Taking Overall Responsibility for Managing and Achieving Quality

40. Prior to dating the auditor's report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. In doing so, the engagement partner shall determine that: (Ref: Para. A113-A116)

(a) The engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and

(b) The nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of this ISA.

## ISA Application and Other Explanatory Material: ISA 220.A113-A116

## Taking Overall Responsibility for Managing and Achieving Quality (Ref: Para. 40)

A113. ISQM 1 requires the firm to establish a quality objective addressing the engagement team's understanding and fulfillment of their responsibilities in connection with the engagement. ISQM 1 further requires that the quality objective include the overall responsibility of engagement partners for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement.

A114. Relevant considerations in addressing paragraph 40 include determining how the engagement partner has complied with the requirements of this ISA, given the nature and circumstances of the audit engagement and how the audit documentation evidences the engagement partner's involvement throughout the audit engagement, as described in paragraph A118.

A115. Indicators that the engagement partner may not have been sufficiently and appropriately involved include, for example:

- Lack of timely review by the engagement partner of the audit engagement planning, including reviewing the assessment of risks of material misstatement and the design of those responses to those risks.
- Evidence that those to whom tasks, actions or procedures have been assigned were not adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and were not provided other necessary instructions and relevant information.
- A lack of evidence of the engagement partner's direction and supervision of the other members of the engagement team and the review of their work.

A116. If the engagement partner's involvement does not provide the basis for determining that the significant judgments made and the conclusions reached are appropriate, the engagement partner will not be able to reach the determination required by paragraph 40. In addition to taking account of firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that the engagement partner may take, include, for example:

- Updating and changing the audit plan;
- Reevaluating the planned approach to the nature and extent of review and modifying the planned approach to increase the involvement of the engagement partner; or
- Consulting with personnel assigned operational responsibility for the relevant aspect of the firm's system of quality management.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Take overall responsibility for managing and achieving quality on the audit [ISA | 8006]

#### What do we do?

The engagement partner takes overall responsibility for managing and achieving quality in the audit.

## Why do we do this?

The engagement partner takes overall responsibility to manage quality at the engagement level to obtain reasonable assurance that we have fulfilled our responsibilities and conducted an audit in accordance with the professional standards and applicable legal and regulatory requirements and that the auditor's report is appropriate. The engagement partner's overall responsibility includes fulfilling leadership responsibilities, supporting engagement performance (including taking responsibility for the nature, timing and extent of direction, supervision and review of the work performed) and standing back to determine they have taken overall responsibility for managing and achieving quality in the audit.

## Execute the audit

**How does the engagement partner take overall responsibility for managing and achieving quality on the engagement?** [ISA | 8006.157329]

The engagement partner takes responsibility for managing and achieving a quality audit by creating an environment for the engagement that emphasizes the firm's culture and expected behavior of the engagement team members. This engagement partner's responsibility is supported by KPMG culture that demonstrates a commitment to quality and the actions of the engagement team members when performing the engagement.

The engagement partner takes responsibility for clear, consistent and effective actions being taken that reflect KPMG's commitment to quality (e.g. leading by example) and that establish and communicate the expected behavior of engagement team members, including emphasizing:

- that all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level;
- the importance of professional ethics, values and attitudes to the members of the engagement team;
- the importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear or reprisal; and
- the importance of each engagement team member exercising professional skepticism throughout the engagement by performing the activity '[Apply professional skepticism](#)'.

In addition, engagement partner's sufficient and appropriate involvement throughout the engagement is fundamental to achieving high quality audits. This involvement provides the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement.

**Who is an engagement partner?** [ISA | 8006.160164]

An engagement partner is the partner or other appropriate person (e.g. managing directors, directors) in the firm who is responsible for the audit engagement. The engagement partner is responsible for the direction, supervision, and the review of the work performed, and for the auditor's report that is issued on behalf of the firm. The engagement partner is responsible for compliance of relevant professional, legal and regulatory body requirements.

When joint auditors conduct an audit, the joint engagement partners collectively constitute the "engagement partner".

In a group audit, the engagement partner responsible for the group audit is referred to as the "group engagement partner."

**Who is the engagement partner for a group audit?** [ISA | 8006.1501]

The engagement partner for a group audit, referred to as the 'group engagement partner, is the partner or other appropriate person in the firm who is responsible for the group audit engagement and for the auditor's report on the group financial statements.

**Group Audit | What are the responsibilities of the group engagement partner?** [ISA | 8006.1800]

The responsibilities of a group engagement partner for managing and achieving quality on the group audit are the same as the engagement partner responsibilities in a stand-alone audit

Although component auditors can help the group auditor obtain sufficient appropriate audit evidence, the group engagement partner still has the overall responsibility for properly managing and achieving a quality group audit.

**Who is an "other audit partner"?** [ISA | 8006.1600]

An "other audit partner" is an audit partner or other appropriate person (e.g. managing director or director) who is a member of the engagement team, and to whom the engagement partner may delegate certain responsibilities, including partner level review responsibilities. However, those responsibilities specifically required to be fulfilled by the engagement partner cannot be delegated and the ultimate responsibility for managing and achieving the overall quality on the engagement resides with the engagement partner.

**Who comprises an engagement team?** [ISA | 8006.1300]

The engagement team includes all those who perform audit procedures on the engagement and includes:

- all partners, managers, and staff
- employed KPMG specialists and specific team members
- any other individuals who perform audit procedures on the engagement, including:
  - individuals (including component auditors) from a KPMG member firm
  - individuals (including component auditors) from a non-KPMG member firm
  - individuals from service delivery centers or another service provider.

When joint auditors conduct an audit, the joint engagement teams collectively constitute the "engagement team".

The engagement team may be organized in a variety of ways. For example, engagement team members may be located together or across different geographic locations and may be organized in groups by the activity they are performing. Regardless of the location or employment status of such individuals, any individual who performs audit procedures on the engagement is a member of the engagement team.

The definition of an engagement team includes individuals who perform audit procedures on the audit engagement. Audit procedures comprise risk assessment procedures and further audit procedures. Audit procedures include inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry.

The engagement team does not include:

- engagement quality control (EQC) reviewer,
- limited scope quality control (LSQC) reviewer,
- other engagement reviewers,
- engaged KPMG specialists,
- accredited sampling professionals (ASP),
- management's specialists,
- individuals within the entity's internal audit function who provide direct assistance on an engagement,
- individuals whose involvement with the engagement is limited to consultation on specific matters. In this case, we perform the activity '[Undertake appropriate consultations](#)'.
- other individuals who perform activities that are not audit procedures (e.g. performing extraction and processing of data from an entity's system but not evaluating the relevance and reliability of such data).

[Who is a 'service provider'? \[ISA | 8006.159667\]](#)

In the context of the definition of an engagement team, a service provider is an individual or organization external to the firm that provides a resource that is used in the system of quality management or in performing engagements. Service providers exclude the firm's network, other network firms, or other structures or organizations in the network.

[What do we consider when engaging individuals who are not personnel \(i.e. partners and staff in our member firm\) to perform audit procedures? \[ISA | 8006.159995\]](#)

Refer to Sections [9.8](#) <https://www.gqrrm-prod.kworld.kpmg.com/G/0/Content/81?jm=225> and [12.7](#) <https://www.gqrrm-prod.kworld.kpmg.com/G/0/Content/231?jm=245> of the Global Quality & Risk Management Manual (GQ&RMM) for policies and procedures when engaging third parties (including individuals from other KPMG member firms or affiliates) to perform audit procedures on the engagement.

[How does the engagement partner take responsibility for communicating the expected behavior of the engagement team members? \[ISA | 8006.157330\]](#)

Communication is the means for the engagement team to share relevant information on a timely basis, thereby contributing to the achievement of quality on the audit engagement. The engagement partner's actions and communications depend on a variety of factors, including the size, structure, geographical dispersion and complexity of the engagement team, and the nature and circumstances of the engagement.

For example, to support appropriate direction, supervision and review, KPMG may use IT applications (e.g. KPMG Clara Exchange Space for group audits) to facilitate the communication between the members of the engagement team when they are performing work across geographical locations.

In a smaller engagement, direct interaction with the engagement team members may be sufficient, but in larger engagements, a more formal communication may be necessary.

The risk assessment and planning discussion (RAPD) is an example communication for the engagement partner to emphasize the expected behavior of the engagement team.

**Can the engagement partner assign the design or performance of procedures, tasks or actions to other members of the engagement team?** [ISA | 8006.157331]

Yes. Appropriate engagement team member(s) can assist the engagement partner in fulfilling the engagement partner's responsibilities. Those team members comply with the same requirements as the engagement partner with respect to the procedures, tasks or actions related to managing and achieving a quality audit. However, the engagement partner retains overall responsibility for managing and achieving quality at the engagement level through direction and supervision of those members of the engagement team, and review of their work, regardless of who performs the work and where it is performed.

**What procedures, tasks or actions can the engagement partner assign to other members of the engagement team?** [ISA | 8006.14050]

Activities explicitly stated as 'performed by the engagement partner' are performed by the engagement partner. Other activities that are indicated as 'being the responsibility of the engagement partner' may be delegated to appropriate members of the engagement team.

**Who might be considered to be an appropriate engagement team member?** [ISA | 8006.2000]

An appropriately skilled or suitably experienced member of the engagement team can be considered as an appropriate engagement team member for purpose of assisting the engagement partner with their responsibilities. This is an experienced auditor having practical audit experience and a reasonable understanding of audit processes, applicable legal and regulatory requirements, business environment in which the entity operates and auditing and financial reporting issues relevant to the entity's industry.

**When does the engagement partner determine they have taken overall responsibility for managing and achieving quality on the engagement?** [ISA | 8006.157333]

The engagement partner takes overall responsibility for the quality on audits throughout the engagement. In addition, the engagement partner 'steps back' at the end of the audit, prior to dating the auditor's report, to determine that they have taken overall responsibility for managing and achieving quality on the audit.

**How does the engagement partner determine they have taken overall responsibility for managing and achieving quality on the engagement?** [ISA | 8006.157462]

The engagement partner takes overall responsibility for managing and achieving quality on the engagement by determining that:

- their involvement has been sufficient and appropriate throughout the audit such that they have a basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement, and
- the nature and circumstances of the audit, any changes during the audit, and the firm's related policies or procedures were taken into account.

**What does it mean to be sufficiently and appropriately involved throughout the engagement?** [ISA | 8006.157335]

This overall responsibility includes fulfilling leadership responsibilities and supporting engagement performance and can be demonstrated in various ways, including:



- taking responsibility for the nature, timing and extent of direction, supervision and review of the work performed, and
- varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

This also includes standing back at the end of the engagement to determine whether the involvement was sufficient and appropriate.

[Are there indicators for the engagement partner to determine they have been sufficiently and appropriately involved in the audit?](#) [ISA | 8006.157336]

Indicators that the engagement partner has been sufficiently and appropriately involved include, for example:

- timely review of audit planning, including reviewing the assessment of risks of material misstatement and the design of responses to those risks
- evidence that those whom tasks, actions or procedures have been assigned were adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and necessary instructions and relevant information were provided
- evidence of the engagement partner's direction and supervision of other engagement team members and review of their work.

One of the key questions to ask when making this determination is "How does the audit documentation evidence the engagement partner's involvement throughout the engagement?"

[How may the engagement partner demonstrate sufficient and appropriate involvement when some procedures, tasks or actions are assigned to others?](#) [ISA | 8006.157337]

When procedures, tasks or actions are assigned to other members of the engagement team, the engagement partner may demonstrate their sufficient and appropriate involvement in different ways, including:

- informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and providing any other necessary instructions and relevant information
- direction and supervision of the assignees
- review of the assignees' work to evaluate the conclusions reached.

[What may the engagement partner do if they determine their level of involvement does not provide a basis for determining that significant judgments made and the conclusions reached are appropriate?](#)

[ISA | 8006.157338]

Actions the engagement partner may take when they determine their level of involvement does not provide a basis for determining that significant judgments made and the conclusions reached are appropriate, include, for example:

- updating and changing the audit plan;
- reevaluating the planned approach to the nature and extent of review and modifying the planned approach to increase their involvement; or
- communicate with the individual assigned operational responsibility for the relevant aspect of the firm's system of management, see question '[When does the engagement partner consider the information from the KPMG member firm's monitoring and remediation process?](#)'.

# Documentation

## International Standards on Auditing: ISA 220.41

### Documentation

41. In applying ISA 230,<sup>11</sup> the auditor shall include in the audit documentation: (Ref: Para. A117-A120)

(a) Matters identified, relevant discussions with personnel, and conclusions reached with respect to:

(i) Fulfillment of responsibilities relating to relevant ethical requirements, including those related to independence.

(ii) The acceptance and continuance of the client relationship and audit engagement.

(b) The nature and scope of, and conclusions resulting from, consultations undertaken during the audit engagement and how such conclusions were implemented.

(c) 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.

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<sup>11</sup> ISA 230, paragraphs 8-11 and A6

## ISA Application and Other Explanatory Material: ISA 220.A117-A120

### Documentation (Ref: Para. 41)

A117. In accordance with ISA 230,<sup>46</sup> audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file.

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<sup>46</sup> ISA 230, paragraph A7

A118. Documentation of the performance of the requirements of this ISA, including evidencing the involvement of the engagement partner and the engagement partner's determination in accordance with paragraph 40, may be accomplished in different ways depending on the nature and circumstances of the audit engagement. For example:

- Direction of the engagement team can be documented through signoffs of the audit plan and project management activities;
- Minutes from formal meetings of the engagement team may provide evidence of the clarity, consistency and effectiveness of the engagement partner's communications and other actions in respect of culture and expected behaviors that demonstrate the firm's commitment to quality;
- Agendas from discussions between the engagement partner and other members of the engagement team, and where applicable the engagement quality reviewer, and related signoffs

and records of the time the engagement partner spent on the engagement, may provide evidence of the engagement partner's involvement throughout the audit engagement and supervision of other members of the engagement team; or

- Signoffs by the engagement partner and other members of the engagement team provide evidence that the working papers were reviewed.

A119. When dealing with circumstances that may pose risks to achieving quality on the audit engagement, the exercise of professional skepticism, and the documentation of the auditor's consideration thereof, may be important. For example, if the engagement partner obtains information that may have caused the firm to decline the engagement (see paragraph 24), the documentation may include explanations of how the engagement team dealt with the circumstance.

A120. Documentation of consultations with other professionals that involve difficult or contentious matters that is sufficiently complete and detailed contributes to an understanding of:

- The nature and scope of the issue on which consultation was sought; and
- The results of the consultation, including any decisions taken, the basis for those decisions and how they were implemented.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1.5 Report and document identified breaches of independence and ethical requirements, if any [ISA |

7935]

#### What do we do?

Report and document identified breaches of independence and ethical requirements, including required consultations.

#### Why do we do this?

We perform the appropriate procedures over breaches of independence and ethics to communicate on a timely basis with those that are affected by such breaches and to enable those individuals to take appropriate action.

If we see an ethical or independence violation, it is our duty to report it to the appropriate parties as ethical and independence misconduct can have serious consequences, including bad working environments, negative impressions with those charged with governance, stakeholders, financial penalties and sanctions imposed by our regulators, loss of clients, and a damaged reputation in the marketplace.

We document identified ethical and/or independence breaches to maintain appropriate supporting documentation that we took appropriate steps in addressing the breach.

#### Execute the audit

[What do we do when we identify matters indicating that members of the engagement team have breached relevant ethical matters, including independence matters? \[ISA | 7935.1304\]](#)

We promptly report breaches or suspected breaches of KPMG policies regarding ethical matters, including independence matters, to the engagement partner or the Ethics and Independence Partner and consult. If a breach or suspected breach is reported to the engagement partner through KPMG's system of quality management or otherwise, that indicate members of the engagement team have breached relevant ethical policies, the engagement partner promptly reports it to the Ethics and Independence Partner.

We consult with the Ethics and Independence Partner for breaches or suspected breaches of ethical matters, including independence matters.

[How do we report breaches or suspected breaches of policies regarding ethical matters, including independence matters? \[ISA | 7935.1307\]](#)

We report breaches or suspected breaches of ethical and independence matters by contacting the Ethics and Independence Partner or delegate directly or following the country-specific mechanism (i.e., breaches reporting system or protocol).

[IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we document for identified independence and ethical breaches? \[ISA | 7935.1308\]](#)

We document the following related to identified independence breaches of external regulation or professional standards:

- the details of the breach
- the evaluation of the significance and impact of the breach
- actions taken
- key decisions made, including whether to continue the engagement, and the rationale
- matters discussed with those charged with governance and the result of these discussions
- discussion, if any, with a member body, regulator or oversight authority
- any consultations made, and
- resolution of the matter

In the case of a breach reported by a KPMG component auditor, the same documentation is required by the group auditor in relation to the group audit.

For external ethical breaches we consider the factors above and document the facts and circumstances of the breach and how the breach was resolved.

If there is a requirement to report personal data, it is done so in accordance with KPMG's privacy policies.

[Group Audit | What do we document for breaches reported by a non-KPMG component auditor? \[ISA | 7935.160100\]](#)

As the group auditor, we document our evaluation of our ability to use the work of the non-KPMG component auditor for the purposes of the group audit and our determination of the need for any further action. Our evaluation takes into account whether a reasonable and informed third party would be likely to conclude that the component auditor's objectivity is compromised, which would result in us being unable to use the component auditor's work for the purposes of the group audit.

### To whom do we communicate external independence breaches? [ISA | 7935.157453]

We communicate breaches of independence regulations or professional standards in writing to those charged with governance. Refer to activity '[Communicate breaches of independence requirements](#)' for the applicable procedures relating to the communication of independence breaches.

## Examples

### [IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we do when we suspect a breach of independence policies?](#) [ISA | 7935.1401]

#### **Fact pattern**

Entity ABC is an audit client of the firm located in the Munich, Germany office. The engagement partner recently attended a non-firm sponsored event after working hours in which the engagement senior manager was also in attendance. The nature of the event was not business related.

The engagement partner, unknown to the engagement senior manager, noticed that the CFO of Entity ABC had accompanied the senior manager to this event and their behavior and actions were indicative of a romantic relationship.

#### **Analysis**

The engagement partner immediately reports this matter to the Ethics and Independence Partner. This relationship may impact the firm's independence and can have severe negative impact to the firm and our client relationship.

### [IESBA PIE Independence Rules or SEC PCAOB Independence Rules or IESBA non-PIE Independence Rules | What do we do when we suspect a breach of policies over ethical matters?](#) [ISA | 7935.1402]

#### **Fact pattern**

Entity XYZ is an audit client of the firm located in the Toronto, Canada office. Entity XYZ has recently announced to the engagement team its intent to acquire Entity ABC which can increase the size of Entity XYZ by 50%. This information has not been released to the public.

During a lunch break, the senior associate on the Entity XYZ overheard the engagement manager telling her best friend about the pending acquisition of Entity ABC by Entity XYZ.

#### **Analysis**

The senior associate immediately reports this matter to the engagement partner or uses another firm-approved method. Disclosing confidential client information is a violation of the IESBA Code and firm policies. Engaging in insider trading or conspiracy to commit insider trading is not only against the firm's internal policies, it may also be a crime.

## 1.6 Communicate independence matters to those charged with governance [ISA | 7937]

### What do we do?

Communicate independence matters to those charged with governance.

## Why do we do this?

Communicating independence matters to those charged with governance helps them to exercise their oversight responsibilities. Also, certain communications are driven by the IESBA code.

## Execute the audit

[IESBA PIE Independence Rules | What independence matters do we communicate to those charged with governance?](#) [ISA | 7937.9682]

To determine what independence matters we communicate to those charged with governance refer to KAEG-I, ISA 260.17 | Communicate independence matters.

## 2 Perform procedures over client and engagement continuance

### What do we do?

Perform procedures over the continuance of the client relationship and the audit engagement.

### Why do we do this?

Early in our audit planning, we consider the client relationship and evaluate the specific audit engagement. We often refer to this process as client and engagement continuance. It also helps us evaluate whether we can perform the audit with competence and objectivity.

## Execute the Audit

[Who determines that our client and engagement continuance procedures have been followed and that conclusions reached are appropriate?](#) [ISA | 957.1800]

The engagement partner determines that:

- our client and engagement continuance procedures have been followed; and
- conclusions reached in this regard are appropriate.

[How do we perform client and engagement continuance?](#) [ISA | 957.1300]

We perform client and engagement continuance each year by following the protocols in the Global Quality & Risk Management Manual together with any local policies, procedures and guidance.

Client continuance focuses on the risks associated with the client. Engagement continuance focuses on the risks associated with the audit engagement, and whether we have the appropriate resources and skills available to perform the engagement.

The Global Quality & Risk Management Manual together with any local policies, procedures and guidance detail the specific activities we perform as part of the client and engagement continuance process, including the use of our firm tools, such as CEAC and Sentinel.

[When do we perform client and engagement continuance?](#) [ISA | 957.1600]

We complete the steps related to client and engagement continuance before we obtain a signed engagement letter and start the audit.

**When do we revisit or update our client and engagement continuance evaluation?** [ISA | 957.2000]

At times during the engagement, it may be appropriate to re-evaluate client and/or engagement continuance. This may be the case if a particular event significantly changes the engagement's risk profile since we last evaluated continuance.

Examples of such events can be found in the Global Quality & Risk Management Manual.

**How do we re-evaluate our existing client and/or audit relationship?** [ISA | 957.2300]

When we identify changes that cause us to re-evaluate our client and/or engagement continuance, we follow the Global Quality & Risk Management Manual. This tells us what procedures to perform and when.

**What information may we learn during the client/engagement continuance or re-evaluation process that might affect our audit?** [ISA | 957.2400]

During the continuance or re-evaluation process, we may identify information that may affect our planned audit approach or audit strategy. Examples of such matters include:

- changes in the nature, size, or organizational structure of the entity's business or the industry in which it operates which may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed;
- factors that point to other accounting, auditing, or financial reporting risks; and
- industry-specific training or experience requirements.

**What do we do with information that we obtain during the continuance or re-evaluation process?** [ISA | 957.2500]

As evidence that we considered information obtained from the continuance or re-evaluation process, we include the relevant CEAC reports in our audit file, along with our consideration of how this information affects the audit.

For example, when performing our client and engagement continuance procedures, we may learn that the entity's credit rating has been downgraded to a non-investment grade. This fact alone may not affect our decision to perform the audit; however, the information may help us identify and assess certain risks that are relevant to the audit - for example, an increased risk related to going concern.

**What if the engagement partner becomes aware of information that may have caused us to decline the audit engagement had that information been known prior to continuing the client relationship or specific engagement?** [ISA | 957.2600]

The engagement partner consults the risk management partner as soon as practicable if we become aware of information that may have caused us to:

- significantly alter our original risk assessment in CEAC; or
- decline the audit engagement



had that information been known prior to continuing the client relationship or specific engagement.

[How do we document our conclusions reached regarding the continuance of client relationships and audit engagements?](#) [ISA | 957.2700]

We document conclusions on client and engagement continuance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

## 3 Initial Audit | Perform client and engagement acceptance procedures [ISA | 981]

### What do we do?

Perform procedures over client and engagement acceptance before starting the initial audit

### Why do we do this?

In an initial audit, we often have little or no experience with the entity, so we perform additional steps as part of our client and engagement acceptance process.

We perform these additional procedures before we accept an initial audit because the information we obtain might affect our decision to accept an audit client or engagement.

## Execute the Audit

[Initial Audit | Who determines that our client and engagement continuance procedures have been followed and that conclusions reached are appropriate?](#) [ISA | 981.157412]

The engagement partner determines that:

- our client and engagement acceptance procedures have been followed; and
- conclusions reached in this regard are appropriate.

[Initial Audit | What procedures do we perform during client and engagement acceptance for an initial audit?](#) [ISA | 981.1300]

The client and engagement acceptance procedures we perform for initial audits are set out in the Global Quality & Risk Management (GQ&RM) Manual together with any local policies and procedures and guidance.

[Initial Audit | How do we document our conclusions reached regarding the acceptance of client relationships and audit engagements?](#) [ISA | 981.1400]

We document conclusions on client and engagement acceptance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

[Initial Audit | When do we perform the procedures relating to client and engagement acceptance for an initial audit?](#) [ISA | 981.1500]

We perform the procedures for an initial audit as part of our other client and engagement acceptance procedures and before we accept the initial audit.

The information we learn during this process can affect whether we decide to accept an audit client or engagement and how we conduct the audit. For example, we may identify certain risks or complexities during client and engagement acceptance that suggest a need for more experienced resources.

**Initial Audit | What information do we focus on when performing client and engagement acceptance procedures on an initial audit?** [ISA | 981.1600]

When performing client and engagement acceptance procedures, we focus on information that helps us decide how we approach our initial audit, given our lack or limited knowledge about the entity.

Specifically, we focus on those matters that could affect our risk assessment, overall audit approach, and/or the audit procedures we will perform in the audit's first year.

**Initial Audit | How might information obtained through client and engagement acceptance procedures on an initial audit impact our audit plan and audit strategy?** [ISA | 981.1700]

Information obtained through client and engagement acceptance procedures may:

- affect how we staff the engagement, including specialists and specific team members we involve;
- lead us to obtain special knowledge of a particular industry;
- highlight highly complex accounting policies or principles that we will address early in the initial audit;
- highlight significant transactions (e.g. a large acquisition) in the prior period for which we will plan to obtain evidence over opening balances; and
- suggest that the entity does not have a knowledgeable accounting and finance department.

The table below sets out some more specific examples of information we may learn through the acceptance process, and how it may affect the way we plan and perform the audit.

Type of new information	Examples of how we might change our audit plan
<b>New client has a history of losses</b>	<ul style="list-style-type: none"> <li>• Perform additional testing over going concern and plan to perform these tests earlier in the audit</li> <li>• Determine whether there are any new risks of material misstatement and significant risks</li> </ul>
<b>New audit client had a material acquisition in the prior year</b>	<ul style="list-style-type: none"> <li>• Perform additional procedures over the opening balances, to obtain evidence over the balances related to the business acquired so we do not rely unduly on procedures performed by the predecessor auditor</li> <li>• Increase our supervision over the opening balances procedures</li> <li>• Increase our oversight of and coordination with specialists and specific team members</li> <li>• Determine whether there any new risks of material misstatement and significant risks</li> </ul>

<b>New client has a history of issues in ICFR - e.g. control deficiencies - due to a lack of qualified accounting staff and executive officers</b>	<ul style="list-style-type: none"> <li>• Understand historical control deficiencies to determine if we can rely on the entity's ICFR</li> <li>• Determine whether there any new risks of material misstatement and significant risks</li> </ul>
<b>Engagement requires industry-specific experience</b>	<ul style="list-style-type: none"> <li>• Determine whether the engagement partner and other engagement team members have sufficient industry credentials before we plan the audit and perform audit procedures</li> </ul>
<b>Engagement requires extensive involvement of specialists or specific team members</b>	<ul style="list-style-type: none"> <li>• Increase our oversight of and coordination with specialists and specific team members</li> </ul>

What if we don't appropriately respond to information we learn through the acceptance process for an initial audit? [ISA | 981.10893]

If we don't identify and respond to these matters appropriately in the initial audit, we might:

- perform an insufficient audit and fail to support our audit opinion;
- fail to identify material misstatements in the financial statements;
- fail to exercise the appropriate level of due professional care throughout the audit; or
- expose the firm to potential legal and regulatory investigation.

What do we do with information that we obtain during the acceptance process? [ISA | 981.157413]

As evidence that we considered information obtained from the acceptance process, we include the relevant CEAC reports in our audit file, along with our consideration of how this information affects the audit.

For example, when performing our client and engagement acceptance procedures, we may learn that the entity's credit rating has been downgraded to a non-investment grade. This fact alone may not affect our decision to perform the audit; however, the information may help us identify and assess certain risks that are relevant to the audit - for example, an increased risk related to going concern.

What if the engagement partner becomes aware of information that may have caused us to decline the audit engagement had that information been known prior to accepting the client relationship or specific engagement? [ISA | 981.157415]

The engagement partner consults the risk management partner as soon as practicable if we become aware of information that may have caused us to:

- significantly alter our original risk assessment in CEAC; or
- decline the audit engagement

had that information been known prior to accepting the client relationship specific engagement.

[How do we document our conclusions reached regarding the acceptance of client relationships and audit engagements?](#) [ISA | 981.157416]

We document conclusions on client and engagement acceptance by including items such as Sentinel approval e-mails and CEAC documentation in the KPMG Clara workflow.

## 4 Document consultations [ISA | 1654]

### What do we do?

Perform procedures to document consultations

### Why do we do this?

When we consult during the audit, we document the details of the consultation and their resolution in order to properly evidence our conclusions which support the auditor's opinion.

## Execute the Audit

[How do we document consultations made throughout the audit?](#) [ISA | 1654.6610]

When we consult with others, we document:

- [Details of the matters consulted on and the conclusions reached](#)

[What do we document for an informal inquiry?](#) [ISA | 1654.6609]

As we use the response to the informal inquiry as input to forming our own conclusion about the issue, we do not make reference in our audit documentation to the informal inquiry or the respondent. For example, in the U.S. no FDC is provided by DPP for inclusion in the audit documentation for informal inquiries.

[When do we document our consultation and its conclusions?](#) [ISA | 1654.14156]

We document our consultations as soon as practicable after we initiate the consultation and reach a conclusion.

[Do we confirm that all appropriate consultations have been undertaken?](#) [ISA | 1654.8802]

Yes. The engagement manager and engagement partner confirm that all appropriate consultations have been undertaken.

## 4.1 Document the details of the matters consulted on and the conclusions reached [ISA | 1655]

### What do we do?

Document, in a memorandum reviewed and approved by the appropriate party, details of the matters consulted on and the conclusions reached.

## Why do we do this?

When we consult during the audit, we document the details of the consultation and their resolution in order to properly evidence our conclusions which support the auditor's opinion.

## Execute the Audit

### What do we document for a consultation? [ISA | 1655.1400]

We document in a memorandum reviewed and approved by the party or parties being consulted:

- Background and facts relevant to the consultation, including any disconfirming evidence considered;
- The name of the party with whom we consulted;
- Nature and scope of the consultation, including any related or secondary issues identified during the consultation, and conclusions reached;
- For consultations related to accounting matters, key audit considerations/implications related to the issue that were discussed with the consulted party;
- Evidence of review of the appropriate party consulted;
- The date the consultation was finalized.

For each consultation, we also document how the conclusions reached were implemented.

In order for both the engagement team and those consulted to agree on the nature and scope of, and conclusions resulting from, consultations, the engagement team provides relevant documentation of the consultation to the professionals that we have consulted and:

- obtain, in writing, that they agree with the conclusions reached by the individual seeking consultation, and
- confirm that the documentation includes a factual representation of the matters considered and the conclusions reached.

We do not include any issues in our memorandum to the consulted party that were not discussed with the consulted party.

### What other matters may be included in our documentation of a consultation? [ISA | 1655.8933]

Documentation of consultations may include other matters such as:

- alternative views with regard to technical accounting matters;
- impact of key audit considerations/implications on the following areas of the audit:
  - risk assessment;
  - internal control over financial reporting;
  - nature, timing and extent of audit procedures expected to be performed; and
  - audit evidence expected to be accumulated.

## 5 The engagement partner remains responsible for the performance of an engagement subject to EQC review [ISA | 3929]

### What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to an engagement quality control review.

### Why do we do this?

The engagement partner signs the auditor's report and, consequently, is always responsible for the engagement even when there is an engagement quality control (EQC) reviewer. The EQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

## Execute the Audit

[Who is ultimately responsible for the engagement subject to EQC review and its performance?](#) [ISA | 3929.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the EQC reviewer and others who assist the reviewer.

[What responsibilities does the engagement partner have with regards to an EQC review?](#) [ISA | 3929.14897]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has specific responsibilities with regards to an EQC review, which include:

- determining that an EQC reviewer has been appointed during the CEAC process;
- cooperating with the EQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the EQC review, with the EQC reviewer;
- confirming that issues raised by the EQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the EQC review.

[When is the EQC review of an audit complete?](#) [ISA | 3929.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in the activities '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)' and '[Review the financial statements and the proposed auditor's report\(s\)](#)'.

For example, if the EQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the EQC review is not complete.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

[In what ways do the responsibilities of the engagement partner and the EQC review partner differ?](#) [ISA | 3929.14660]

Unlike the engagement team, including the engagement partner, the EQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support the audit opinion. If the EQC reviewer identifies additional audit procedures to be performed before the EQC reviewer completes their review, the engagement team - not the EQC reviewer - is responsible for performing the additional audit procedures. In contrast, the EQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

[When do we discuss significant findings or issues and significant judgments with the EQC reviewer?](#) [ISA | 3929.1500]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the EQC reviewer. However, bringing such matters to the EQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the EQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the EQC reviewer's objectivity, matters are not usually brought to the EQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The EQC reviewer is not making decisions on behalf of the engagement team or becoming involved in decision making on the engagement.

[When does the engagement partner have discussions with the EQC reviewer during the engagement?](#) [ISA | 3929.14661]

The engagement partner may have discussions with the EQC reviewer during the engagement, for example, to establish that a significant judgment made or conclusion reached by the engagement partner will be acceptable to the EQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the EQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely EQC review.

[What do we do if differences of opinion arise between the engagement team and the engagement reviewers?](#) [ISA | 3929.1600]

When differences of opinions arise between the engagement team and the engagement reviewers, we follow the steps in activity '[Resolve differences of opinion](#)'. Differences of opinion can arise given the extent of professional judgment involved in relation to significant matters, including complex accounting, auditing and financial reporting matters.

The EQC reviewer does not complete their review until the difference of opinion is resolved in accordance with the firm's procedures. If the EQC reviewer does not complete their review, the report is not issued.



### What does the engagement team or EQC reviewer do if there are concerns regarding the EQC reviewer's objectivity? [ISA | 3929.1700]

The engagement team or EQC reviewer consults with the risk management partner when there are concerns regarding the EQC reviewer's objectivity, either by the engagement team or the EQC reviewer. The EQC reviewer and engagement team are both responsible for helping the EQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

The EQC reviewer is also responsible for notifying the risk management partner and the responsible person for their appointment to the engagement if the EQC reviewer determines they are not able to carry out the role on the engagement in compliance with relevant ethical and independence requirements, laws and regulations, or able to carry out the role with objectivity. See additional information in the question '[How does the EQC perform the EQC review?](#)'

### Who coordinates the EQC review? [ISA | 3929.14662]

The engagement partner may assign the engagement manager or another engagement team member to coordinate the engagement team's interaction with the EQC reviewer and facilitate the conduct of the EQC review in an effective and timely manner throughout the engagement.

### How do we coordinate the EQC review? [ISA | 3929.14663]

The individual responsible for coordination may develop an EQC review plan to be discussed with the EQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the EQC review plan is to facilitate timely review by the EQC reviewer of the significant judgments made and conclusions reached by the engagement team and to enable the engagement team to respond fully to matters raised by the EQC reviewer prior to the date of the report(s).

### What elements might an EQC review plan include? [ISA | 3929.14664]

The EQC review plan may include the following:

- the engagement timeline
- when it is expected that the EQC reviewer will complete each of their responsibilities as set out in the KPMG Clara workflow
- if the EQC reviewer expects to use the assistance of an audit partner or other person, who is not an engagement team member, how the engagement team will interact with them
- approach to be used by the EQC reviewer to determine what audit documentation will be reviewed in addition to what is already reviewed in accordance with the activity '[Evaluate significant judgements made and conclusions reached in an audit](#)'
- whether the EQC reviewer will attend any meetings with the engagement team, with management, or those charged with governance and, if so, the expected dates of the meetings
- when and how significant findings or issues and significant judgments arising during the engagement will be brought to the attention of the EQC reviewer (see activity '[Perform the EQC review maintaining objectivity](#)' regarding maintaining the EQC reviewer's objectivity)
- when and how the EQC reviewer will be made aware of consultations by the engagement team with others within KPMG
- other matters that are relevant to the engagement or the EQC review.

## 6 The engagement partner remains responsible for the performance of an engagement subject to LSQC review [ISA | 3955]

### What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to a limited scope quality control review.

### Why do we do this?

The appointment of the limited scope quality control (LSQC) reviewer does not in any way diminish the engagement partner's responsibility for the engagement. This is because the LSQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

## Execute the Audit

[Who is ultimately responsible for the engagement subject to LSQC review and its performance?](#) [ISA | 3955.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the LSQC reviewer and others who assist the reviewer.

[In what ways do the responsibilities of the engagement partner and the LSQC review partner differ?](#) [ISA | 3955.1400]

Unlike the engagement team, including the engagement partner, the LSQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support an opinion. If the LSQC reviewer identifies additional audit procedures to be performed before the LSQC reviewer completes their review, the engagement team - not the LSQC reviewer - is responsible for performing the additional audit procedures. In contrast, the LSQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

[What responsibilities does the engagement partner have with regards to an LSQC review?](#) [ISA | 3955.1500]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has the following specific responsibilities with regards to an LSQC review:

- determining that an LSQC reviewer has been appointed during the CEAC process;
- cooperating with the LSQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the LSQC review, with the LSQC reviewer;
- confirming that issues raised by the LSQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the LSQC review.

**When is the LSQC review of an engagement complete?** [ISA | 3955.157372]

The engagement report is not to be dated until the completion of the LSQC review, as indicated by the LSQC reviewer's review of the relevant screens within the KPMG Clara workflow based on the scope of the LSQC review.

For example, if the LSQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the LSQC review is not complete.

The LSQC reviewer indicates their review is complete through the LSQC checklist in the KPMG Clara workflow.

**What procedure does the LSQC reviewer follow if one or more matters are not 'satisfactorily resolved'?** [ISA | 3955.1600]

When the LSQC reviewer believes that one or more matters are not 'satisfactorily resolved', this indicates a difference of opinion. The LSQC reviewer first directs the engagement team to resolve the matter. The LSQC reviewer does not complete their review until the difference of opinion is resolved. If the LSQC reviewer does not complete their review, the report is not issued.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

**When do we discuss significant findings or issues and significant judgments with the LSQC reviewer?** [ISA | 3955.1700]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the LSQC reviewer. Bringing such matters to the LSQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the LSQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the LSQC reviewer's objectivity, matters are not usually brought to the LSQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The LSQC reviewer is not making decisions on behalf of the engagement team or become involved in decision making on the engagement.

**When does the engagement partner have discussions with the LSQC reviewer during the engagement?** [ISA | 3955.1800]

The engagement partner may have discussions with the LSQC reviewer during the engagement, for example, to establish that a significant finding or issue or a significant judgment made or conclusions reached by the engagement partner will be acceptable to the LSQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the LSQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely LSQC review.

### What does the engagement team do if there are concerns regarding the LSQC reviewer's objectivity? [ISA | 3955.14713]

The engagement team or LSQC reviewer consults with the risk management partner when there are concerns noted regarding the LSQC reviewer's objectivity, either the engagement team or the LSQC reviewer. The LSQC reviewer and engagement team are both responsible for helping the LSQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

If after consulting with the risk management partner, the LSQC reviewer's ability to perform an objective review may be impaired, another LSQC reviewer is appointed by the risk management partner.

### Who coordinates the LSQC review? [ISA | 3955.14715]

The engagement partner may appoint the engagement manager or another engagement team member to coordinate the engagement team's interaction with the LSQC reviewer and facilitate the conduct of the LSQC review in an effective and timely manner throughout the engagement.

### How do we coordinate the LSQC review? [ISA | 3955.14716]

The individual responsible for coordination may develop an LSQC review plan to be discussed with the LSQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the LSQC review plan is to facilitate timely review by the LSQC reviewer and to enable the engagement team to respond fully to matters raised by the LSQC reviewer prior to the date of the report(s).

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# KAEG-I [INTL VERSION 2024]: ISA 230 Audit documentation

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## KAEG-I [INTL VERSION]: ISA 230 Audit documentation [ISA | KAEGISA230]

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## ISA 230 Audit Documentation

[View the Full Chapter for this Standard](#)

## ISA 230 *Audit Documentation*

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

**International Standard on Auditing (ISA) 230, *Audit Documentation*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.**

## Introduction, Objective, Definitions

## International Standards on Auditing: ISA 230.01-06

## Introduction