# Agenda Item 6-D

## Engagement Quality Reviews – Comparison of Proposed ISQC 1 (Revised) and Proposed ISQC 2 Wording to ISQC 1 and ISA 220 (Extant)

This document compares the proposed requirements and application material in **Agenda Item 6–A** and **Agenda Item 6-B** to relevant paragraphs in extant ISQC 1[1] and ISA 220[2] for engagement quality reviews. The left column contains paragraphs from extant ISQC 1 and ISA 220 and the right column contains wording in proposed ISQC 1 (Revised) and proposed ISQC 2. This document is prepared by IAASB staff for reference purposes only.

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| **ISQC 1** | | | |
| **Definitions** | | | |
| 12. In this ISQC, the following terms have the meanings attributed below: …<br>(d) Engagement quality control review – A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities, and those other engagements, if any, for which the | Proposed ISQC 2<br>(See Agenda Item 6–A) | 16. In this ISQC, the following terms have the meanings attributed below:<br>(a) Engagement quality review – An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon that is completed on or before the date of the engagement report. | |

[1] International Quality Control Standard (ISQC) 1, *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

[2] International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

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| firm has determined an engagement quality control review is required. | | | |
| (e) Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report. | Proposed ISQC 2, para. 16 (See Agenda Item 6–A) | (b) Engagement quality reviewer – A partner or other suitably qualified individual designated by the firm to be responsible for the performance of the engagement quality review. (Ref: Para. A5–A6) | |
| (q) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive. | Proposed ISQC 2, para. 16 (See Agenda Item 6–A) | (c) Relevant ethical requirements – Ethical requirements to which the engagement quality reviewer is subject in undertaking the engagement quality review of engagements that are audits or reviews of financial statements, or other assurance or related services engagements. 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 or reviews of financial statements, or other assurance or related services engagements, together with national requirements that are more restrictive. | |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| **Applying, and Complying with, Relevant Requirements** | | | |
| 25. The firm shall establish policies and procedures: (Ref: Para. A10) …<br>(b) Requiring, for audits of financial statements of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specified period in compliance with relevant ethical requirements. (Ref: Para. A12–A17) | Proposed ISQC 1 (Revised), paragraph 43(e)<br>(See Agenda Item 6–B) | 43. In designing and implementing responses to address the quality risks identified by the firm, the firm shall include the following responses that relate to engagement performance:<br>(e) Establishing policies or procedures addressing engagement quality reviews regarding: …<br>(ii) The appointment of engagement quality reviewers to perform engagement quality reviews, including:<br>b. The criteria for eligibility to perform, or participate as an assistant in, the engagement quality review that fulfill the requirements in ISQC 2,[3] including limitations on the eligibility of individuals to be engagement quality reviewers who previously served as engagement partner on the engagement subject to the review; and (Ref: Para. A105–A106C) | See "cooling-off" provisions in proposed ISQC 1 (Revised) and proposed ISQC 2 |

[3] Proposed ISQC 2, paragraphs 20 and 22

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6–B) | A105. ISQC 24 includes criteria on the eligibility of the engagement quality reviewer. When an external person is to be appointed to perform the engagement quality review, making relevant inquiries about the external person before making the appointment may assist the firm in obtaining the necessary information about whether the person meets the eligibility criteria to be an engagement quality reviewer. An external person may be a partner or an employee of:<br>• A firm within the firm's network, which is subject to the requirements for networks or services in accordance with paragraphs 60–65 of ISQC 1 (Revised);<br>• A service provider, which is subject to the requirements for service providers in paragraphs 66–67 of ISQC 1 (Revised). For example, a service provider may be:<br>o A firm outside of the firm's network;<br>o A professional accountancy body whose members may perform audits or reviews of historical financial | |

[4] Proposed ISQC 2, paragraphs 19–21

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | | information, or other assurance or related services engagements; or<br>o An organization that provides relevant quality management. | |
| | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6–B) | A105A. In some cases, such as sole practitioners, small firms, or network firms, suitably qualified external persons may be contracted to perform the engagement quality review. When the firm contracts suitably qualified external persons, the requirements in paragraph 43(e)(ii)(b) apply. | |
| | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6–B) | A106. A threat to the objectivity of the individual responsible for the appointment of the engagement quality reviewer may arise in circumstances when the individual is a member of the engagement team. In such circumstances, a threat to the objectivity of the engagement quality reviewer is also created. In exceptional circumstances it may not be practicable for an individual, other than a member of the engagement team, to appoint the engagement quality reviewer, for example, in the case of a smaller firm or a sole practitioner. | |
| | | **Eligibility Criteria for the Engagement Quality Reviewer** | |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | Proposed ISQC 2, paragraph 20<br>(See Agenda Item 6–A) | 20. The firm's policies or procedures addressing the eligibility of the engagement quality reviewer established in accordance with ISQC 1 (Revised) shall require the firm to evaluate whether the individual to be appointed as the engagement quality reviewer is eligible for that appointment by determining that the individual: (Ref: Para. A6) …<br>(c) Is not subject to threats to objectivity related to the engagement or the engagement team that are not at, or that have not been reduced to, an acceptable level and complies with the firm's policies or procedures that address the engagement quality reviewer's objectivity (including, when applicable, limitations on the eligibility of individuals to be appointed as engagement quality reviewers who previously served as the engagement partner on an engagement subject to the review); and (Ref: Para. A12–A16) | |
| | | *Threats to the Objectivity of the Engagement Quality Reviewer* (Ref: Para. 20(c)) | |

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| | Proposed ISQC 2, Application Material<br>(See Agenda Item 6–A) | A12. Threats to the engagement quality reviewer's objectivity may arise in the following circumstances:<br>• A familiarity, self-review or self-interest threat may arise when the engagement quality reviewer was recently consulted on matters of significant complexity or judgment in the engagement.<br>• A familiarity or self-interest threat may arise when the engagement quality reviewer is a close or immediate family member of the engagement partner or another key member of the engagement team, as well as when close personal relationships are developed through long association with such personnel.<br>• An intimidation threat (either implicit or explicit) may arise when pressure is exerted on the engagement quality reviewer (e.g., when the engagement partner is an aggressive or dominant individual, or the engagement quality reviewer is in the chain of command of the engagement partner).<br>• A self-review or self-interest threat may arise when the engagement quality reviewer | |

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| | | was recently a previous member of the engagement team, in particular the engagement partner. | |
| | | A13. Such threats are addressed through application of relevant ethical requirements for identifying, evaluating and addressing threats. Relevant ethical requirements may identify actions individuals are required to take or consider taking, for example, the IESBA Code provides requirements and guidance for identifying, evaluating and addressing intimidation threats in certain circumstances. | |
| | | A14. ISQC 1 (Revised) requires the firm to establish policies or procedures that address limitations on the eligibility of individuals to be appointed to be the engagement quality reviewers who previously served as the engagement partner on an engagement subject to review. The firm's policies or procedures may specify an appropriate cooling-off period before an individual who served as engagement partner may be appointed to be the engagement quality reviewer. Such periods may vary depending on the nature and circumstances of the engagements subject to engagement quality review. ISQC 1 (Revised) provides guidance | |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | | that, in the case of an audit of the financial statements of a listed entity, it is unlikely that an engagement partner would be able to act as the engagement quality reviewer until two subsequent audits have been conducted. | |
| | | A15. In performing the engagement quality review, the engagement quality reviewer may not make decisions for the engagement team, as such actions may create a threat to the objectivity of the engagement quality reviewer. Accordingly, ISQC 1 (Revised) requires the firm to establish policies or procedures that address circumstances when the nature and extent of engagement team discussions with the engagement quality reviewer about a significant judgment give rise to a threat to the objectivity of the engagement quality reviewer. | |
| **Engagement Performance** | | | |
| *Engagement Quality Control Review* | | | |
| 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: | Proposed ISQC 1 (Revised), para. 43(e) | 43. In designing and implementing responses to address the quality risks identified by the firm, the firm shall include the following responses that relate to engagement performance:<br>(e) Establishing policies or procedures addressing | |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| (a) Require an engagement quality control review for all audits of financial statements of listed entities;<br>(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)<br>(c) Require an engagement quality control review for all engagements, if any, meeting the criteria established in compliance with subparagraph 35(b). | | engagement quality reviews regarding:<br>(i) The scope of engagements subject to an engagement quality review, including requiring an engagement quality review to be performed for: (Ref: Para. A100–A102)<br>a. All audits of financial statements of listed entities and of other entities that have a significant public interest;<br>b. Engagements for which an engagement quality review is required by law or regulation; and<br>c. Other engagements or classes of engagements for which the firm has determined that an engagement quality review is an appropriate response to a quality risk identified by the firm because of the reasons for the assessment given to the quality risk or for other reason(s). | |

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| *Engagement Quality Control Review*<br>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:<br>• The nature of the engagement, including the extent to which it involves a matter of public interest.<br>• The identification of unusual circumstances or risks in an engagement or class of engagements.<br>• Whether laws or regulations require an engagement quality control review. | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6–B) | *Scope of Engagements Subject to an Engagement Quality Review* (Ref: Para. 43(e)(i))<br>A100. Other than listed entities, entities that are of significant public interest may include entities that have a large number and wide range of stakeholders or are significant due to their nature and size of the business (e.g., financial institutions such as banks, insurance companies, and pension funds).<br>A100A. Law or regulation may require an engagement quality review for engagements other than audits of listed entities, for example, audits of financial statements of entities that:<br>• Are characterized in law or regulation as public interest entities;<br>• Operate in the public sector or which are recipients of government funding;<br>• Operate in certain industries (e.g., financial institutions such as banks, insurance companies and pension funds);<br>• Meet an asset threshold determined by law or regulation; or<br>• Are under judicial management. | |

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| | | A101. The firm may determine that an engagement quality review is an appropriate response to an identified and assessed quality risk for other engagements because of the significance of the effect of the quality risk related to inappropriate judgments being made or inappropriate conclusions being reached on the achievement of the quality objectives. Examples of such engagements or classes of engagements include those:<br>• That involve a high level of complexity or judgment or where previous issues have been encountered on the engagement, for example audits:<br>o For entities operating in industries that involve making accounting estimates with a high degree of estimation uncertainty (e.g., financial institutions, extractive industries).<br>o With a history of misstatements or deficiencies in internal controls, significant internal or external inspection findings, a material restatement of comparative information in the financial statements or | |

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| | | an auditor's report that required reissuance.<br>o For entities in which there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.<br>• In which there are unusual circumstances, which may be identified as part of the firm's acceptance and continuance of client relationships process or through the firm's monitoring of its system of quality management.<br>A102. The firm's responses to a quality risk may include forms of engagement reviews that are not engagement quality reviews, for example, reviews of the engagement team's procedures on significant risks or reviews of certain matters by individuals within the firm who have specialized technical expertise. In some cases, these other types of engagement reviews may be undertaken in addition to an engagement quality review to appropriately address the quality risks. However, there may also be circumstances where, due to the nature and circumstances of the engagements performed by the firm, there are no engagements for which an engagement quality review is an | |

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| | | appropriate response, such as may be the case when a firm performs only related services engagements. | |
| 37. The firm shall establish policies and procedures to require the engagement quality control to include: | Proposed ISQC 1 (Revised), para. 43(e)<br>(See Agenda Item 6–B) | 43. In designing and implementing responses to address the quality risks identified by the firm, the firm shall include the following responses that relate to engagement performance:<br>(e) Establishing policies or procedures addressing engagement quality reviews regarding: …<br>(iii) The responsibilities of the engagement quality reviewer in performing and documenting the engagement quality review that fulfill with the requirements of ISQC 2.[5] | |
| | Proposed ISQC 2<br>(See Agenda Item 6–A) | 24. The procedures the engagement quality reviewer shall perform include: | |
| (a) Discussion of significant matters with the engagement partner; | Proposed ISQC 2, para. 24<br>(See Agenda Item 6–A) | (b) Discussing significant matters with the engagement partner and, if applicable, other members of the engagement team; | |
| (b) Review of the financial statements or other subject matter information and the proposed report; | Proposed ISQC 2, para. 24<br>(See Agenda Item 6–A) | (f) Reviewing the final draft of the engagement report, and when applicable, the final draft of the subject matter information. | |

[5] Proposed ISQC 2, paragraphs 23–25

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| (c) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached; and | Proposed ISQC 2, para. 24<br>(See Agenda Item 6–A) | (d) Reviewing selected engagement documentation of the significant judgments made, including significant judgments made in relation to significant matters, by the engagement team and the conclusions reached thereon and evaluating:<br>(i) The engagement team's basis for making the significant judgments, including when applicable, the appropriate exercise of professional skepticism; | |
| (d) Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate. (Ref: Para. A44) | Proposed ISQC 2, paragraph 24(d)<br>(See Agenda Item 6–A) | (d) Reviewing selected engagement documentation of the significant judgments made, including significant judgments made in relation to significant matters, by the engagement team and the conclusions reached thereon and evaluating: …<br>(iii) Whether the engagement documentation supports the conclusions reached; | See also para. 38(c) of extant ISQC 1 in this table |
| 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: | Proposed ISQC 2<br>(See Agenda Item 6–A) | 20. The firm's policies or procedures addressing the eligibility of the engagement quality reviewer established in accordance with proposed ISQC 1 (Revised) shall require the firm to evaluate whether the individual to be appointed as the engagement quality | |

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| | | reviewer is eligible for that appointment by determining that the individual: …<br>(d) Complies with:<br>(i) Relevant ethical requirements; (Ref: Para. A17–A19) | |
| (a) The engagement team's evaluation of the firm's independence in relation to the specific engagement; | Proposed ISQC 2, Application Material<br>(See Agenda Item 6–A) | *Relevant Ethical Requirements* (Ref: Para. 20(d)(i))<br>A17. Relevant ethical requirements, as defined in this ISQC, are ethical requirements to which the engagement quality reviewer is subject. ISQC 1 (Revised) requires the firm, its personnel and others subject to relevant ethical requirements to fulfill their responsibilities in relation to the relevant ethical requirements, including independence requirements. Relevant ethical requirements ordinarily establish the principles of professional ethics. For example, the IESBA Code sets out the fundamental principles that establish the standard of behavior expected of a professional accountant, which comprise integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The IESBA Code also provides a conceptual framework that professional accountants are required to apply to identify, evaluate and address threats to compliance with the fundamental principles. It also addresses specific topics relevant to complying with the fundamental | See also proposed ISQC 1 (Revised), para. 43(e)(ii)(b) in this table<br>See also proposed ISA 220 (Revised), para. 9-A (Agenda Item 4-B) |

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| | | principles and includes requirements for independence when performing audits, reviews and other assurance engagements. | |
| | Proposed ISQC 2, Application Material<br>(See Agenda Item 6–A) | A18. Relevant ethical requirements may contain provisions addressing the long association of the engagement quality reviewer with the engagement. For example, the IESBA Code addresses threats that may arise from long association in the role of engagement quality reviewer in audits of financial statements of public interest entities in the context of:<br>• The audit client and its operations;<br>• The audit client's senior management; or<br>• The financial statements on which the firm will express an opinion or the financial information which forms the basis of the financial statements. | |
| | Proposed ISQC 2, Application Material<br>(See Agenda Item 6–A) | A19. In addition, the IESBA Code also include prohibitions, for audits of public interest entities, on individuals acting in any of the following roles, or combination of such roles, for a period of more than seven cumulative years:<br>• The engagement partner; | |

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| | | • The individual appointed as the engagement quality reviewer; or<br>• Any key audit partner role.[6] | |
| (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and | Proposed ISQC 2, paragraph 24(d)<br>(See Agenda Item 6–A) | 24. The procedures the engagement quality reviewer shall perform include: …<br>(d) Reviewing selected engagement documentation of the significant judgments made, including significant judgments made in relation to significant matters, by the engagement team and the conclusions reached thereon and evaluating: ..<br>(ii) 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 | |
| (c) Whether documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A45–A46) | Proposed ISQC 2, paragraph 24(d)<br>(See Agenda Item 6–A) | (iii) Whether the engagement documentation supports the conclusions reached; | See also para. 36(d)extant ISQC 1 in this table |
| 40. The firm shall establish policies and procedures designed to maintain the objectivity of the engagement quality control reviewer. (Ref: Para. A49–A51) | Proposed ISQC 2, paragraph 20<br>(See Agenda Item 6–A) | **Eligibility Criteria for the Engagement Quality Reviewer**<br>20. The firm's policies or procedures addressing the eligibility of the engagement quality reviewer established in accordance with ISQC 1 | |

[6] See, for example, R540.5-.9 of the IESBA Code.

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| | | (Revised) shall require the firm to evaluate whether the individual to be appointed as the engagement quality reviewer is eligible for that appointment by determining that the individual: (Ref: Para. A6) …<br>(c) Is not subject to threats to objectivity related to the engagement or the engagement team that are not at, or that have not been reduced to, an acceptable level and complies with the firm's policies or procedures that address the engagement quality reviewer's objectivity (including, when applicable, limitations on the eligibility of individuals to be appointed as engagement quality reviewers who previously served as the engagement partner on an engagement subject to the review); and (Ref: Para. A12–A13); | |
| 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. | Proposed ISQC 2<br>(See Agenda Item 6–A) | 21. When the engagement quality reviewer is, or becomes, aware of circumstances that impair the engagement quality reviewer's eligibility to be an engagement quality reviewer, the engagement quality reviewer shall: (Ref: Para. A21)<br>(a) Discontinue the performance of the engagement quality review; or<br>(b) Decline the appointment to perform the engagement quality review by notifying the firm so that the firm can | |

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| | | appoint another individual who meets the eligibility requirements. | |
| Documentation of the Engagement Quality Control Review | | | |
| 42. The firm shall establish policies and procedures on documentation of the engagement quality control review which require documentation that: | Proposed ISQC 1 (Revised), para. 43(e)<br>(See Agenda Item 6–B) | 43. In designing and implementing responses to address the quality risks identified by the firm, the firm shall include the following responses that relate to engagement performance:<br>(e) Establishing policies or procedures addressing engagement quality reviews regarding: …<br>(iii) The responsibilities of the engagement quality reviewer in performing and documenting the engagement quality review that fulfill with the requirements of ISQC 2.[7] | |
| (a) The procedures required by the firm's policies on engagement quality control review have been performed; | Proposed ISQC 2<br>(See Agenda Item 6–A) | 25. The engagement quality reviewer shall evaluate whether, on or before the date of the engagement report:<br>(a) The requirements of this ISQC have been fulfilled, taking into account the firm's policies or procedures that address the requirements in this ISQC, and the objective of this ISQC has been achieved; and | |
| (b) The engagement quality control review has been completed on or before the date of the report; and | Proposed ISQC 1 (Revised), para. 43(e) | 43. In designing and implementing responses to address the quality risks identified by the firm, the firm shall | Partner responsibilities, including not dating the auditor's report until the completion of the |

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| | (See Agenda Item 6–B) | include the following responses that relate to engagement performance:<br>(e) Establishing policies or procedures addressing engagement quality reviews regarding: …<br>(iv) The responsibilities of the engagement partner in relation to the engagement quality review, including prohibiting the engagement partner from dating the engagement report until the completion of the review. (Ref: Para. A108–A108A) | engagement quality review, are addressed in paragraph 19 of proposed ISA 220 (Revised)<br>(See Agenda Item 4-B) |
| | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6–B) | A108. ISA 220[8] establishes the requirements for the engagement partner in audit engagements for which an engagement quality review is required, including:<br>• Determining that an engagement quality reviewer has been appointed;<br>• Cooperating with the engagement quality reviewer and informing members of the engagement team of their responsibility to do so;<br>• Discussing significant matters arising during the audit | |

[7] Proposed ISQC 2, paragraphs 23–25

[8] Proposed ISA 220, (Revised), *Quality Control for an Audit of Financial Statements*, paragraph 19

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | | engagement, including those identified during the engagement quality review, with the engagement quality reviewer; and<br>• Not dating the auditor's report until the completion of the engagement quality review.<br>A108A. Although the engagement partner does not date the auditor's report until the completion of the engagement quality review,[9] which includes resolving matters raised by the engagement quality reviewer before the report is issued, the documentation of the engagement quality review may be completed after the date of the report.[10] ISA 700 (Revised) 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.[11,12] When the engagement quality review is performed for an audit of financial statements, such a review assists the | |

[9] Proposed ISA 220, (Revised), paragraph 19(c)

[10] ISA 230, *Audit Documentation*, paragraph 14

[11] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 49

[12] Similar requirements exist in paragraph 92 of ISRE 2400 (Revised), *Engagements to Review Financial Statements* and in paragraph 41 of ISRS 4410 (Revised), *Compilation Engagements*

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| | | auditor in determining whether sufficient appropriate audit evidence has been obtained. | |
| (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. | Proposed ISQC 2 (See Agenda Item 6–A) | 25. The engagement quality reviewer shall evaluate whether, on or before the date of the engagement report:<br>(b) There are any unresolved matters of which the engagement quality reviewer is aware that would cause the engagement quality reviewer to believe that the significant judgments the engagement team made and the conclusions it reached thereon were not appropriate. | |
| Differences of Opinion | | | |
| 43. The firm shall establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer. (Ref: Para. A52–A53) | Proposed ISQC 1, para. 43 (See Agenda Item 2–A) | (d) Establishing policies or procedures addressing differences of opinion that arise within the engagement team, or between the engagement team and the engagement quality control reviewer or personnel performing duties within the firm's system of quality management, including those who provide consultation. (Ref: Para. A98) | |
| 44. Such policies and procedures shall require that: | | | |
| (a) Conclusions reached be documented and implemented; and | | | Paragraph 69(a) and (b) of proposed ISQC 1 (Revised) |

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| | | | address documentation requirements.<br>(See Agenda Item 2–A) |
| (b) The report not be dated until the matter is resolved. | | | Partner responsibilities, including not dating the auditor's report until the completion of the engagement quality review, are addressed in paragraph 19 of proposed ISA 220 (Revised)<br>(See Agenda Item 4-B, paragraph 19(d), which requires that, for audit engagements for which an engagement quality review is required, the engagement partner shall "Not date the auditor's report until the completion of the engagement quality review.") |
| Monitoring | | | |
| Monitoring the firm's quality control policies and procedures | | | |

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| 48. The firm shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. This process shall: …<br>(c) Require that those performing the engagement or the engagement quality control review are not involved in inspecting the engagement. (Ref: Para. A64–A68) | | See paragraph 20(c) of proposed ISQC 2 (at para. 25(b) of extant in this document), and related material on threats to objectivity | Establishment of monitoring process is addressed in proposed ISQC 1 (Revised)<br>(See Agenda Item 2–A) |
| Nature, Timing and Extent of the Engagement Quality Control Review (Ref: Para. 36–37) | | | |
| 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. | | | Partner responsibilities, including not dating the auditor's report until the completion of the engagement quality review, are addressed in paragraph 19 of proposed ISA 220 (Revised).<br>(See Agenda Item 4-B)<br>See also:<br>• Proposed ISQC 1 (Revised), paras. A108–A108A re: dating of the report<br>• Proposed ISQC 2, paras. 25 and A31–A33 re: documentation |

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| A43. Conducting the engagement quality control 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. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | A25. The timing of the procedures performed by the engagement quality reviewer may depend on the nature and circumstances of the engagement, including the nature of the matters subject to the review. Timely review of the engagement documentation by the engagement quality reviewer at appropriate points in time throughout all stages (e.g., planning, risk assessment, performance, completion, reporting) of the engagement allows significant matters to be promptly resolved to the engagement quality reviewer's satisfaction, on or before the date of the engagement report, and may support the engagement team in its application of professional judgment and its exercise of professional skepticism, when applicable, in performing the engagement. For example, the engagement quality reviewer may perform procedures in relation to the overall strategy and plan for performing the engagement at the completion of the planning phase. In other circumstances, it may be appropriate for the engagement quality reviewer to perform the procedures at the end of the engagement (e.g., when the engagement is not complex and is completed within a short period of time). | |

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| A44. The extent of the engagement quality control review may depend, among other things, on the complexity of the engagement, whether the entity is a listed entity, and the risk that the 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. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | A26. The extent of the engagement quality reviewer's procedures may depend on, among other matters:<br>• The firm's policies or procedures in response to its quality risk assessments, which may indicate new or greater quality risks in an industry or in relation to certain types of transactions (e.g., those that are complex) in an engagement with such transactions.<br>• Deficiencies identified in the firm's monitoring and remediation process, which may indicate areas of greater quality risk in the engagement that are still present and that may require more extensive review by the engagement quality reviewer.<br>• The complexity of the engagement.<br>• Whether the entity is a listed entity.<br>• Other information relevant to the engagement, such as the results of inspections undertaken by an external oversight authority in a prior period, or concerns raised about the commitment to quality of the firm or its personnel.<br>• The firm's engagement continuance process, which | |

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| | | may indicate new risks to achieving engagement quality.<br>• Whether members of the engagement team have cooperated with the engagement quality reviewer. The firm's policies or procedures may address the actions the engagement quality reviewer takes in circumstances when the engagement team has not cooperated with the engagement quality reviewer, for example, more extensive review or referring the matter to an appropriate individual in the firm.<br>• For assurance engagements, the engagement team's consideration of, and responses to, areas of risks of material misstatement in the engagement. | |
| Engagement Quality Control Review of a Listed Entity (Ref: Para. 38) | | | |
| 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: | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | A27. Significant judgments of the engagement team evaluated by the engagement quality reviewer relate to significant matters in an engagement. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include: | |

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| • Significant risks identified during the engagement and the responses to those risks.<br>• Judgments made, particularly with respect to materiality and significant risks.<br>• The significance and disposition of corrected and uncorrected misstatements identified during the engagement.<br>• The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.<br>These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of the financial statements of other entities as well as reviews of financial statements and other assurance and related services engagements. | | • Matters that give rise to significant risks (as defined in ISA 315 (Revised)).[13]<br>• Results of audit procedures indicating (a) that the financial statements could be materially misstated, or (b) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.<br>• Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.<br>• Findings that could result in a modification to the audit opinion or the inclusion of an Emphasis of Matter paragraph in the auditor's report. | |
| Considerations specific to public sector audit organizations | | Considerations Specific to Public Sector Audit Organizations | |
| 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. | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6-B) | A103. Engagements for public sector entities may also have significant public interest due to the range of such entities' stakeholders (e.g., state-owned corporations or those in which the state has a controlling stake or a stake with significant influence, beneficiaries of public funding and public utilities) or the size or | |

[13] ISA 315 (Revised), paragraph 4(e)

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| | | complexity of the entity. Ongoing transformations within the public sector may also give rise to new types of entities that have significant public interest. | |
| *Criteria for the Eligibility of Engagement Quality Control Reviewers*<br>Sufficient and Appropriate Technical Expertise, Experience and Authority (Ref: Para. 39(a)) | | | |
| A47. What constitutes sufficient and 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 audit engagement partner on audits of financial statements of listed entities. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | *Competence, Capabilities and Appropriate Authority* (Ref: Para. 20(b))<br>A7. Competence refers to the attainment and maintenance of knowledge, skills and experience relevant to the engagement, including:<br>• An understanding of professional standards and applicable legal and regulatory requirements and of the firm's policies or procedures relevant to the engagement;<br>• Knowledge of the entity's industry;<br>• An understanding of, and experience relevant to, engagements of a similar nature and complexity; and<br>• An understanding of the responsibilities of the engagement quality reviewer in performing and documenting the engagement quality review, which may be attained or enhanced by receiving relevant training from the firm. | |

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| | | Competence may also include expertise relevant to the nature and circumstances of the engagement (e.g., expertise with respect to information technology or specialized areas of accounting or auditing).<br>A8. Capabilities refers to having the time and resources to perform the engagement quality review, including having the time to perform the review at appropriate points in time during the engagement.<br>A9. The competence and capabilities needed to evaluate the significant judgments made by the engagement team and the conclusions reached thereon may be affected by factors such as:<br>• The nature of the entity (e.g., a listed entity).<br>• The specialization and complexity of the industry or regulatory environment in which the entity operates.<br>• The extent to which the engagement relates to specialized matters, or contains aspects that are specialized (e.g., in relation to an audit of financial statements there may be specialized areas of accounting that relate to the engagement). | |

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| | | A10. The authority of the engagement quality reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon may be affected by the individual's competence and capabilities. For example, an engagement quality reviewer who lacks relevant industry experience may not possess the ability or confidence that is necessary to evaluate significant judgments made by the engagement team on a complex industry-specific matter.<br>A11. Actions at the firm level may contribute to establishing the authority of the engagement quality reviewer, for example, creating a culture of respect for the engagement quality reviewer. However, the authority of the engagement quality reviewer may be diminished when:<br>• The culture within the firm promotes respect for authority only when it comes from an individual that is at a higher level of hierarchy within the firm.<br>• The engagement quality reviewer is within the chain of command of, or has a reporting line to, the engagement partner, for example, when the engagement partner holds a leadership position in the firm or is responsible for | |

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| | | determining the compensation of the engagement quality reviewer. | |
| Consultation with the Engagement Quality Control Reviewer (Ref: Para. 39(b)) | | The Objectivity of the Engagement Quality Reviewer (Ref: Para. 20(c)) | |
| 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. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | A15. In performing the engagement quality review, the engagement quality reviewer may not make decisions for the engagement team, as such actions may create a threat to the objectivity of the engagement quality reviewer. Accordingly, ISQC 1 (Revised) requires the firm to establish policies or procedures that address circumstances when the nature and extent of engagement team discussions with the engagement quality reviewer about a significant judgment give rise to a threat to the objectivity of the engagement quality reviewer. | |
| | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | *Relevant Ethical Requirements* (Ref: Para. 20(d)(i))<br>A152. Threats to the engagement quality reviewer's objectivity may arise in the following circumstances:<br>• A familiarity, self-review or self-interest threat may arise when the | |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| | | engagement quality reviewer was recently consulted on matters of significant complexity or judgment in the engagement. | |
| Objectivity of the Engagement Quality Control Reviewer (Ref: Para. 40) | | The Objectivity of the Engagement Quality Reviewer (Ref: Para. 20(c)) | |
| 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 provide that the engagement quality control reviewer:<br>• Where practicable, is not selected by the engagement partner;<br>• Does not otherwise participate in the engagement during the period of review;<br>• Does not make decisions for the engagement team; and<br>• Is not subject to other considerations that would threaten the reviewer's objectivity. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | A14. Proposed ISQC 1 (Revised) requires to the firm to establish policies or procedures that address limitations on the eligibility of individuals to be appointed engagement quality reviewers who previously served as the engagement partner on an engagement subject to the review. The firm's policies or procedures may specify an appropriate cooling-off period before an individual who served as engagement partner may be appointed to be the engagement quality reviewer. Such periods may vary by the nature and circumstances of the engagements subject to engagement quality review. Proposed ISQC 1 (Revised) provides guidance that, in the case of an audit of the financial statements of a listed entity, it is unlikely that an engagement partner would be able to act as the engagement quality reviewer until two subsequent audits have been conducted. | |
| Considerations specific to smaller firms | | Appointment of the Engagement Quality Reviewer (Ref: Para. 43(e)(ii)) | |
| A50. It may not be practicable, in the case of firms with few partners, for the | Proposed ISQC 1 (Revised), | A105A.In some cases, such as sole practitioners, small firms, or network | |

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| engagement partner not to be involved in selecting the engagement quality control reviewer. Suitably qualified external persons may be contracted where sole practitioners or small firms identify engagements requiring engagement quality control reviews. Alternatively, some sole practitioners or small firms may wish to use other firms to facilitate engagement quality control reviews. Where the firm contracts suitably qualified external persons, the requirements in paragraphs 39–41 and guidance in paragraphs A47–A48 apply. | Application Material<br>(See Agenda Item 6-B) | firms, suitably qualified external persons may be contracted to perform the engagement quality review. When the firm contracts suitably qualified external persons, the requirements in paragraph 43(e)(ii)(b) apply.<br>A106. A threat to the objectivity of the individual responsible for the appointment of the engagement quality reviewer may arise in circumstances when the individual is a member of the engagement team. In such circumstances, a threat to the objectivity of the engagement quality reviewer is also created. In exceptional circumstances it may not be practicable for an individual, other than a member of the engagement team, to appoint the engagement quality reviewer, for example, in the case of a smaller firm or a sole practitioner. | |
| Considerations specific to public sector audit organizations | | Considerations Specific to Public Sector Audit Organizations | |
| A51. 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 engagement partner with overall responsibility for public sector audits. In such circumstances, where applicable, the selection of the engagement quality | Proposed ISQC 2 | Public Sector Considerations<br>A16. In the public sector, an 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 engagement partner with overall responsibility for public sector audits. In such | See also extant ISA 220, para. A31 in this table |

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| 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. | | circumstances, when applicable, the selection of the engagement quality reviewer may include consideration of the need for independence and the ability of the engagement quality reviewer to provide an objective evaluation. | |
| **Monitoring**<br>Considerations Specific to Smaller Firms | | | |
| A68. In the case of small firms, monitoring procedures may need to be performed by individuals who are responsible for design and implementation of the firm's quality control policies and procedures, or who may be involved in performing the engagement quality control review. A firm with a limited number of persons may choose to use a suitably qualified external person or another firm to carry out engagement inspections and other monitoring procedures. Alternatively, the firm may establish arrangements to share resources with other appropriate organizations to facilitate monitoring activities. | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6-B) | A105A. In some cases, such as sole practitioners, small firms, or network firms, suitably qualified external persons may be contracted to perform the engagement quality review. When the firm contracts suitably qualified external persons, the requirements in paragraph 43(e)(ii)(b) apply.<br>A106. A threat to the objectivity of the individual responsible for the appointment of the engagement quality reviewer may arise in circumstances when the individual is a member of the engagement team. In such circumstances, a threat to the objectivity of the engagement quality reviewer is also created. In exceptional circumstances it may not be practicable for an individual, other than a member of the engagement team, to appoint the engagement quality reviewer, for example, in the | See also extant ISQC 1, paragraph A50 in this table |

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| | | case of a smaller firm or a sole practitioner. | |
| **ISA 220** | | | |
| **Definitions** | | | |
| 7(b) Engagement quality control review – A process designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgments the engagement team made and the conclusions it reached in formulating the auditor's report. The engagement quality control review process is for audits of financial statements of listed entities and those other audit engagements, if any, for which the firm has determined an engagement quality control review is required. | Proposed ISQC 2<br>(See Agenda Item 6–A) | 16. In this ISQC, the following terms have the meanings attributed below:<br>(a) Engagement quality review – An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon that is completed on or before the date of the engagement report. | |
| (c) Engagement quality control reviewer – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the auditor's report. | Proposed ISQC 2, para. 16<br>(See Agenda Item 6–A) | (b) Engagement quality reviewer – A partner or other suitably qualified individual designated by the firm to be responsible for the performance of the engagement quality review. (Ref: Para. A5–A6) | |
| **Engagement Performance** | | | |
| *Engagement Quality Control Review* | | | |
| 19. For audits of financial statements of listed entities, and those other audit engagements, if any, for which the firm | | | Partner responsibilities addressed in proposed ISA 220 (Revised) – See paragraph 19 |

| Extant ISQC 1/ISA 220 Wording | PROPOSED ISQC REFERENCE | PROPOSED WORDING | COMMENTS |
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| has determined that an engagement quality control review is required, the engagement partner shall:<br>(a) Determine that an engagement quality control reviewer has been appointed;<br>(b) Discuss significant matters arising during the audit engagement, including those identified during the engagement quality control review, with the engagement quality control reviewer; and<br>(c) Not date the auditor's report until the completion of the engagement quality control review. (Ref: Para. A23–A25) | | | of that standard (Agenda Item 4-B) |
| *Engagement Quality Control Review*<br>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:<br>(a) Discussion of significant matters with the engagement partner;<br>(b) Review of the financial statements and the proposed auditor's report;<br>(c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and<br>(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–A28, A30–A32) | | | See also extant ISQC 1, paragraph 37(a) in this table<br>See also definition of an EQ review at extant ISQC 1, paragraph12 in this table |

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| 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:<br>(a) The engagement team's evaluation of the firm's independence in relation to the audit engagement;<br>(b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and<br>(c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. (Ref: Para. A29–A32) | | | See extant ISQC 1, paragraph 38(a) in this table |
| *Differences of Opinion*<br>22. If differences of opinion arise within the engagement team, with those consulted or, where applicable, between the engagement partner and the engagement quality control reviewer, the engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion. | | | See extant ISQC 1, paragraph 38(b) in this table |
| **Documentation** | | | |
| 25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that: | | | See extant ISQC 1, paragraph 42 in this table |

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| (a) The procedures required by the firm's policies on engagement quality control review have been performed;<br>(b) The engagement quality control review has been completed on or before the date of the auditor's report; and<br>(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. | | | |
| Completion of the Engagement Quality Control Review before Dating of the Auditor's Report (Ref: Para. 19(e)) | | Responsibilities of the Engagement Partner in Relation to the Engagement Quality Review (Ref: Para. 43(e)(iv)) | |
| A23. ISA 700 (Revised) 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.[14] 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. | Proposed ISQC 1 (Revised) | A108A. Although the engagement partner does not date the auditor's report until the completion of the engagement quality review,[15] which includes resolving matters raised by the engagement quality reviewer before the report is issued, the documentation of the engagement quality review may be completed after the date of the report.[16] ISA 700 (Revised) 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 | Partner responsibilities, including not dating the auditor's report until the completion of the engagement quality review, are addressed in paragraph 19 of proposed ISA 220 (Revised)<br>(See Agenda Item 4-B) |

[14] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 49

[15] Proposed ISA 220, (Revised), paragraph 19(c)

[16] ISA 230, *Audit Documentation*, paragraph 14

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| | | the financial statements.[17,18] When the engagement quality review is performed for an audit of financial statements, such a review assists the auditor in determining whether sufficient appropriate audit evidence has been obtained. | |
| A24. Conducting the engagement quality control 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 auditor's report. | | | See extant ISQC 1, paragraph A43 in this table |
| A25.Completion of the engagement quality control review means the completion by the engagement quality control reviewer of the requirements in paragraphs 20–21, and where applicable, compliance with paragraph 22. Documentation of the engagement quality control review may be completed after the date of the auditor's report as part of the assembly of the final audit file. ISA 230 establishes requirements and provides guidance in this regard.[19] | | | Partner responsibilities, including not dating the auditor's report until the completion of the engagement quality review, are addressed in paragraph 19 of proposed ISA 220 (Revised).<br>(See Agenda Item 4-B)<br>See also:<br>• Proposed ISQC 1 (Revised), paras. A108–A108A re: dating of the report |

[17] ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 49

[18] Similar requirements exist in paragraph 92 of ISRE 2400 (Revised), *Engagements to Review Financial Statements* and in paragraph 41 of ISRS 4410 (Revised), *Compilation Engagements*

[19] ISA 230, paragraphs 14–16

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| | | | • Proposed ISQC 2, paras. 25 and A31–A33 re: documentation |
| Nature, Timing and Extent of Engagement Quality Control Review (Ref: Para. 20) | | | |
| 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 the engagement, such a review was not required. | | | |
| 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. | | | See extant ISQC 1, paragraph A44 in this table |
| A28. When ISA 701[20] applies, the conclusions reached by the engagement team in formulating the auditor's report include determining:<br>• The key audit matters to be included in the auditor's report;<br>• The key audit matters that will not be communicated in the auditor's report in | Proposed ISQC 2, Application Material<br>(See Agenda Item 6–A) | A29. The engagement team's significant judgments include such judgments made throughout the planning and performance of the engagement, including, for example, those related to: …<br>• The draft engagement report, for example: | |

[20] ISA 701, *Communicating Key Audit Matters in the Auditor's Report*

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| accordance with paragraph 14 of ISA 701, if any; and<br>• If applicable, depending on the facts and circumstances of the entity and the audit, that there are no key audit matters to communicate in the auditor's report.<br>In addition, the review of the proposed auditor's report in accordance with paragraph 20(b) includes consideration of the proposed wording to be included in the Key Audit Matters section. | | o The engagement team's draft opinion or conclusion as applicable, including the basis for any modification thereof, and any matters or findings communicated in the report;<br>o When ISA 701[21] applies, the auditor's determination of the key audit matters or the determination that there are no key audit matters to be communicated. In such cases, the engagement quality reviewer may review the descriptions of the key audit matters for consistency with the audit documentation in relation to significant judgments reviewed in the engagement quality review. | |
| Engagement Quality Control Review of Listed Entities (Ref: Para. 21) | | | |
| A29. 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:<br>• Significant risks identified during the engagement in accordance with ISA 315 (Revised),22 and the responses to those | | | See extant ISQC 1, paragraph A45 in this table |

[21] ISA 701, *Communicating Key Audit Matters in the Auditor's Report*

[22] ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

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| risks in accordance with ISA 330,[23] including the engagement team's assessment of, and response to, the risk of fraud in accordance with ISA 240.[24]<br>• Judgments made, particularly with respect to materiality and significant risks.<br>• The significance and disposition of corrected and uncorrected misstatements identified during the audit.<br>• The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.<br>These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of financial statements of other entities. | | | |
| Considerations Specific to Smaller Entities (Ref: Para. 20–21) | | | |
| A30. 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 control review. In some cases, none of the firm's audit engagements may meet the criteria that would subject them to such a review. | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6-B) | A105A. In some cases, such as sole practitioners, small firms, or network firms, suitably qualified external persons may be contracted to perform the engagement quality review. When the firm contracts suitably qualified external persons, the requirements in paragraph 43(e)(ii)(b) apply.<br>A106. A threat to the objectivity of the individual responsible for the | See extant ISQC 1, paragraph A50 in this table |

[23] ISA 330, *The Auditor's Responses to Assessed Risks*

[24] ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

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| | | appointment of the engagement quality reviewer may arise in circumstances when the individual is a member of the engagement team. In such circumstances, a threat to the objectivity of the engagement quality reviewer is also created. In exceptional circumstances it may not be practicable for an individual, other than a member of the engagement team, to appoint the engagement quality reviewer, for example, in the case of a smaller firm or a sole practitioner. | |
| Considerations Specific to Public Sector Entities (Ref: Para. 20–21) | | | |
| A31.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 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. | Proposed ISQC 2, Application Material<br>(See Agenda Item 6-A) | Public Sector Considerations<br>A16. In the public sector, an 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 engagement partner with overall responsibility for public sector audits. In such circumstances, when applicable, the selection of the engagement quality reviewer may include consideration of the need for independence and the ability of the engagement quality reviewer to provide an objective evaluation. | See extant ISQC 1, paragraph A51 in this table |

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| A32. Listed entities as referred to in paragraphs 21 and A29 are not common in the public sector. However, 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. | Proposed ISQC 1 (Revised), Application Material<br>(See Agenda Item 6-B) | Considerations Specific to Public Sector Audit Organizations<br>A103. Engagements for public sector entities may also have significant public interest due to the range of such entities' stakeholders (e.g., state-owned corporations or those in which the state has a controlling stake or a stake with significant influence, beneficiaries of public funding and public utilities) or the size or complexity of the entity. Ongoing transformations within the public sector may also give rise to new types of entities that have significant public interest. | |