

Agenda Item 3-E

This document compares the proposed requirements and application material in **Agenda Item 3–B** and **Agenda Item 3–C** to relevant paragraphs in extant ISQC 1¹ and ISA 220². The left column contains paragraphs from extant ISQC 1 and ISA 220 relating to engagement quality control reviews. The right column is identical with the requirements and application material of **Agenda Item 3–B** and **Agenda Item 3–C** of September 2017 IAASB meeting. This document is prepared by IAASB staff for reference purposes only.

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
Requirements	Requirements
Engagement Quality Control Review	Scope of Engagements Subject to an Engagement Quality Control Review
<p>ISQC 1</p> <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> <ul style="list-style-type: none"> (a) Require an engagement quality control review for all audits of financial statements of listed entities; (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) (c) Require an engagement quality control review for all engagements, if any, meeting the criteria established in compliance with subparagraph 35(b). 	<p>1. The firm shall establish policies or procedures that require an engagement quality control review to be performed for: (Ref: Para. A1)</p> <ul style="list-style-type: none"> (a) All audits of financial statements of listed entities; (b) Engagements for which an engagement quality control review is required by law or regulation; and (Ref: Para. A2) (c) Other engagements for which the firm has determined through its quality management process that an engagement quality control review is an appropriate response based on the assessed likelihood and impact of the quality risks. (Ref: Para A3)

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*

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
	<p>2. The firm shall document:</p> <ul style="list-style-type: none"> (a) The policies or procedures in relation to engagements that require an engagement quality control review to be performed that shall be sufficient to enable a consistent understanding and application of the firm’s policies or procedures; and (b) The selection of individual engagements subject to engagement quality control review. <p>3. For engagements subject to an engagement quality control review, the firm shall establish policies or procedures in relation to the selection of the engagement quality control reviewer and performance and documentation of the engagement quality control review in accordance with ISQC 2.³</p>
Application Material	Application Material (ISQC 1)
Criteria for an Engagement Quality Control Review (Ref: Para. 35(b))	Scope of Engagements Subject to an Engagement Quality Control Review (Ref. Para: 1)
	<p>A1. Paragraph 1 requires the firm, in responding to a quality risk(s), to establish policies or procedures regarding the scope of engagements for which an engagement quality control review is required to be performed. The firm may identify other responses that may be undertaken when an engagement quality control review is not required by the firm’s policies or procedures or in some circumstances, the firm may determine that in order to effectively address a quality risk, additional responses may be implemented. For example, other forms of engagement reviews may be undertaken by the firm (e.g., specified reviews of engagement team work on significant risks or reviews by</p>

³ ISQC 2, *Engagement Quality Control Review*

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
	<p>individuals within the firm who have specialized technical expertise). Furthermore, there may be circumstances when it is determined by the firm based on the circumstances of a particular engagement that an engagement quality control review should be performed, and such engagement is not within the scope of the firm’s policies or procedures. Regardless of the circumstances in which the firm determines an engagement is to be subject to an engagement quality control review, the requirements of ISQC 2 apply.</p>
<p>ISQC 1</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"> • The nature of the engagement, including the extent to which it involves a matter of public interest. • The identification of unusual circumstances or risks in an engagement or class of engagements. • Whether laws or regulations require an engagement quality control review. 	<p>A2. Law or regulation may require an engagement quality control review for engagements other than audits of listed entities, for example, audits of financial statements of entities:</p> <ul style="list-style-type: none"> • That are characterized in such law or regulation as public interest entities; • Operating in the public sector; • That operate in certain industries, for example, banks, insurance companies and pension funds; • That meet an asset threshold determined by law or regulation; • That are under judicial management; or • That are recipients of a government grant. <p>A3. Characteristics of other engagements for which the firm may determine that an engagement quality control review is an appropriate response may include:</p> <ul style="list-style-type: none"> • Engagements performed by the firm for entities that may be of significant public interest because of the nature and size of the business or because they have a large number and wide range of stakeholders. Examples of such entities may

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
	<p>include financial institutions (such as banks, insurance companies and pension funds), entities that are undergoing, or plan to undergo, an initial public offering and other entities for which the report may be widely distributed (such as charities, entities operating in the public sector or that are supported by public funding, or entities that have a substantial number of employees or members). In some circumstances, entities that may be of significant public interest may be characterized in law or regulation as public interest entities.</p> <ul style="list-style-type: none"> • Engagements that involve a high level of complexity or judgment or where previous issues have been encountered on the engagement, for example: <ul style="list-style-type: none"> ○ 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 an auditor's report that required reissuance. ○ Circumstances when there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. • The identification of unusual circumstances or risks in an engagement or class of engagements (e.g., risks identified as part of the firm's client acceptance process or engagements in a certain industry sector). • Engagements with quality risks associated with the composition of the engagement team, for example, long association of a senior engagement team member or a newly appointed engagement partner.

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
<p>ISA 220 Considerations Specific to Smaller Entities (Ref: Para. 20–21)</p> <p>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.</p>	<p>Considerations in Relation to the Size and Complexity of the Firm</p> <p>A4. As part of its quality management process, the firm identifies those engagements for which an engagement quality control review is an appropriate response, based on the assessed likelihood and impact of the quality risks. In some cases, the firm may determine that there are no engagements for which an engagement quality control review is an appropriate response.</p>
<p>ISQC 1</p> <p>A16. Listed entities as referred to in paragraphs 25 and A14 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. Therefore, there may be instances when a firm determines, based on its quality control policies and procedures, that a public sector entity is significant for the purposes of expanded quality control procedures.</p> <p>Considerations specific to public sector audit organizations</p> <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>ISA 220 Considerations Specific to Public Sector Entities (Ref: Para. 20–21)</p> <p>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,</p>	<p>Considerations Specific to Public Sector Audit Organizations <i>[Outreach with the public sector will be undertaken to update these considerations]</i></p> <p>A5. Listed entities 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.</p>

Extant ISQC 1 and ISA 220	Proposal – ISQC 1 (Revised)
<p>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>	

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
Requirements	Requirements
Objective	Objective
	<p>6. The objective of the firm is to establish policies or procedures in relation to the selection of the engagement quality control reviewer and performance and documentation of the engagement quality control review that result in an objective evaluation of the significant judgments made by an engagement team and the conclusions reached thereon.</p> <p>7. The objective of the engagement quality control reviewer is to perform an objective evaluation of the significant judgments made by an engagement team and the conclusions reached thereon, through performing the engagement quality control review in accordance with the firm’s policies or procedures.</p>
Definitions	Definitions
<p>ISQC 1</p> <p>12. In this ISQC, the following terms have the meanings attributed below:</p> <p>(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</p>	<p>8. In this ISQC, the following terms have the meanings attributed below:</p> <p>(a) Engagement quality control review –The firm’s response to address a quality risk(s)⁴ that is:</p> <p>(i) Designed to provide an objective evaluation, in a timely manner, of the significant judgments made by the engagement team and the conclusions reached thereon; and</p> <p>(ii) Completed on or before the date of the report.</p> <p>(b) Engagement quality control reviewer – An individual who is a partner, other person in the firm or suitably qualified</p>

⁴ In the June 2017 working draft of ISQC 1 presented to the IAASB, quality risk was defined as “A risk that, individually or in combination, could reasonably have an adverse impact on the firm’s ability to achieve its quality objectives.”

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
<p>engagements, if any, for which the firm has determined an engagement quality control review is required.</p> <p>(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.</p> <p><i>[Same definitions are in paragraph 7(b) and 7(c) of ISA 220]</i></p>	<p>external person, none of whom is part of the engagement team, who is eligible and appointed to perform the engagement quality control review.</p>
Criteria for the Eligibility of Engagement Quality Control Reviewers	Criteria for the Eligibility of Engagement Quality Control Reviewers
<p>ISQC 1</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>(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. A49–A51)</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</p>	<p>9. The firm shall establish policies or procedures that set out the criteria for the eligibility of the engagement quality control reviewer. Such policies or procedures shall include that the engagement quality control reviewer:</p> <p>(a) Has sufficient time to perform the engagement quality control review; (Ref: Para. A2–A3)</p> <p>(b) Is objective in relation to the engagement subject to the engagement quality control review and the engagement team; (Ref: Para. A4–A7)</p> <p>(c) Complies with the requirements relevant to engagement quality control reviewers within law and regulation, if applicable; (Ref: Para. A8)</p> <p>(d) Has the appropriate authority to evaluate the significant judgments made by the engagement team and the conclusions reached thereon, including through: (Ref: Para. A9–A13)</p>

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impaired.	<ul style="list-style-type: none"> (i) Technical competence and sufficient knowledge of the entity’s industry; and (ii) Sufficient and appropriate experience related to engagements of a similar nature and complexity. <p>10. The firm’s policies or procedures shall address circumstances when the engagement quality control reviewer’s objectivity may have become impaired during the engagement or the reviewer’s ability to perform the review is otherwise determined to be impaired, and shall provide for the replacement of the engagement quality control reviewer. Such policies or procedures shall include whether, and the extent to which, an engagement quality control reviewer can be consulted on the engagement without compromising the reviewer’s objectivity. (Ref: Para. A14–A15)</p>
	Appointment of the Engagement Quality Control Reviewer
	<p>11. The firm shall assign responsibility for the appointment of the engagement quality control reviewer(s) to an individual(s) who possesses sufficient knowledge to be able to objectively assess whether the eligibility criteria in paragraph 9 have been met. (Ref: Para. A16–A19)</p>
	Performance of the Engagement Quality Control Review
<p>ISQC 1</p> <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>12. The firm shall establish policies or procedures related to the performance of the engagement quality control review, including:</p> <ul style="list-style-type: none"> (a) Procedures to be performed as part of the review sufficient to enable the engagement quality control reviewer to evaluate the significant judgments made by the

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
	<p>engagement team and the conclusions reached thereon; (Ref: Para. A21–A22)</p> <p>(b) The timing of the review, including that that the review shall be undertaken at appropriate points in time during the engagement and the engagement report shall not be dated until completion of the review; and (Ref: Para. A23–A24)</p> <p>(c) Other matters that may be relevant to the engagement, including, as applicable, consideration of the results of monitoring and remediation activities. (Ref: Para. A25)</p>
<p>ISQC 1</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>(b) Review of the financial statements or other subject matter information and the proposed report;</p> <p>(c) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached; and</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>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>13. The procedures to be performed as part of the engagement quality control review shall include:</p> <p>(a) A discussion of the significant judgments with the engagement partner;</p> <p>(b) A review of the financial statements or other subject matter information;</p> <p>(c) Procedures to evaluate significant judgments made by the engagement team, including a review of selected engagement documentation and an evaluation of whether the documentation reflects the work performed and supports the conclusions reached by the engagement team, in relation to: (Ref: Para. A26–A30)</p> <p>(i) The strategy and plan for undertaking the engagement, if applicable;</p> <p>(ii) The execution of the engagement; and</p> <p>(iii) The overall conclusions reached by the engagement team and the proposed engagement report. (Ref: Para. A28)</p>

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<p>(a) The engagement team’s evaluation of the firm’s independence in relation to the specific engagement;</p> <p>(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</p> <p>(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)</p> <p>ISA 220</p> <p>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>(a) The engagement team’s evaluation of the firm’s independence in relation to the audit engagement;</p> <p>(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</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. A29–A32)</p>	<p>14. <i>[Further refinement of this requirement is needed as the Quality Control Task Force develops their proposals in relation to the quality risks in ISQC 1, including the types of engagements this requirement should apply to.]</i></p> <p>For audits of financial statements, the procedures to be performed as part of the engagement quality control review shall include a consideration of:</p> <p>(a) The engagement team’s evaluation of the firm’s independence in relation to the specific engagement; and</p> <p>(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.</p>
<p>ISA 220</p> <p>20. The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the</p>	<p>15. The engagement quality control reviewer shall perform the engagement quality control review in accordance with the firm’s policies or procedures, and shall determine whether, in the engagement quality control reviewer’s professional judgment, the procedures performed are sufficient to enable the</p>

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
<p>engagement team, and the conclusions reached in formulating the auditor’s report. This evaluation shall involve:</p> <ul style="list-style-type: none"> (a) Discussion of significant matters with the engagement partner; (b) Review of the financial statements and the proposed auditor’s report; (c) Review of selected audit documentation relating to the significant judgments the engagement team made and the conclusions it reached; and (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) 	<p>engagement quality control reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon.</p>
Documentation of the Engagement Quality Control Review	Documentation
<p>ISQC 1</p> <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"> (a) The procedures required by the firm’s policies on engagement quality control review have been performed; (b) The engagement quality control review has been completed on or before the date of the report; and (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>16. The firm shall document its policies or procedures in relation to the selection of the engagement quality control reviewer and performance of the engagement quality control review. Such documentation shall be sufficient to enable a consistent understanding and application of the firm’s policies or procedures. (Ref: Para. A31–A32)</p> <p>17. The firm shall establish policies or procedures on documentation of: (Ref: Para. A31)</p> <ul style="list-style-type: none"> (a) The firm’s appointment of the engagement quality control reviewer(s); (b) The performance of the engagement quality control review, which shall include requirements for the engagement quality control reviewer to document: (Ref: Para. A33–A34)

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
	<ul style="list-style-type: none"> (i) The nature, timing and extent of the procedures performed, and the results of those procedures; (ii) Significant matters, if any, arising during the engagement quality control review and how these were resolved to support the engagement quality control reviewer’s conclusion that the significant judgments the engagement team made and the conclusions it reached were appropriate; and (iii) The date of completion of the engagement quality control review.
<p>ISA 220</p> <p>25. The engagement quality control reviewer shall document, for the audit engagement reviewed, that:</p> <ul style="list-style-type: none"> (a) The procedures required by the firm’s policies on engagement quality control review have been performed; (b) The engagement quality control review has been completed on or before the date of the auditor’s report; and (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>18. The engagement quality control reviewer shall document the performance of the engagement quality control review in accordance with the firm’s policies or procedures. (Ref: Para. A31)</p>
Application Material	Application Material
	Introduction
	<p>A1. The effectiveness of the engagement quality control review in addressing quality risks is enhanced in circumstances when firm leadership creates an internal culture that promotes professional</p>

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	<p>and ethical values in the conduct of engagements. Such a culture may be created by:</p> <ul style="list-style-type: none"> • Assigning responsibility for the oversight of the engagement quality control review process to a senior individual within the firm • Providing the necessary resources for the performance of engagement quality control reviews; • Emphasizing the importance of the engagement quality control review; • Promoting personal characteristics essential to quality that include respect for the engagement quality control reviewer and a responsive attitude to matters raised by the engagement quality control reviewer; and • Establishing policies or procedures addressing differences of opinion and encouraging appropriate consultation.
	<p><i>Sufficient Time</i> (Ref: Para. 9(a))</p>
	<p>A2. In order that the review is undertaken at appropriate points in time during the engagement, consideration of the individual's availability throughout the engagement may be relevant.</p> <p>A3. The firm may establish systems that monitor, on an ongoing basis, the workload and availability of its personnel, including engagement partners that enable the firm to make an assessment of whether its personnel have sufficient time to adequately discharge their responsibilities. Such systems may also be used by the firm to monitor the workload and availability of personnel performing engagement quality control reviews.</p>

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
<i>Objectivity of the Engagement Quality Control Reviewer (Ref: Para. 40)</i>	<i>Objectivity (Ref: Para. 9(b))</i>
	<i>[The application material below is preliminary and will be considered once further coordination has been undertaken with the International Ethics Standards Board for Accountants]</i>
<p>ISQC 1</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 provide that the engagement quality control reviewer:</p> <ul style="list-style-type: none"> • Where practicable, is not selected by the engagement partner; • Does not otherwise participate in the engagement during the period of review; • Does not make decisions for the engagement team; and • Is not subject to other considerations that would threaten the reviewer's objectivity. 	<p>A4. Relevant ethical requirements establish the fundamental principles of professional ethics that ordinarily include integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Relevant ethical requirements may set out specific criteria regarding the objectivity of the engagement quality control reviewer.</p>
	<p>A5. Objectivity is a fundamental principle of professional ethics established in relevant ethical requirements. Threats to the objectivity of the engagement quality control reviewer may arise in relation to the entity, engagement or engagement team, through a self-review, self-interest, familiarity or intimidation threat. For example, the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i> (IESBA Code) discusses self-interest and familiarity threats that may arise from long association in the role of engagement quality control reviewer in the context of:</p> <ul style="list-style-type: none"> • The entity, its operations or senior management; or

Extant ISQC 1 and ISA 220	Proposal – ISQC 2
	<ul style="list-style-type: none"> • The subject matter and subject matter information of the engagement (e.g., the financial statements on which the firm will express an opinion or the financial information which forms the basis of the financial statements). <p>Relevant ethical requirements may establish requirements that prohibit an individual who previously served as engagement partner from being eligible to perform the engagement quality control review for a certain period. For example, the IESBA Code contains requirements addressing the long association of personnel with a client that may prohibit an individual from performing the role of engagement quality control reviewer when the individual has served as the engagement partner or engagement quality control reviewer in relation to the engagement for a particular period of time.⁵</p>
	<p>A6. Examples of circumstances that may create a familiarity, self-review, self-interest or intimidation threat include:</p> <ul style="list-style-type: none"> • A familiarity, self-review or self-interest threat may arise from being a previous member of the engagement team, in particular the engagement partner, or being recently consulted on matters related to the engagement where areas of significant judgment exist. • A familiarity or self-interest threat may arise when the engagement quality control reviewer is a close or immediate family member of the engagement partner, or another key member of the engagement team, as well as in circumstances when close personal relationships are developed through long association with such personnel.

⁵ See, for example, Section 290 and 291 of the IESBA Code.

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	<ul style="list-style-type: none"> An intimidation threat in circumstances when pressure is exerted on the engagement quality reviewer, including when the engagement partner is an aggressive or dominant individual, or the engagement quality control reviewer is in the chain of command of the engagement partner.
	<p>A7. In some circumstances, it may not be possible to eliminate a threat, or reduce it to an acceptable level due to a limitation of available individuals within the firm that are eligible to perform engagement quality reviews and therefore the firm may not be able to identify an individual that is eligible to be appointed as the engagement quality control reviewer. In such circumstances, the firm may contract suitably qualified external persons to perform the engagement quality control review or the firm may use other firms to perform the review.</p>
	<p><i>Compliance with Law and Regulation (Ref: Para. 9(c))</i></p>
	<p>A8. Law and regulation may set out additional criteria regarding the eligibility of the engagement quality control reviewer. For example, in some jurisdictions, the engagement quality control reviewer may need to possess certain qualifications to be able to perform the review.</p>

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<i>Sufficient and Appropriate Technical Expertise, Experience and Authority (Ref: Para. 39(a))</i>	<i>Authority, Including Technical Competence and Experience (Ref: Para. 9(d))</i>
<p>ISQC 1</p> <p>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.</p>	<p>A9. The technical competence, knowledge and experience of the engagement quality control reviewer supports the authority of the reviewer as these attributes ordinarily contribute to the ability and confidence of the engagement quality control reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon. For example, an engagement quality control reviewer who lacks appropriate industry experience is unlikely to possess the ability or confidence that is necessary to evaluate significant judgments made by the engagement team.</p> <p>A10. There may be additional considerations for the firm in establishing the appropriate authority of the engagement quality control reviewer, including leadership's actions to create a culture of respect for the engagement quality control reviewer. However, in other circumstances, the firm may need to consider the hierarchical structure of the firm in identifying the engagement quality control reviewer. For example, in circumstances where cultural hierarchy is evident, the firm may determine that, in addition to technical competence, knowledge and experience, the engagement quality control reviewer may need to be at a higher level of hierarchy within the firm than the engagement partner. Similarly, the authority of the engagement quality control reviewer may be impaired in circumstances when the engagement quality control reviewer is within the chain of command of the engagement partner, for example, when the engagement partner holds a leadership position in the firm.</p>

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	<p>A11. Technical competence refers to the attainment and maintenance of knowledge and skills relevant to the engagement at the level required to enable the engagement quality control reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon. Knowledge, skills and experience relevant to the engagement may include:</p> <ul style="list-style-type: none"> • An understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation; • An understanding of professional standards and applicable legal and regulatory requirements; • An understanding of the firm’s policies or procedures; • Expertise related to the engagement, for example, expertise with respect to information technology or specialized areas of accounting or auditing; • Knowledge of, and practical experience with, industries in which the entity operates; and • An ability to apply professional judgment.

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	<p>A12. The level of technical competence and experience that is sufficient and appropriate to enable the engagement quality control reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon depends on the engagement circumstances, including the nature of the engagement and its complexity. For example, certain industries are highly specialized and more complex, which may necessitate the engagement quality control reviewer having a greater knowledge of, and practical experience with, such industries. In other circumstances, knowledge of, and practical experience with, the industry in which the entity operates may not be necessary for the purposes of performing the engagement quality control review and other attributes may be necessary, for example, expertise in relation to specialized areas of accounting. In the case of an engagement quality control review for an audit of financial statements of a listed entity, it may be appropriate that the engagement quality control review is performed by an individual with sufficient and appropriate technical competence and experience to act as an audit engagement partner on audits of financial statements of listed entities. Accordingly, the firm’s policies or procedures addressing the eligibility of the engagement quality control reviewer may specify different attributes in relation to the types of engagements or entities for which such engagements are performed.</p>
	<p>A13. In considering the eligibility of the engagement quality control reviewer, the firm may take into consideration other information that may affect the suitability of the individual to perform the engagement quality control review. For example, internal or external inspection results or other performance ratings in</p>

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	<p>relation to the individual may provide information relevant to the firm’s consideration of the suitability of the individual to perform the engagement quality control review.</p>
<p>ISQC 1 Consultation with the Engagement Quality Control Reviewer (Ref: Para. 39(b)) 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>Consultation with the Engagement Quality Control Reviewer (Ref: Para. 10) A14. In performing the engagement quality control review, the engagement quality control reviewer evaluates the significant judgments of the engagement team; however, the engagement quality control reviewer does not make decisions for the engagement team as such actions could create a threat to the objectivity of the engagement quality control reviewer. A15. The engagement team, including the engagement partner, may consult the engagement quality control reviewer during the engagement, for example, the engagement team may discuss a matter with the engagement quality control reviewer in order to support the engagement quality control reviewer’s evaluation of a significant judgment made by the engagement team in a timely manner. 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. When 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.</p>
<p>Assessment of the Eligibility of the Engagement Quality Control Reviewer (Ref: Para. 41)</p>	<p>Appointment of the Engagement Quality Control Reviewer (Ref: Para. 11)</p>
	<p>A16. Sufficient knowledge to be able to objectively assess the eligibility of the potential engagement quality control reviewer ordinarily includes an appropriate knowledge of:</p>

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	<ul style="list-style-type: none"> • The engagement subject to engagement quality control review, for example, the entity’s industry, whether it is a listed entity and the complexity of the engagement; • The characteristics of the engagement partner performing the engagement, for example, the knowledge and experience of the engagement partner; and • The characteristics necessary for the engagement quality control reviewer, i.e., those described in the criteria set out in paragraph 9.
<p>ISQC 1</p> <p>Considerations specific to smaller firms</p> <p>A50. It may not be practicable, in the case of firms with few partners, for the 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.</p>	<p>A17. Paragraph 9 addresses the eligibility of the engagement quality control reviewer, which includes objectivity. A threat to the objectivity of the engagement quality control reviewer may arise in circumstances when the reviewer is selected by a member of the engagement team. In certain circumstances, it may not be practicable for an individual, other than a member of the engagement team, to appoint the engagement quality control reviewer, for example, in the case of a smaller firm or a sole practitioner. In such cases, the firm evaluates the threat to the objectivity of the engagement quality control reviewer, addresses the threat by eliminating or reducing it to an acceptable level by applying safeguards, and evaluates whether the actions taken to address the threats have eliminated or reduced them to an acceptable level. An examples of a safeguard may include establishing a committee that oversees the appointment of the engagement quality control reviewer or contracting suitably qualified external persons or other firms to perform the engagement quality control review.</p>
	<p>A18. In some circumstances, it may not be possible to identify an engagement quality control reviewer that possesses all of the necessary attributes. In such circumstances, the firm considers</p>

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	<p>alternative ways of establishing the eligibility of the engagement quality control reviewer, for example:</p> <ul style="list-style-type: none"> • The engagement quality control reviewer may be supported by an individual or team of individuals who are objective and, together with the engagement quality control reviewer, have the appropriate combination of attributes. However, in such circumstances, the responsibility for the engagement quality control review remains with the engagement quality control reviewer. • The firm may utilize a suitably qualified external person or the firm may contract another firm to perform the review (e.g., in the case of a smaller firm).
	<p>A19. In circumstances when the firm contracts suitably qualified external persons or other firms to perform the engagement quality control review, the firm may need to make inquiries to obtain the necessary information about whether the suitably qualified external persons or other firms comply with all the criteria set out in paragraph 9. Such inquiries may include whether the suitably qualified external persons or other firms comply with relevant ethical requirements, including independence requirements.</p>
<p>ISQC 1 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 control reviewer includes consideration of the need for independence from the audited</p>	<p>Considerations Specific to Public Sector Audit Organizations <i>[Outreach with the public sector will be undertaken to update these considerations]</i> A20. 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</p>

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<p>entity and the ability of the engagement quality control reviewer to provide an objective evaluation.</p> <p>ISA 220</p> <p>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.</p>	<p>the need for independence from the audited entity and the ability of the engagement quality control reviewer to provide an objective evaluation.</p>
Execution of the Engagement Quality Control Review	Performance of the Engagement Quality Control Review (Ref: Para. 12–15)
	<p>A21. The firm’s policies or procedures addressing the performance of the engagement quality control review may:</p> <ul style="list-style-type: none"> (a) Emphasize the importance of the engagement quality control reviewer exercising professional judgment in determining: <ul style="list-style-type: none"> (i) The matters to be subject to review, (ii) The nature, timing and extent of the engagement quality control review, and (iii) Whether the procedures performed are sufficient to enable the engagement quality control reviewer to evaluate the significant judgments made by the engagement team and the conclusions reached thereon.

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	<p>(b) Specify the consideration of specific matters or specify the review procedures in relation to:</p> <ul style="list-style-type: none"> (i) Certain types of engagements, for example, audits of financial statements, review engagements or other assurance engagements. (ii) Certain categories of entities, for example, audits of financial statements of listed entities or audits of financial statements of entities operating in a particular industry.
<p>ISQC 1</p> <p>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.</p> <p>ISA 220</p> <p>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>A22. The nature, timing and extent of the procedures performed by the engagement quality control reviewer may depend, among other things, on the nature and complexity of the engagement, the nature of the entity and the risk that the report might not be appropriate in the circumstances. The nature of the procedures may include review, inspection, inquiry or observation.</p> <p>3. ...The performance of an engagement quality control review does not reduce the responsibilities of the engagement partner.</p>
<p>ISQC 1</p> <p>A43. Conducting the engagement quality control review in a timely manner at appropriate stages during the engagement allows</p>	<p>A23. The timing of when the engagement quality control review procedures are performed depends on the circumstances of the engagement and the nature of the matters subject to the review.</p>

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<p>significant matters to be promptly resolved to the engagement quality control reviewer’s satisfaction on or before the date of the report.</p> <p>ISA 220</p> <p>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.</p>	<p>Conducting the engagement quality control review in a timely manner at appropriate times 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 engagement report, and may support the application of professional judgment and exercise of professional skepticism in performing the engagement. For example, the engagement quality control reviewer may perform procedures in relation to the strategy and plan for undertaking the engagement at the completion of the planning phase. In other circumstances, it may be appropriate for the engagement quality control reviewer to perform the procedures at the end of the engagement, for example, when the engagement is not complex and is completed within a short period of time.</p>
<p>ISQC 1</p> <p>Nature, Timing and Extent of the Engagement Quality Control Review (Ref: Para. 36–37)</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>A24. The engagement report is not dated until the completion of the engagement quality control review, which includes that matters raised by the engagement quality control reviewer are resolved before the engagement report is issued. However, the documentation of the engagement quality control review may be completed after the date of the report.⁸ 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.^{9,10} When the engagement quality control review is performed for an audit of financial statements, such a review</p>

⁸ See paragraph 14 of ISA 230, *Audit Documentation*

⁹ ISA 700 (Revised), *Forming and Opinion and Reporting on Financial Statements*, paragraph 49

¹⁰ Similar requirements exist in paragraph 92 of International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* and in paragraph 41 of ISRS 4410 (Revised), *Compilation Engagements*.

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<p>ISA 220</p> <p>Completion of the Engagement Quality Control Review before Dating of the Auditor’s Report (Ref: Para. 19(c))</p> <p>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.⁶ 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> <p>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.⁷</p>	<p>assists the auditor in determining whether sufficient appropriate evidence has been obtained.</p>
	<p>A25. Other matters that may be relevant to the engagement may include information such as the results of inspections undertaken by an external oversight authority in a prior period or deficiencies identified in relation to other engagements performed by the firm that may be relevant to the engagement.</p>
	<p>A26. The engagement quality control reviewer exercises professional judgment in determining the areas of significant judgment made</p>

⁶ ISA 700 (Revised), paragraph 49

⁷ ISA 230, paragraphs 14-16

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	<p>by the engagement team that are subject to the engagement quality control review. Significant judgment in relation to the engagement may include matters related to the strategy and plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached thereon by the engagement team and the proposed engagement report.</p>
<p>ISQC 1 Engagement Quality Control Review of a Listed Entity (Ref: Para. 38)</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> <ul style="list-style-type: none"> • Significant risks identified during the engagement and the responses to those risks. • Judgments made, particularly with respect to materiality and significant risks. • The significance and disposition of corrected and uncorrected misstatements identified during the engagement. • The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies. <p>These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for</p>	<p>A27. For audits of financial statements, significant judgments made during the engagement may include:</p> <ul style="list-style-type: none"> • The materiality level(s) determined by the engagement team; • The engagement team's consideration of risks identified through the acceptance and continuance process and proposed responses to those risks; • The engagement team's risk assessment process in accordance with ISA 315 (Revised),¹¹ including identification of significant risks, consideration of other risks the engagement team determined did not rise to the level of a significant risk; and the proposed response to the significant risks in accordance with ISA 330,¹² including the engagement team's assessment of, and response to, the risk of fraud in accordance with ISA 240;¹³ • The engagement team's proposed group audit strategy with respect to the identification of significant components; • The engagement team's decisions regarding the use of specialists or experts;

¹¹ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

¹² ISA 330, *The Auditor's Responses to Assessed Risks*

¹³ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

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<p>audits of the financial statements of other entities as well as reviews of financial statements and other assurance and related services engagements.</p> <p>ISA 220 Engagement Quality Control Review of Listed Entities (Ref: Para. 21)</p> <p>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:</p> <ul style="list-style-type: none"> • Significant risks identified during the engagement in accordance with ISA 315 (Revised), and the responses to those risks in accordance with ISA 330, including the engagement team’s assessment of, and response to, the risk of fraud in accordance with ISA 240. • Judgments made, particularly with respect to materiality and significant risks. • The significance and disposition of corrected and uncorrected misstatements identified during the audit. • The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies. <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.</p>	<ul style="list-style-type: none"> • The engagement team's consideration of, and disclosures of, related party transactions; • Conclusions drawn, or results of the procedures performed by the engagement team on significant areas of the engagement, for example, conclusions in respect of certain estimates, accounting policies, or going concern considerations; • The engagement team's evaluation of the procedures performed by experts and conclusions drawn therefrom; • In group audit situations, the engagement team's evaluation of work performed by component auditors and the conclusions drawn therefrom; • The significance and disposition of corrected and uncorrected misstatements identified during the engagement; • The engagement team's proposed audit opinion and matters to be communicated in the auditor's report, for example, key audit matters, or a “Material Uncertainty Related to Going Concern” paragraph; or • The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.

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<p>ISA 220</p> <p>A28. When ISA 701¹⁴ applies, the conclusions reached by the engagement team in formulating the auditor’s report include determining:</p> <ul style="list-style-type: none"> • The key audit matters to be included in the auditor’s report; • The key audit matters that will not be communicated in the auditor’s report in accordance with paragraph 14 of ISA 701, if any; and • 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. <p>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.</p>	<p>A28. For audit of financial statements, when ISA 701 applies, the conclusions reached by the engagement team in formulating the auditor’s report include determining:</p> <ul style="list-style-type: none"> • The key audit matters to be included in the auditor’s report; • The key audit matters that will not be communicated in the auditor’s report in accordance with paragraph 14 of ISA 701, if any; and • 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. <p>In addition, the review of the proposed auditor’s report in accordance with paragraph 13(c)(iii) includes consideration of the proposed wording to be included in the Key Audit Matters section.</p>
	<p>A29. For engagements other than audits of financial statements, some of the significant judgments identified in paragraph A27 may be relevant, for example, judgments with respect to materiality and the engagement team’s decision regarding the use of specialists and experts. There may also be other significant judgments in relation to these engagements that are not relevant to an audit of financial statements, for example, in the case of an assurance engagement performed in accordance with ISAE 3000 (Revised), significant judgment may include the engagement team’s determination of whether the criteria to be applied in the</p>

¹⁴ ISA 701, *Communicating Key Audit Matters in the Auditor’s Report*

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	preparation of the subject matter information are suitable for the engagement circumstances.
	A30. The documentation that the engagement quality control reviewer selects for review relating to the significant judgments made by the engagement team may include documentation of the matters in paragraph A27. Depending on the circumstances and the type of engagement being performed, the review of other documentation may be appropriate.
	Documentation (Ref: Para. 16–18)
	<p>A31. The form, content and extent of the documentation of the firm’s policies or procedures and the documentation of the various aspects related to the engagement quality control review may depend on factors such as:</p> <ul style="list-style-type: none"> • At the firm level, the size and complexity of the firm, the types of services the firm provides and the nature of the entities to whom services are provided; • At the engagement quality control reviewer level: <ul style="list-style-type: none"> ○ The nature and complexity of the engagement; ○ The nature of the entity; ○ The nature and complexity of the matters subject to the engagement quality control review; ○ The risk that the report might not be appropriate in the circumstances; and ○ The extent of the documentation reviewed.
	A32. The documentation of the firm’s policies or procedures supports a consistent understanding and application of such policies or procedures.

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	<p>A33. In some circumstances the firm’s policies or procedures may prescribe matters to be documented by the engagement quality control reviewer that are additional to the documentation requirements in this standard.</p>
	<p>A34. The documentation by the engagement quality control reviewer provides evidence of the execution of the professional judgments made while performing the review, for example, when determining the matters to be subject to the engagement quality control review. The performance of the engagement quality control review may be documented in a number of ways. For example, the engagement quality control reviewer may document the review of engagement documentation and may note issues raised in order to document the results of the review procedures and significant matters raised during the review. Alternatively, the engagement quality control reviewer may document the review through means of a memorandum. The engagement quality control reviewer’s procedures may also be documented as part of other engagement documentation, for example, minutes of the engagement team’s discussions where the engagement quality control reviewer was present.</p>