

### Supplement 1 to Agenda Item 4-A – Comparison of AS 7,<sup>1</sup> ISQC 1<sup>2</sup> / ISA 220<sup>3</sup> and the European Regulation<sup>4</sup>

AS 7 – Engagement Quality Review	ISQC 1 and ISA 220	EU Regulation
APPLICABILITY OF STANDARD		
1. An engagement quality review and concurring approval of issuance are required for each audit engagement and for each engagement to review interim financial information conducted pursuant to the standards of the Public Company Accounting Oversight Board (“PCAOB”)	35. The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures shall: <ul style="list-style-type: none"> <li>a. Require an engagement quality control review for all audits of financial statements of listed entities;</li> <li>b. Set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements shall be evaluated to determine whether an engagement quality control review</li> </ul>	Article 8 <ul style="list-style-type: none"> <li>1. Before the reports referred to in Articles 10<sup>5</sup> and 11<sup>6</sup> are issued, an engagement quality control review (in this Article hereinafter referred to as: review) shall be performed to assess whether the statutory auditor or the key audit partner could have reasonably come to the opinion and conclusions expressed in the draft of these reports.</li> </ul>

<sup>1</sup> PCAOB Auditing Standard No. 7 (AS 7), *Engagement Quality Review*

<sup>2</sup> International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

<sup>3</sup> ISA 220, *Quality Control for an Audit of Financial Statements*

<sup>4</sup> Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC

<sup>5</sup> Article 10, *Audit reports*

<sup>6</sup> Article 11, *Additional report to the audit committee*

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	<p>should be performed; and (Ref: Para A41)</p> <p>c. Require an engagement quality control review for all engagements, if any, meeting the criteria established in compliance with subparagraph 35(b)</p> <p>A41. Criteria for determining which engagements, other than audits of financial statements of listed entities, are to be subject to an engagement quality control review may include, for example:</p> <ul style="list-style-type: none"> <li>• The nature of the engagement, including the extent to which it involves a matter of public interest.</li> <li>• The identification of unusual circumstances or risks in an engagement or class of engagements.</li> <li>• Whether laws or regulations require an engagement quality control review.</li> </ul> <p>A46. Although not referred to as listed entities, as described in paragraph A16, certain public sector entities may be of sufficient significance to warrant performance of an engagement quality control review.</p> <p>ISA220 A26. Remaining alert for changes in circumstances allows the engagement partner to identify situations in which an engagement quality control review is necessary, even though at the start of</p>	

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	<p>the engagement, such a review was not required.</p> <p>ISA220 A29. In addition to the audits of financial statements of listed entities, an engagement quality control review is required for audit engagements that meet the criteria established by the firm that subjects engagements to an engagement quality review. In some cases, none of the firm's audit engagements may meet the criteria that would subject them to such a review.</p> <p>ISA220 A30. In the public sector, a statutorily appointed auditor (for example, an Auditor General, or other suitably qualified person appointed on behalf of the Auditor General), may act in a role equivalent to that of an engagement partner with overall responsibility for public sector audits. In such circumstances, where applicable, the selection of the engagement quality control reviewer includes consideration of the need for independence from the audited entity and the ability of the engagement quality control reviewer to provide an objective evaluation.</p> <p>ISA220 A31. Listed entities as referred to in paragraphs 21 and A28 are not common in the public sector. However,</p>	

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	<p>there may be other public sector entities that are significant due to size, complexity or public interest aspects, and which consequently have a wide range of stakeholders. Examples include state owned corporations and public utilities. Ongoing transformations within the public sector may also give rise to new types of significant entities. There are no fixed objective criteria on which the determination of significance is based. Nonetheless, public sector auditors evaluate which entities may be of sufficient significance to warrant performance of an engagement quality control review.</p>	
OBJECTIVE		
<p>2. The objective of the engagement quality reviewer is to perform an evaluation of the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report, if a report is to be issued, in order to determine whether to provide concurring approval of issuance</p>	<p>ISA220.6 The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that:</p> <p>(a) The audit complies with professional standards and applicable legal and regulatory requirements; and</p>	<p>Article 8</p> <p>1. Before the reports referred to in Articles 10<sup>7</sup> and 11<sup>8</sup> are issued, an engagement quality control review (in this Article hereinafter referred to as: review) shall be performed to assess whether the statutory auditor or the key audit partner could have reasonably come to the opinion and</p>

<sup>7</sup> Article 10, *Audit reports*

<sup>8</sup> Article 11, *Additional report to the audit committee*

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	<p>(b) The auditor's report issued is appropriate in the circumstances.</p> <p>ISA220 20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:</p> <ul style="list-style-type: none"> <li>(a) Discussion of significant matters with the engagement partner;</li> <li>(b) Review of the financial statements and the proposed auditor's report;</li> <li>(c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and</li> <li>(d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26–A27, A29–A31)</li> </ul>	<p>conclusions expressed in the draft of these reports.</p>

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QUALIFICATIONS OF AN ENGAGEMENT QUALITY REVIEWER		
<p>3. The engagement quality reviewer must be an associated person of a registered public accounting firm. An engagement quality reviewer from the firm that issues the engagement report (or communicates an engagement conclusion, if no report is issued) must be a partner or another individual in an equivalent position. The engagement quality reviewer may also be an individual from outside the firm.</p>	<p>39. The firm shall establish policies and procedures to address the appointment of engagement quality control reviewers and establish their eligibility through:</p> <p>(a) The technical qualifications required to perform the role, including the necessary experience and authority; and (Ref: Para. A47)</p> <p>A47. What constitutes sufficient appropriate technical expertise, experience and authority depends on the circumstances of the engagement. For example, the engagement quality control reviewer for an audit of the financial statements of a listed entity is likely to be an individual with sufficient and appropriate experience and authority to act as an engagement partner on audits of financial statements of listed entities.</p>	<p>Article 8</p> <p>2. The review shall be performed by an engagement quality control reviewer (in this Article hereinafter referred to as: reviewer). The reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the review relates.</p>
<p>4. As described below, an engagement quality reviewer must have competence, independence, integrity, and objectivity.</p> <p>Note: The firm's quality control policies and procedures should include provisions to provide the firm with reasonable assurance that the engagement quality reviewer has sufficient competence, independence, integrity, and objectivity to perform the</p>	<p>39. The firm shall establish policies and procedures to address the appointment of engagement quality control reviewers and establish their eligibility through:</p> <p>(a) The technical qualifications required to perform the role, including the necessary experience and authority; and (Ref: Para. A47)</p>	<p>Article 8</p> <p>2. The review shall be performed by an engagement quality control reviewer (in this Article hereinafter referred to as: reviewer). The reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the review relates.</p>

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engagement quality review in accordance with the standards of the PCAOB.	<p>(b) The degree to which an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer's objectivity. (Ref: Para. A48)</p> <p>40. The firm shall establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer. (Ref: Para. A48)</p>	
<b>Competence</b>		
5. The engagement quality reviewer must possess the level of knowledge and competence related to accounting, auditing, and financial reporting required to serve as the engagement partner on the engagement under review.	A47. What constitutes sufficient appropriate technical expertise, experience and authority depends on the circumstances of the engagement. For example, the engagement quality control reviewer for an audit of the financial statements of a listed entity is likely to be an individual with sufficient and appropriate experience and authority to act as an engagement partner on audits of financial statements of listed entities.	Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that "Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission" "international auditing standards" means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.
<b>Independence , Integrity, and Objectivity</b>		
<p>6. The engagement quality reviewer must be independent of the company, perform the engagement quality review with integrity, and maintain objectivity in performing the review.</p> <p>Note: The reviewer may use assistants in performing the engagement quality review.</p>	40. The firm shall establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer. (Ref: Para. A48)	Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that "Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards

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<p>Personnel assisting the engagement quality reviewer also must be independent, perform the assigned procedures with integrity, and maintain objectivity in performing the review.</p>		<p>adopted by the Commission” “international auditing standards” means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.</p>
<p>7. To maintain objectivity, the engagement quality reviewer and others who assist the reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team. The engagement partner remains responsible for the engagement and its performance, notwithstanding the involvement of the engagement quality reviewer and others who assist the reviewer.</p>	<p>A48. The engagement partner may consult the engagement quality control reviewer during the engagement, for example, to establish that a judgment made by the engagement partner will be acceptable to the engagement quality control reviewer. Such consultation avoids identification of differences of opinion at a late stage of the engagement and need not compromise the engagement quality control reviewer's eligibility to perform the role. Where the nature and extent of the consultations become significant the reviewer's objectivity may be compromised unless care is taken by both the engagement team and the reviewer to maintain the reviewer's objectivity. Where this is not possible, another individual within the firm or a suitably qualified external person may be appointed to take on the role of either the engagement quality control reviewer or the person to be consulted on the engagement.</p> <p>A49. The firm is required to establish policies and procedures designed to maintain objectivity of the engagement quality control reviewer. Accordingly, such policies and procedures</p>	<p>Article 8</p> <p>2. The review shall be performed by an engagement quality control reviewer (in this Article hereinafter referred to as: reviewer). The reviewer shall be a statutory auditor who is not involved in the performance of the statutory audit to which the review relates.</p>



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	<p>provide that the engagement quality control reviewer:</p> <ul style="list-style-type: none"> <li>• Where practicable, is not selected by the engagement partner;</li> <li>• Does not otherwise participate in the engagement during the period of review;</li> <li>• Does not make decisions for the engagement team; and</li> <li>• Is not subject to other considerations that would threaten the reviewer's objectivity.</li> </ul>	
<p>8. The person who served as the engagement partner during either of the two audits preceding the audit subject to the engagement quality review may not be the engagement quality reviewer. Registered firms that qualify for the exemption under Rule 2-01(c)(6)(ii) of Regulation S-X, 17 C.F.R. § 210.2-01(c)(6)(ii), are exempt from the requirement in this paragraph.</p>	<p>41. The firm's policies and procedures shall provide for the replacement of the engagement quality control reviewer where the reviewer's ability to perform an objective review may be impaired.</p>	<p>Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that "Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission" "international auditing standards" means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.</p>
ENGAGEMENT QUALITY REVIEW FOR AN AUDIT		
Engagement Quality Review Process		
<p>9. In an audit engagement, the engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the</p>	<p>A44. The extent of the engagement quality review may depend, among other things, on the complexity of the engagement, whether the entity is a listed entity, and the risk that the</p>	<p>See detail in comparison to AS 7 para 10 below.</p>

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<p>overall conclusion on the engagement and in preparing the engagement report. To evaluate such judgments and conclusions, the engagement quality reviewer should, to the extent necessary to satisfy the requirements of paragraphs 10 and 11: (1) hold discussions with the engagement partner and other members of the engagement team, and (2) review documentation.</p>	<p>report might not be appropriate in the circumstances. The performance of an engagement quality control review does not reduce the responsibilities of the engagement partner.</p> <p>ISA220 A27. The extent of the engagement quality control review may depend, among other things, on the complexity of the audit engagement, whether the entity is a listed entity, and the risk that the auditor's report might not be appropriate in the circumstances. The performance of an engagement quality control review does not reduce the responsibilities of the engagement partner for the audit engagement and its performance.</p>	
<p>10. In an audit, the engagement quality reviewer should:</p> <p>a. Evaluate the significant judgments that relate to engagement planning, including</p> <ul style="list-style-type: none"> <li>– The consideration of the firm's recent engagement experience with the company and risks identified in connection with the firm's client acceptance and retention process.</li> </ul>	<p>37. The firm shall establish policies and procedures to require the engagement quality control review to include:</p> <p>(a) Discussion of significant matters with the engagement partner;</p> <p>...</p> <p>(c) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached;</p> <p>A45. Other matters relevant to evaluating the significant judgments made by the</p>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p> <p>....</p> <p>(b) The significant risks which are relevant to the statutory audit and which the statutory auditor or the key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to</p>

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<ul style="list-style-type: none"> <li>– The consideration of the company's business, recent significant activities, and related financial reporting issues and risks, and</li> <li>– The judgments made about materiality and the effect of those judgments on the engagement strategy.</li> </ul>	<p>engagement team that may be considered in an engagement quality control review of an auditor of the financial statements of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Significant risks identified during the engagement and the responses to those risks.</li> <li>• Judgments made, particularly with respect to materiality and significant risks.</li> </ul> <p>ISA220 A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Significant risks identified during the engagement in accordance with ISA 315 (Revised),<sup>11</sup> and the responses to those risks in accordance with ISA 330,<sup>12</sup> including the engagement team's assessment of, and response to, the risk of fraud in accordance with ISA 240.<sup>19</sup></li> </ul>	<p>adequately manage those risks;</p> <p>(c) The reasoning of the statutory auditor or the key audit partner, in particular with regard to the level of materiality and the significant risks referred to in point (b)</p>
<p>b. Evaluate the engagement team's assessment of, and audit responses to</p> <ul style="list-style-type: none"> <li>–</li> </ul>	<p>37. The firm shall establish policies and procedures to require the engagement quality control review to include:</p>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p>

<sup>9</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

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<ul style="list-style-type: none"> <li>– Significant risks identified by the engagement team, including fraud risks, and</li> <li>– Other significant risks identified by the engagement quality reviewer through performance of the procedures required by this standard.</li> </ul> <p>Note: A <i>significant risk</i> is a risk of material misstatement that requires special audit consideration.</p>	<p>(d) Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate, (Ref: Para. A44)</p> <p>A45. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of an auditor of the financial statements of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Significant risks identified during the engagement and the responses to those risks.</li> </ul> <p>ISA220 A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Significant risks identified during the engagement in accordance with ISA 315 (Revised),<sup>11</sup> and the responses to those risks in accordance with ISA 330,<sup>12</sup> including the engagement team's assessment of, and response to, the risk of fraud in accordance with ISA 240.1<sup>10</sup></li> </ul>	<p>....</p> <p>(b) The significant risks which are relevant to the statutory audit and which the statutory auditor or the key audit partner has identified during the performance of the statutory audit and the measures that he or she has taken to adequately manage those risks;</p> <p>(c) The reasoning of the statutory auditor or the key audit partner, in particular with regard to ... the significant risks referred to in point (b)</p>

<sup>10</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

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<p>c. Evaluate the significant judgments made about (1) the materiality and disposition of corrected and uncorrected identified misstatements and (2) the severity and disposition of identified control deficiencies.</p>	<p>37. The firm shall establish policies and procedures to require the engagement quality control review to include:</p> <p>(a) Discussion of significant matters with the engagement partner;</p> <p>...</p> <p>(c) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached;</p> <p>A45. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of an auditor of the financial statements of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Judgments made, particularly with respect to materiality and significant risks.</li> <li>• The significance and disposition of corrected and uncorrected misstatements identified during the engagement.</li> </ul> <p>ISA220 19. For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement quality control is required, the engagement partner shall:</p>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p> <p>....</p> <p>(e) The nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the carrying out of the audit.</p>

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	<p>(b) Discuss significant matters arising during the audit engagement including those identified during the engagement quality control review, with the engagement quality control reviewer;</p> <p>ISA220 A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:</p> <ul style="list-style-type: none"> <li>• Judgments made, particularly with respect to materiality and significant risks.</li> <li>• The significance and disposition of corrected and uncorrected misstatements identified during the audit.</li> </ul>	
<p>d. Review the engagement team's evaluation of the firm's independence in relation to the engagement.</p>	<p>38. For audits of financial statements of listed entities, the firm shall establish policies and procedures to require the engagement quality control review to also include consideration of the following:</p> <p>(a) The engagement team's evaluation of the firm's independence in relation to the specific engagement;</p> <p>ISA220 21. For audits of financial statements of listed entities, the engagement quality</p>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p> <p>(a) The independence of the statutory auditor or the audit firm from the audited entity.</p>

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	<p>control reviewer, on performing an engagement quality control review, shall also consider the following:</p> <p>(a) The engagement team's evaluation of the firm's independence in relation to the audit engagement;</p>	
<p>e. Review the engagement completion document and confirm with the engagement partner that there are no significant unresolved matters.</p>	<p>42. The firms shall establish policies and procedures on documentation of the engagement quality control review which require that:</p> <p>...</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</p> <p>ISA220 20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:</p> <p>(a) Discussion of significant matters with the engagement partner;</p> <p>...</p>	<p>Article 8</p> <p>6. The reviewer shall discuss the results of the review with the statutory auditor or the key audit partner. The audit firm shall establish procedures for determining the manner in which any disagreement between the key audit partner and the reviewer are to be resolved.</p>

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	<p>(c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and</p> <p>(d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26–A27, A29–A31)</p>	
<p>f. Review the financial statements, management's report on internal control, and the related engagement report.</p>	<p>37. The firm shall establish policies and procedures to require the engagement quality control review to include:</p> <p>(b) Review of the financial statements or other subject matter information and the proposed report;</p> <p>ISA220 20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:</p> <p>(b) Review of the financial statements and the proposed auditor's report;</p>	<p>Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that "Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission"</p> <p>"international auditing standards" means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.</p>



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<p>g. Read other information in documents containing the financial statements to be filed with the Securities and Exchange Commission (“SEC”) and evaluate whether the engagement team has taken appropriate action with respect to any material inconsistencies with the financial statements or material misstatements of fact of which the engagement quality reviewer is aware.</p>	<p>37. The firm shall establish policies and procedures to require the engagement quality control review to include:</p> <p>(b) Review of the financial statements or other subject matter information and the proposed report;</p> <p>....</p> <p>(d) Evaluation of the conclusions reached in formulating the auditor’s report and consideration of whether the proposed auditor’s report is appropriate. (Ref: Para. A26–A27, A29–A31)</p>	<p>Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that “Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance with international auditing standards adopted by the Commission”</p> <p>“international auditing standards” means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.</p>
<p>h. Based on the procedures required by this standard, evaluate whether appropriate consultations have taken place on difficult or contentious matters. Review the documentation, including conclusions, of such consultations.</p>	<p>38. For audits of financial statements of listed entities, the firm shall establish policies and procedures to require the engagement quality control review to also include consideration of the following:</p> <p>(d) Whether consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and</p> <p>ISA220 21. For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an engagement quality control review, shall also consider the following:</p> <p>(b) Whether appropriate consultation has taken place on matters</p>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p> <p>...</p> <p>(d) Any request for advice to external experts and the implementation of such advice;</p>

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	involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and	
<p>i. Based on the procedures required by this standard, evaluate whether appropriate matters have been communicated, or identified for communication, to the audit committee, management, and other parties, such as regulatory bodies.</p>	<p>A45. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of an auditor of the financial statements of a listed entity include:</p> <ul style="list-style-type: none"> <li>The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.</li> </ul> <p>ISA220 A28. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of a listed entity include:</p> <ul style="list-style-type: none"> <li>The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.</li> </ul>	<p>Article 8</p> <p>5. The review shall at least assess the following elements:</p> <p>...</p> <p>(f) The subjects discussed with the audit committee and the management and/or supervisory bodies of the audited entity;</p> <p>(g) The subjects discussed with competent authorities and, where applicable, with other third parties;</p>
Evaluation of Engagement Documentation		
<p>11. In an audit, the engagement quality reviewer should evaluate whether the engagement documentation that he or she reviewed when</p>	<p>38. For audits of financial statements of listed entities, the firm shall establish policies and procedures to require the engagement quality</p>	<p>Article 8</p>

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<p>performing the procedures required by paragraph 10</p> <ul style="list-style-type: none"> <li>a. Indicates that the engagement team responded appropriately to significant risks, and</li> <li>b. Supports the conclusions reached by the engagement team with respect to the matters reviewed.</li> </ul>	<p>control review to also include consideration of the following:</p> <ul style="list-style-type: none"> <li>(e) Whether documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A45-46)</li> </ul> <p>ISA220 20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation shall involve:</p> <ul style="list-style-type: none"> <li>(c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and</li> <li>(d) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate. (Ref: Para. A26–A27, A29–A31)</li> </ul> <p>ISA220 21. For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an</p>	<p>5. The review shall at least assess the following elements:</p> <p>...</p> <ul style="list-style-type: none"> <li>(h) Whether the documents and information selected from the file by the reviewer support the opinion of the statutory auditor or the key audit partner as expressed in the draft of the reports referred to in Articles 10 and 11.</li> </ul>

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	<p>engagement quality control review, shall also consider the following:</p> <p>(c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A28–A31)</p>	
<b>Concurring Approval of Issuance</b>		
<p>12. In an audit, the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due professional care the review required by this standard, he or she is not aware of a significant engagement deficiency.</p> <p>Note: A <i>significant engagement deficiency</i> in an audit exists when (1) the engagement team failed to obtain sufficient appropriate evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client.</p>	<p>42. The firms shall establish policies and procedures on documentation of the engagement quality control review which require documentation that:</p> <p>...</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</p> <p>25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that:</p> <p>(a) The procedures required by the firm's policies on engagement quality control review have been performed;</p> <p>(b) The engagement quality control review has been completed on or before the date of the auditor's report; and</p>	<p>Article 8</p> <p>6. The reviewer shall discuss the results of the review with the statutory auditor or the key audit partner. The audit firm shall establish procedures for determining the manner in which any disagreement between the key audit partner and the reviewer are to be resolved.</p>

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	(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.	
13. In an audit, the firm may grant permission to the client to use the engagement report only after the engagement quality reviewer provides concurring approval of issuance	<p>36. The firm shall establish policies and procedures setting out the nature, timing and extent of an engagement quality control review. Such policies and procedures shall require that the engagement report not be dated until the completion of the engagement quality control review. (Ref: Para A42–A43)</p> <p>A42. The engagement report is not dated until the completion of the engagement quality control review. However, documentation of the engagement quality control review may be completed after the date of the report.</p> <p>A43. Conducting the engagement quality review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the engagement quality control reviewer’s satisfaction on or before the date of the report.</p> <p>ISA220 19. For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement</p>	<p>Article 8</p> <p>1. Before the reports referred to in Articles 10 and 11 are issued, an engagement quality control review ... shall be performed to assess whether the statutory auditor or the key audit partner could reasonably have come to the opinion and conclusions expressed in the draft of these reports.</p>

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	<p>quality control is required, the engagement partner shall:</p> <p>(c) Not date the auditor's report until the completion of the engagement quality control review. (Ref: Para. A23–A25)</p> <p>ISA220 A23. ISA 700 requires the auditor's report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statements.<sup>11</sup> In cases of an audit of financial statements of listed entities or when an engagement meets the criteria for an engagement quality control review, such a review assists the auditor in determining whether sufficient appropriate evidence has been obtained.</p>	
<b>ENGAGEMENT QUALITY REVIEW FOR A REVIEW OF INTERIM FINANCIAL INFORMATION</b>		
<b>Engagement Quality Review Process</b>		
<p>14. In an engagement to review interim financial information, the engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the</p>	<p>No separate requirements are included in ISQC 1 for interim review engagements but may be included under paragraph 35(b) of ISQC 1 detailed below.</p>	<p>Nothing specific in Article 8 of the Regulation, however, Article 26 of the Directive states that “Member States shall require statutory auditors and audit firms to carry out statutory audits in compliance</p>

<sup>11</sup> ISA 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph 41


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<p>overall conclusion on the engagement and in preparing the engagement report, if a report is to be issued. To evaluate such judgments and conclusions, the engagement quality reviewer should, to the extent necessary to satisfy the requirements of paragraphs 15 and 16: (1) hold discussions with the engagement partner and other members of the engagement team, and (2) review documentation.</p> <p>15. In a review of interim financial information, the engagement quality reviewer should:</p> <p>a. Evaluate the significant judgments that relate to engagement planning, including the consideration of</p> <ul style="list-style-type: none"> <li>– The firm’s recent engagement experience with the company and risks identified in connection with the firm’s client acceptance and retention process,</li> <li>– The company’s business, recent significant activities, and related financial reporting issues and risks, and</li> <li>– The nature of identified risks of material misstatement due to fraud.</li> </ul>	<p>35. The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures shall:</p> <p>....</p> <p>(b) Set out criteria against which all other audits and reviews of historical financial information and other assurance and related services engagements shall be evaluated to determine whether an engagement quality control review should be performed; and (Ref: Para. A41)</p> <p>Also note</p> <p>A45. Other matters relevant to evaluating the significant judgments made by the engagement team that may be considered in an engagement quality control review of an audit of financial statements of a listed entity include:</p> <p>...</p> <p>These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities as well</p>	<p>with international auditing standards adopted by the Commission” “international auditing standards” means International Standards on Auditing (ISAs), International Quality Control (ISQC 1) other related standards issued by ... the IAASB.</p>



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<p>b. Evaluate the significant judgments made about (1) the materiality and disposition of corrected and uncorrected identified misstatements and (2) any material modifications that should be made to the disclosures about changes in internal control over financial reporting.</p>	<p>as of financial statements and other assurance and related services.</p> <p>ISA220 A28. These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities.</p>	
<p>c. Perform the procedures described in paragraphs 10.d and 10.e.</p>		
<p>d. Review the interim financial information for all periods presented and for the immediately preceding interim period, management's disclosure for the period under review, if any, about changes in internal control over financial reporting, and the related engagement report, if a report is to be issued.</p>		
<p>e. Read other information in documents containing interim financial information to be filed with the SEC and evaluate whether the engagement team has taken appropriate action with respect to material inconsistencies with the interim financial information or material misstatements of fact of which the engagement quality reviewer is aware.</p>		



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f. Perform the procedures in paragraphs 10.h and 10.i		
<b>Evaluation of Engagement Documentation</b>		
16. In a review of interim financial information, the engagement quality reviewer should evaluate whether the engagement documentation that he or she reviewed when performing the procedures required by paragraph 15 supports the conclusions reached by the engagement team with respect to the matters reviewed.	As above	As above
<b>Concurring Approval of Issuance</b>		
<p>17. In a review of interim financial information, the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due professional care the review required by this standard, he or she is not aware of a significant engagement deficiency.</p> <p>Note: A <i>significant engagement deficiency</i> in a review of interim financial information exists when (1) the engagement team failed to perform interim review procedures necessary in the circumstances of the engagement, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the</p>	As above	As above

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circumstances, or (4) the firm is not independent of its client.		
18. In a review of interim financial information, the firm may grant permission to the client to use the engagement report (or communicate an engagement conclusion to its client, if no report is issued) only after the engagement quality reviewer provides concurring approval of issuance.	As above	As above
<p><i>[The following paragraph is effective for audits of fiscal years ending on or after June 1, 2014. See PCAOB Release No. 2013-007.]</i></p> <p><b>ENGAGEMENT QUALITY REVIEW FOR AN ATTESTATION ENGAGEMENT PERFORMED PURSUANT TO ATTESTATION STANDARD NO. 1, EXAMINATION ENGAGEMENTS REGARDING COMPLIANCE REPORTS OF BROKERS AND DEALERS, OR ATTESTATION STANDARD NO. 2, REVIEW ENGAGEMENTS REGARDING EXEMPTION REPORTS OF BROKERS AND DEALERS</b></p> <p>18A In an attestation engagement performed pursuant to Attestation Standard No. 1, <i>Examination Engagements Regarding Compliance Reports of Brokers and Dealers</i>, or Attestation Standard No. 2, <i>Review Engagements Regarding Exemption Reports of Brokers and Dealers</i>, the engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions</p>	No separate requirements are included in ISQC 1 in respect of brokers and dealers. But may be included under paragraph 35(b) of ISQC 1 if the criteria set under this paragraph provides for the inclusion of broker dealers in the EQCR program.	As above

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<p>reached in forming the overall conclusion on the attestation engagement and in preparing the engagement report. To evaluate such judgments and conclusions, the engagement quality reviewer should, taking into account the procedures performed in the engagement quality review of the financial statement audit, (1) hold discussions with the engagement partner and other members of the engagement team, (2) read the engagement report and the document containing management's assertions, and (3) review the engagement completion document and other relevant documentation.</p> <p><i>[The following paragraph is effective for audits of fiscal years ending on or after June 1, 2014; see PCAOB Release No. 2013-007 .]</i></p> <p>18B. In an attestation engagement performed pursuant to Attestation Standard No. 1, <i>Examination Engagements Regarding Compliance Reports of Brokers and Dealers</i>, or Attestation Standard No. 2, <i>Review Engagements Regarding Exemption Reports of Brokers and Dealers</i>, the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due professional care the review required by this standard, he or she is not aware of a <i>significant engagement deficiency</i>.</p>		

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<p><i>[The following note is effective for audits of fiscal years ending on or after June 1, 2014; see PCAOB Release No. 2013-007 .]</i></p> <p>Note: A significant engagement deficiency in an attestation engagement performed pursuant to Attestation Standard No. 1, <i>Examination Engagements Regarding Compliance Reports of Brokers and Dealers</i>, or Attestation Standard No. 2, <i>Review Engagements Regarding Exemption Reports of Brokers and Dealers</i>, exists when (1) the engagement team failed to perform attestation procedures necessary in the circumstances of the engagement, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client.</p> <p><i>[The following paragraph is effective for audits of fiscal years ending on or after June 1, 2014; see PCAOB Release No. 2013-007 .]</i></p> <p>18C. In an attestation engagement performed pursuant to Attestation Standard No. 1, <i>Examination Engagements Regarding Compliance Reports of Brokers and Dealers</i>, or Attestation Standard No. 2, <i>Review Engagements Regarding Exemption Reports of Brokers and Dealers</i>, the firm may grant permission to the client to use the engagement report only after the engagement quality</p>		

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reviewer provides concurring approval of issuance.		
<b>DOCUMENTATION OF AN ENGAGEMENT QUALITY REVIEW</b>		
<p>19. Documentation of an engagement quality review should contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures performed by the engagement quality reviewer, and others who assisted the reviewer, to comply with the provisions of this standard, including information that identifies:</p> <ul style="list-style-type: none"> <li>a. The engagement quality reviewer, and others who assisted the reviewer,</li> <li>b. The documents reviewed by the engagement quality reviewer, and others who assisted the reviewer,</li> <li>c. The date the engagement quality reviewer provided concurring approval of issuance or, if no concurring approval of issuance was provided, the reasons for not providing the approval.</li> </ul>	<p>42. The firm shall establish policies and procedures on documentation of the engagement quality control review which require documentation that:</p> <ul style="list-style-type: none"> <li>(a) The procedures required by the firm's policies on engagement quality control review have been performed;</li> <li>(b) The engagement quality control review has been completed on or before the date of the report; and</li> <li>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</li> </ul>	<p>Article 8</p> <p>4. When performing the review, the reviewer shall record at least the following:</p> <ul style="list-style-type: none"> <li>(a) The oral and written information provided by the statutory auditor or the key audit partner to support the significant judgements as well as the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the reviewer;</li> <li>(b) The opinions of the statutory auditor or the key audit partner, as expressed in the draft of the reports referred to in Articles 10 and 11.</li> </ul>
<p>20. Documentation of an engagement quality review should be included in the engagement documentation.</p>	<p>42. The firms shall establish policies and procedures on documentation of the engagement quality control review which require that:</p>	<p>Article 8</p> <p>7. The statutory auditor or the audit firm and the reviewer shall keep a record of the results of the review, together</p>

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	<p>(a) The procedures required by the firm's policies on engagement quality control have been performed;</p> <p>(b) The engagement quality control review has been completed on or before the date of the report; and</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.</p> <p>ISA220 25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that:</p> <p>(a) The procedures required by the firm's policies on engagement quality control review have been performed;</p> <p>(b) The engagement quality control review has been completed on or before the date of the auditor's report; and</p> <p>(c) The reviewer is not aware of any unresolved matters that would cause the reviewer to believe that the significant judgments the engagement team made and the</p>	<p>with the considerations underlying those results.</p>

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	conclusions it reached were not appropriate.	
21. The requirements related to retention of and subsequent changes to audit documentation in PCAOB Auditing Standard No. 3, <i>Audit Documentation</i> , apply with respect to the documentation of the engagement quality review.		