

KAEG-I [INTL VERSION 2024]: ISQM 2 Engagement Quality Reviews

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ISQM 2 Engagement Quality Reviews

ISQM 2 Engagement Quality Reviews

(Effective for audits and reviews of financial statements for periods beginning on or after December 15, 2022; and effective for other assurance and related services engagements beginning on or after December 15, 2022)

Introduction, Objective, Definitions

International Standard on Quality Management: ISQM 2.01-13

Introduction

Scope of this ISQM

1. This International Standard on Quality Management (ISQM) deals with:

- (a) The appointment and eligibility of the engagement quality reviewer; and
- (b) The engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

2. This ISQM applies to all engagements for which an engagement quality review is required to be performed in accordance with ISQM 1.¹ This ISQM is premised on the basis that the firm is subject to ISQM 1 or to national requirements that are at least as demanding. This ISQM is to be read in conjunction with relevant ethical requirements.

¹ International Standard on Quality Management (ISQM) 1 (Previously International Standard on Quality Control 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph 34(f)

3. An engagement quality review performed in accordance with this ISQM is a specified response that is designed and implemented by the firm in accordance with ISQM 1.² The performance of an engagement quality review is undertaken at the engagement level by the engagement quality reviewer on behalf of the firm.

² ISQM 1, paragraph 34(f)

Scalability

4. The nature, timing and extent of the engagement quality reviewer's procedures required by this ISQM vary depending on the nature and circumstances of the engagement or the entity. For example, the engagement quality reviewer's procedures would likely be less extensive for engagements involving fewer significant judgments made by the engagement team.

The Firm's System of Quality Management and Role of Engagement Quality Reviews

5. ISQM 1 establishes the firm's responsibilities for its system of quality management and requires the firm to design and implement responses to address the quality risks in a manner that is based on, and responsive to, the reasons for the assessments given to the quality risks.³ The specified responses in ISQM 1 include establishing policies or procedures addressing engagement quality reviews in accordance with this ISQM.

3 ISQM 1, paragraph 26

6. The firm is responsible for designing, implementing and operating the system of quality management. Under ISQM 1, the objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that:

(a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

(b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁴

4 ISQM 1, paragraph 14

7. As explained in ISQM 1,⁵ the public interest is served by the consistent performance of quality engagements. Quality engagements are achieved through planning and performing engagements and reporting on them in accordance with professional standards and applicable legal and regulatory requirements. Achieving the objectives of those standards and complying with the requirements of applicable law or regulation involves exercising professional judgment and, when applicable to the type of engagement, exercising professional skepticism.

5 ISQM 1, paragraph 15

8. An engagement quality review is an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon. The engagement quality reviewer's evaluation of significant judgments is performed in the context of professional standards and applicable legal and regulatory requirements. However, an engagement quality review is not intended to be an evaluation of whether the entire engagement complies with professional standards and applicable legal and regulatory requirements, or with the firm's policies or procedures.

9. The engagement quality reviewer is not a member of the engagement team. The performance of an engagement quality review does not change the responsibilities of the engagement partner for managing and achieving quality on the engagement, or for the direction and supervision of the members of the engagement team and the review of their work. The engagement quality reviewer is not required to obtain evidence to support the opinion or conclusion on the engagement, but the engagement team may obtain further evidence in responding to matters raised during the engagement quality review.

Authority of this ISQM

10. This ISQM contains the objective for the firm in following this ISQM, and requirements designed to enable the firm and the engagement quality reviewer to meet that stated objective. In addition, this ISQM contains related guidance in the form of application and other explanatory material and introductory material that provides context relevant to a proper understanding of this ISQM, and definitions. ISQM 1⁶ explains the terms objective, requirements, application and other explanatory material, introductory material, and definitions.

6 ISQM 1, paragraphs 12 and A6-A9

Effective Date

11. This ISQM is effective for:

- (a) Audits and reviews of financial statements for periods beginning on or after December 15, 2022; and
- (b) Other assurance and related services engagements beginning on or after December 15, 2022.

Objective

12. The objective of the firm, through appointing an eligible engagement quality reviewer, is to perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon.

Definitions

13. For purposes of this ISQM, the following terms have the meanings attributed below:

- (a) Engagement quality review - An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the engagement report.
- (b) Engagement quality reviewer - A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review.
- (c) Relevant ethical requirements - Principles of professional ethics and ethical requirements that are applicable to a professional accountant when undertaking the engagement quality review. 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. (Ref: Para. A12-A15)

Applying, and Complying with, Relevant Requirements

International Standard on Quality Management: ISQM 2.14-16

Requirements

Applying, and Complying with, Relevant Requirements

14. The firm and the engagement quality reviewer shall have an understanding of this ISQM, including the application and other explanatory material, to understand the objective of this ISQM and to properly apply the requirements relevant to them.

15. The firm or the engagement quality reviewer, as applicable, shall comply with each requirement of this ISQM, unless the requirement is not relevant in the circumstances of the engagement.

16. The proper application of the requirements is expected to provide a sufficient basis for the achievement of the objective of this standard. However, if the firm or the engagement quality reviewer determines that the application of the relevant requirements does not provide a sufficient basis for the achievement of the objective of this standard, the firm or the engagement quality reviewer, as applicable, shall take further actions to achieve the objective.

How do we comply with the Standards?

[ISA | KAEGHDWC]

1 Comply with the relevant quality control review requirements [ISA | 8008]

What do we do?

Comply with all quality control review requirements relevant to the engagement.

Why do we do this?

Compliance with the quality control review requirements helps the reviewer to assess the quality of the engagement and the work performed by the engagement team by following consistent guidelines for that quality review. Quality reviews strengthen the basis for our audit opinion and our report.

Execute the audit

[What is a quality control review?](#) [ISA | 8008.1300]

It is a review of an engagement performed by a person or persons with sufficient and appropriate experience and authority who are not members of the engagement team. This review is performed to comply with our system of quality management which is designed to provide reasonable assurance that:

- the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, as well as KPMG policy, and conduct engagements in accordance with such standards and requirements
- the engagement report(s) issued is (are) appropriate in the circumstances.

[What does the engagement quality control reviewer do to comply with the quality control requirements relevant to the engagement?](#) [ISA | 8008.157390]

To comply with the quality control requirements relevant to the engagement, the quality control reviewer:

- has an understanding of the quality control standards and their objective to properly apply those relevant to the engagement
- comply with each requirement of the quality control review standards unless the requirement is not relevant to the engagement
- conducts the quality control review in accordance with the relevant KPMG Audit Execution Guide and the relevant risk management manual.

Refer to activity '[Conduct the audit in accordance with auditing standards and KPMG audit methodology](#)' for additional information.

What are the types of quality control reviews? [ISA | 8008.14767]

There are two types of quality control reviews:

- [Engagement quality control \(EQC\) review](#)
- [Limited scope quality control \(LSQC\) review](#) (only applicable to ISA and AICPA engagements)

The type of quality control review performed is based on the specific circumstances of the engagement and follow the criteria set forth by the firm.

What does the EQC reviewer do when the engagement quality control review procedures do not provide a sufficient basis for the achievement of the objective of the EQC review? [ISA | 8008.157391]

If the engagement quality control (EQC) reviewer determines that conducting the EQC review in accordance with the KPMG Audit Execution Guide and the Global Quality & Risk Management Manual does not provide a sufficient basis for the achievement of the objective of the EQC review, which is to provide an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, the EQC reviewer, in consultation with the risk management partner, takes further actions to achieve the objective of the EQC review.

Appointment and Eligibility of Engagement Quality Reviewers

International Standard on Quality Management: ISQM 2.17-23

Appointment and Eligibility of Engagement Quality Reviewers

17. The firm shall establish policies or procedures that require the assignment of responsibility for the appointment of engagement quality reviewers to an individual(s) with the competence, capabilities and appropriate authority within the firm to fulfill the responsibility. Those policies or procedures shall require such individual(s) to appoint the engagement quality reviewer. (Ref: Para. A1-A3)

18. The firm shall establish policies or procedures that set forth the criteria for eligibility to be appointed as an engagement quality reviewer. Those policies or procedures shall require that the engagement quality reviewer not be a member of the engagement team, and: (Ref: Para. A4)

- (a) Has the competence and capabilities, including sufficient time, and the appropriate authority to perform the engagement quality review; (Ref: Para. A5-A11)

(b) Complies with relevant ethical requirements, including in relation to threats to objectivity and independence of the engagement quality reviewer; and (Ref: Para. A12-A15)

(c) Complies with provisions of law and regulation, if any, that are relevant to the eligibility of the engagement quality reviewer. (Ref: Para. A16)

19. The firm's policies or procedures established in accordance with paragraph 18(b) shall also address threats to objectivity created by an individual being appointed as an engagement quality reviewer after previously serving as the engagement partner. Such policies or procedures shall specify a cooling-off period of two years, or a longer period if required by relevant ethical requirements, before the engagement partner can assume the role of engagement quality reviewer. (Ref: Para. A17-A18)

20. The firm shall establish policies or procedures that set forth the criteria for eligibility of individuals who assist the engagement quality reviewer. Those policies or procedures shall require that such individuals not be members of the engagement team, and:

(a) Have the competence and capabilities, including sufficient time, to perform the duties assigned to them; and (Ref: Para. A19)

(b) Comply with relevant ethical requirements, including in relation to threats to their objectivity and independence and, if applicable, the provisions of law and regulation. (Ref: Para. A20-A21)

21. The firm shall establish policies or procedures that:

(a) Require the engagement quality reviewer to take overall responsibility for the performance of the engagement quality review; and

(b) Address the engagement quality reviewer's responsibility for determining the nature, timing and extent of the direction and supervision of the individuals assisting in the review, and the review of their work. (Ref: Para. A22)

Impairment of the Engagement Quality Reviewer's Eligibility to Perform the Engagement Quality Review

22. The firm shall establish policies or procedures that address circumstances in which the engagement quality reviewer's eligibility to perform the engagement quality review is impaired and the appropriate actions to be taken by the firm, including the process for identifying and appointing a replacement in such circumstances. (Ref: Para. A23)

23. When the engagement quality reviewer becomes aware of circumstances that impair the engagement quality reviewer's eligibility, the engagement quality reviewer shall notify the appropriate individual(s) in the firm, and: (Ref: Para. A24)

(a) If the engagement quality review has not commenced, decline the appointment to perform the engagement quality review; or

(b) If the engagement quality review has commenced, discontinue the performance of the engagement quality review.

ISQM Application and Other Explanatory Material: ISQM 2.A1-A24

Application and Other Explanatory Material

Appointment and Eligibility of Engagement Quality Reviewers

Assignment of Responsibility for the Appointment of Engagement Quality Reviewers (Ref: Para. 17)

A1. Competence and capabilities that are relevant to an individual's ability to fulfill responsibility for the appointment of the engagement quality reviewer may include appropriate knowledge about:

- The responsibilities of an engagement quality reviewer;
- The criteria in paragraphs 18 and 19 regarding the eligibility of engagement quality reviewers; and
- The nature and circumstances of the engagement or the entity subject to an engagement quality review, including the composition of the engagement team.

A2. The firm's policies or procedures may specify that the individual responsible for the appointment of engagement quality reviewers not be a member of the engagement team for which an engagement quality review is to be performed. However, in certain circumstances (e.g., in the case of a smaller firm or a sole practitioner), it may not be practicable for an individual other than a member of the engagement team to appoint the engagement quality reviewer.

A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm's policies or procedures may specify a different process for appointing engagement quality reviewers for audits of listed entities than for audits of non-listed entities or other engagements, with different individuals responsible for each process.

Eligibility of the Engagement Quality Reviewer (Ref: Para. 18)

A4. In some circumstances, for example, in the case of a smaller firm or a sole practitioner, there may not be a partner or other individual in the firm who is eligible to perform the engagement quality review. In these circumstances, the firm may contract with, or obtain the services of, individuals external to the firm to perform the engagement quality review. An individual external to the firm may be a partner or an employee of a network firm, a structure or an organization within the firm's network, or a service provider. When using such an individual, the provisions in ISQM 1 addressing network requirements or network services or service providers apply.

Eligibility Criteria for the Engagement Quality Reviewer

Competence and Capabilities, Including Sufficient Time (Ref: Para. 18(a))

A5. ISQM 1 describes characteristics related to competence, including the integration and application of technical competence, professional skills, and professional ethics, values and attitudes.⁷ Matters that the firm may consider in determining that an individual has the necessary competence to perform an engagement quality review include, for example:

- An understanding of professional standards and applicable legal and regulatory requirements and of the firm's policies or procedures relevant to the engagement;
- Knowledge of the entity's industry;
- An understanding of, and experience relevant to, engagements of a similar nature and complexity; and
- 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.

7 ISQM 1, paragraph A88

A6. The conditions, events, circumstances, actions or inactions considered by the firm in determining that an engagement quality review is an appropriate response to address one or more quality risk(s)⁸ may be an important consideration in the firm's determination of the competence and capabilities required to perform the engagement quality review for that engagement. Other considerations that the firm may take into account in determining whether the engagement quality reviewer has the competence and capabilities, including sufficient time, needed to evaluate the significant judgments made by the engagement team and the conclusions reached thereon include, for example:

- The nature of the entity.
- The specialization and complexity of the industry or regulatory environment in which the entity operates.
- The extent to which the engagement relates to matters requiring specialized expertise (e.g., with respect to information technology (IT) or specialized areas of accounting or auditing), or scientific and engineering expertise, such as may be needed for certain assurance engagements. Also see paragraph A19.

8 ISQM 1, paragraph A134

A7. In evaluating the competence and capabilities of an individual who may be appointed as an engagement quality reviewer, the findings arising from the firm's monitoring activities (e.g., findings from the inspection of engagements for which the individual was an engagement team member or engagement quality reviewer) or the results of external inspections may also be relevant considerations.

A8. A lack of appropriate competence or capabilities affects the ability of the engagement quality reviewer to exercise appropriate professional judgment in performing the review. For example, an engagement quality reviewer who lacks relevant industry experience may not possess the ability or confidence necessary to evaluate and, where appropriate, challenge significant judgments made, and the exercise of professional skepticism, by the engagement team on a complex, industry-specific accounting or auditing matter.

Appropriate Authority (Ref: Para. 18(a))

A9. Actions at the firm level help to establish the authority of the engagement quality reviewer. For example, by creating a culture of respect for the role of the engagement quality reviewer, the engagement quality reviewer is less likely to experience pressure from the engagement partner or other personnel to inappropriately influence the outcome of the engagement quality review. In some cases, the engagement quality reviewer's authority may be enhanced by the firm's policies or procedures to address differences

of opinion, which may include actions the engagement quality reviewer may take when a disagreement occurs between the engagement quality reviewer and the engagement team.

A10. The authority of the engagement quality reviewer may be diminished when:

- The culture within the firm promotes respect for authority only of personnel at a higher level of hierarchy within the firm.
- The engagement quality reviewer 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 determining the compensation of the engagement quality reviewer.

Public Sector Considerations

A11. In the public sector, an auditor (e.g., an Auditor General, or other suitably qualified individual appointed on behalf of the Auditor General) may act in a role equivalent to that of the engagement partner with overall responsibility for public sector audits. In such circumstances, 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.

Relevant Ethical Requirements (Ref: Para. 13(c), 18(b))

A12. The relevant ethical requirements that are applicable when undertaking an engagement quality review may vary, depending on the nature and circumstances of the engagement or the entity. Various provisions of relevant ethical requirements may apply only to individual professional accountants, such as an engagement quality reviewer, and not the firm itself.

A13. Relevant ethical requirements may include specific independence requirements that would apply to individual professional accountants, such as an engagement quality reviewer. Relevant ethical requirements may also include provisions that address threats to independence created by long association with an audit or assurance client. The application of any such provisions dealing with long association is distinct from, but may need to be taken into consideration in applying, the required cooling-off period in accordance with paragraph 19.

Threats to the objectivity of the engagement quality reviewer

A14. Threats to the engagement quality reviewer's objectivity may be created by a broad range of facts and circumstances. For example:

- A self-review threat may be created when the engagement quality reviewer previously was involved with significant judgments made by the engagement team, in particular as the engagement partner or other engagement team member.
- 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 member of the engagement team, or through close personal relationships with members of the engagement team.
- An intimidation threat may be created when actual or perceived 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 has a reporting line to the engagement partner).

A15. Relevant ethical requirements may include requirements and guidance to identify, evaluate and address threats to objectivity. For example, the IESBA Code provides specific guidance, including examples of:

- Circumstances where threats to objectivity may be created when a professional accountant is appointed as an engagement quality reviewer;
- Factors that are relevant in evaluating the level of such threats; and
- Actions, including safeguards, that might address such threats.

Law or Regulation Relevant to the Eligibility of the Engagement Quality Reviewer (Ref: Para. 18(c))

A16. Law or regulation may prescribe additional requirements regarding the eligibility of the engagement quality reviewer. For example, in some jurisdictions, the engagement quality reviewer may need to possess certain qualifications or be licensed to be able to perform the engagement quality review.

Cooling-Off Period for an Individual After Previously Serving as the Engagement Partner (Ref: Para. 19)

A17. In recurring engagements, the matters on which significant judgments are made often do not vary. Therefore, significant judgments made in prior periods may continue to affect judgments of the engagement team in subsequent periods. The ability of an engagement quality reviewer to perform an objective evaluation of significant judgments is therefore affected when the individual was previously involved with those judgments as the engagement partner. In such circumstances, it is important that appropriate safeguards are put in place to reduce threats to objectivity, in particular the self-review threat, to an acceptable level. Accordingly, this ISQM requires the firm to establish policies or procedures that specify a cooling-off period during which the engagement partner is precluded from being appointed as the engagement quality reviewer.

A18. The firm's policies or procedures also may address whether a cooling-off period is appropriate for an individual other than the engagement partner before becoming eligible to be appointed as the engagement quality reviewer on that engagement. In this regard, the firm may consider the nature of that individual's role and previous involvement with the significant judgments made on the engagement. For example, the firm may determine that an engagement partner responsible for the performance of audit procedures on the financial information of a component in a group audit engagement may not be eligible to be appointed as the group engagement quality reviewer because of that audit partner's involvement in the significant judgments affecting the group audit engagement.

Circumstances When the Engagement Quality Reviewer Uses Assistants (Ref: Para. 20-21)

A19. In certain circumstances, it may be appropriate for the engagement quality reviewer to be assisted by an individual or team of individuals with the relevant expertise. For example, highly specialized knowledge, skills or expertise may be useful for understanding certain transactions undertaken by the entity to help the engagement quality reviewer evaluate the significant judgments made by the engagement team related to those transactions.

A20. The guidance in paragraph A14 may be helpful to the firm when establishing policies or procedures that address threats to objectivity of individuals who assist the engagement quality reviewer.

A21. When the engagement quality reviewer is assisted by an individual external to the firm, the assistant's responsibilities, including those related to compliance with relevant ethical requirements, may be set out in the contract or other agreement between the firm and the assistant.

A22. The firm's policies or procedures may include responsibilities of the engagement quality reviewer to:

- Consider whether assistants understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement quality review; and
- Address matters raised by assistants, considering their significance and modifying the planned approach appropriately.

Impairment of the Engagement Quality Reviewer's Eligibility to Perform the Engagement Quality Review (Ref: Para. 22-23)

A23. Factors that may be relevant to the firm in considering whether the eligibility of the engagement quality reviewer to perform the engagement quality review is impaired include:

- Whether changes in the circumstances of the engagement result in the engagement quality reviewer no longer having the appropriate competence and capabilities to perform the review;
- Whether changes in the other responsibilities of the engagement quality reviewer indicate that the individual no longer has sufficient time to perform the review; or
- Notification from the engagement quality reviewer in accordance with paragraph 23.

A24. In circumstances in which the engagement quality reviewer's eligibility to perform the engagement quality review becomes impaired, the firm's policies or procedures may set out a process by which alternative eligible individuals are identified. The firm's policies or procedures may also address the responsibility of the individual appointed to replace the engagement quality reviewer to perform procedures sufficient to fulfill the requirements of this ISQM with respect to the performance of the engagement quality review. Such policies or procedures may further address the need for consultation in such circumstances.

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

1 Identify the necessary level of quality control review [ISA | 3913]

What do we do?

Identify the necessary level of quality control review for the engagement based on the nature of the engagement, the application of relevant standards and KPMG policy.

Why do we do this?

A quality control review is a review performed by someone who is not a member of the engagement team for audits of financial statements and reviews of interim financial information. The objective of the engagement quality control review is to provide an objective evaluation by the reviewer, on or before

the date of the report(s), of the significant judgments made by the engagement team and the related conclusions it reached thereon.

Execute the Audit

What is a quality control review? [ISA | 3913.1300]

It is a review of an engagement performed by a person or persons with sufficient and appropriate experience and authority who are not members of the engagement team. This review is performed to comply with our system of quality management which is designed to provide reasonable assurance that:

- the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, as well as KPMG policy, and conduct engagements in accordance with such standards and requirements
- the engagement report(s) issued is (are) appropriate in the circumstances.

What are the types of quality control reviews? [ISA | 3913.14767]

There are two types of quality control reviews:

- [Engagement quality control \(EQC\) review](#)
- [Limited scope quality control \(LSQC\) review](#) (only applicable to ISA and AICPA engagements)

The type of quality control review performed is based on the specific circumstances of the engagement and follow the criteria set forth by the firm.

What is an EQC review? [ISA | 3913.157393]

An EQC review is an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the EQC reviewer and completed on or before the date of the engagement report.

The term 'engagement quality reviews' used in some auditing standards, quality management standards or firm manuals has the same meaning as 'engagement quality control reviews' used within the KPMG Audit Execution Guide and the KPMG Clara workflow.

What is an LSQC review? [ISA | 3913.1301]

An LSQC review is an objective evaluation by the LSQC reviewer, on or before the report date, of certain audit considerations (e.g. assessment of materiality levels and uncorrected audit misstatements), the presentation and disclosure of the financial statements or interim financial information and the proposed report.

The 'limited scope quality control review' is also referred to as the 'limited scope quality review'.

When is an EQC review performed? [ISA | 3913.14801]

An EQC review is performed for the following engagements conducted under ISA standards:

- audits of financial statements of a listed entity and any related review(s) of interim financial information;
- audits of financial statements of a non-listed entity with a high public profile (see question '[What is the definition of a high public profile entity?](#)' for definition) and any related review(s) of interim financial information,

- the engagement is considered to be high risk as designated in CEAC, unless exempted by the risk management partner (see question '[What specific procedures apply to 'high risk' engagements where an EQC review is not otherwise necessary?](#)' for further information),
- engagements, including reviews of interim financial information, that require an EQC review under local laws or regulations, and
- other engagements, including reviews of interim financial information, as determined by the risk management partner or country head of audit.

[What is the definition of a high public profile entity? \[ISA | 3913.14805\]](#)

Entities with a high public profile include listed entities. There is a rebuttable presumption that the following entities are also entities with a high public profile:

- significant entities whose principal activity is to pool and manage a portfolio of investments and that makes their shares or units available to the public by filing a prospectus or equivalent document with a regulator (this includes significant open ended investment companies or significant mutual funds required to file a prospectus with a regulatory body);
- significant entities whose principal activity is to buy and sell securities for themselves and others and that are required to register with a regulator (e.g. broker-dealers required to be registered with a regulator);
- significant entities whose principal activity is to take deposits and to borrow for the purpose of lending and investing in the retail market (this includes banks, building societies, credit unions, friendly societies, savings and loan associations and thrift institutions);
- significant entities whose principal activity is to assist others in raising capital by underwriting and/or acting as an agent in the issuance of securities (i.e. investment banks);
- significant entities whose principal activity is to underwrite insurance in the retail or employee benefit markets;
- significant pension plans;
- significant unions;
- governments and other significant entities in the public sector, such as municipalities, schools, school boards, universities, and hospitals; and
- significant not-for-profit organizations (i.e. entities without transferable ownership interests, organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose whose members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization).

"Significant" is determined by using the measures and/or criteria that are relevant to the jurisdiction in which the KPMG member firm operates.

In addition, the following entities may be considered high public profile depending on the circumstances:

- those planning to list in the foreseeable future
- an affiliate or subsidiary of a listed entity
- those having control/significant influence over listed entities
- high profile individuals associated with the engagement.

[What procedure do we follow if the engagement partner believes that the rebuttal presumption as to what constitutes a 'high public profile' is not appropriate for the entity? \[ISA | 3913.14811\]](#)

When the engagement partner believes that the rebuttable presumption as to what constitutes a "high public profile" (see question ['What is the definition of a high public profile entity?'](#) for definition) is not appropriate for the entity and, as a result, an EQC review is not necessary, we consult with the risk management partner. When the risk management partner agrees with our conclusions, we document the reasons for our rebuttal supporting this conclusion as agreed.

The risk management partner reviews this rebuttal annually.

When is an LSQC review performed? [ISA | 3913.14812]

An LSQC is not appropriate for audits conducted in accordance with the PCAOB standards, regardless of the jurisdiction in which the audit is performed. For other engagements, an LSQC review is not always necessary, but may be performed when an EQC review is not performed, when determined by the risk management partner or country head of audit.

Examples of engagements where an LSQC review may be appropriate include:

- (1) The engagement is a high risk engagement in CEAC due to significant risks in a discrete area (e.g. revenue recognition, business restructuring, significant valuations/estimates, asset impairment, or tax exposures/risks) or financial statement level risks (e.g. going concern) and the risk management partner determines, based on facts and circumstances of the engagement, that an LSQC review is appropriate rather than an EQC review.
- (2) The engagement partner, the country head of audit or the risk management partner determine that a quality control review by another partner with experience in an industry or a specific regulatory framework is necessary.

What specific procedures apply to 'high risk' engagements where an EQC review is not otherwise necessary? [ISA | 3913.14813]

For engagements designated as 'high risk' from the CEAC process and where an EQC review is not deemed necessary, the risk management partner designates the engagement for an LSQC review.

Where are EQC review risk management considerations located? [ISA | 3913.14817]

For related risk management considerations, refer to the policies in 10.4 Engagement Performance: Engagement Quality Control Review of the [Global Quality and Risk Management Manual \(GQ&RMM\)](#)

<https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83> which addresses firm responsibilities and policies for the accreditation, eligibility, appointment and recognition of EQC reviewers.

2 Perform an EQC review for engagements that meet the relevant criteria [ISA | 3917]

What do we do?

IF an engagement meets the relevant criteria, THEN the engagement quality control (EQC) reviewer performs an EQC review in accordance with the relevant standard.

Why do we do this?

Engagement quality control (EQC) reviews provide an objective evaluation of the appropriateness of the significant judgments and related conclusions made by the engagement team.

Execute the Audit

How does an EQC review contribute to our audit being performed in accordance with the relevant standards? [ISA | 3917.1300]

The EQC reviewer performs an objective evaluation of the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement as well as in preparing the engagement report, if a report is to be issued.

Conducting the EQC review in a timely manner allows significant findings or issues to be promptly resolved to the EQC reviewer's satisfaction.

How is the EQC review performed? [ISA | 3917.1400]

For information on how EQC reviews are performed, refer to each of the activities below:

- [Identify a qualified EQC reviewer](#)
- [Perform the EQC review objectively and with integrity](#)
- [Perform the EQC review maintaining objectivity](#)
- [The engagement partner remains responsible for the performance of an engagement subject to EQC review](#)
- [Evaluate significant judgments made and conclusions reached in an audit](#)
- [Evaluate significant judgments made and conclusions reached in an interim review](#)
- [Document the EQC review](#)

2.1 Identify a qualified EQC reviewer [ISA | 3918]

What do we do?

The firm determines whether the engagement quality control (EQC) reviewer (and personnel assisting the EQC reviewer) is qualified to undertake the EQC review by virtue of competence, capability, independence, integrity, objectivity and impartiality.

Why do we do this?

When the firm selects the individual to serve as the EQC reviewer for an engagement, the individual meets certain qualifications in order to be an effective reviewer and provide the necessary level of quality control.

Execute the Audit

How is an EQC reviewer identified and appointed? [ISA | 3918.8733]

An EQC reviewer is identified and appointed in accordance with the requirements set out in Policy 10.4.3 of the [GQ&RMM](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229) and its related procedures.

Can an EQC reviewer use an assistant in the EQC review? [ISA | 3918.14724]

Yes, if permitted by local law and regulations, in certain circumstances, it may be appropriate for the EQC reviewer to be assisted by an individual or team of individuals with relevant expertise.

The EQC reviewer may use an individual appointed by the partner in the firm with responsibility for appointing the EQC reviewer in accordance with [GQ&RMM](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229) https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229 Policy 10.4.3, to assist them with performing the EQC review. EQC reviewer assistants are not selected by the EQC reviewer or the engagement partner.

Who is ultimately responsible for the performance of the EQC review? [ISA | 3918.157394]

The EQC reviewer remains responsible for the overall performance of the engagement quality control review. When the EQC reviewer uses assistants in performing the EQC review, the EQC reviewer is responsible for determining the nature, timing and extent of the direction and supervision of the individuals assisting in the review, and the review of their work.

What does the EQC reviewer think about when determining the nature, timing and extent of direction and supervision of the individuals assisting in the review, and the review of their work? [ISA | 3918.157395]

In determining the nature, timing and extent of direction and supervision of individuals assisting the EQC reviewer and the review of the work performed, the EQC reviewer thinks about the assistants' capacity to perform the work and the assistants' relevant industry or other experience. Additionally, the EQC reviewer may:

- consider whether assistants understand their instructions and whether the work is being carried out in accordance with the planned approach to the EQC review; and
- address matters raised by assistants, including their significance and modifying the planned approach appropriately.

2.2 Perform the EQC review objectively, with integrity and impartiality [ISA | 3926]

What do we do?

The engagement quality control (EQC) reviewer performs their review objectively, with integrity and impartiality.

Why do we do this?

If the EQC reviewer has been involved in any way with the engagement under review, it could impact the appropriate level of questioning and challenge that they apply to the decisions and judgements made by the engagement partner and engagement team.

Execute the Audit

How does the EQC perform the EQC review? [ISA | 3926.1300]

The EQC reviewer is responsible for performing the EQC review in compliance with the relevant ethical and independence requirements, laws and regulations and for performing the review with

integrity, objectivity and impartiality. See [Policy 10.4.2 of the GQ&RMM](https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=85) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=85> for further information.

If the EQC reviewer is not able to carry out the role on the engagement in compliance with relevant ethical and independence requirements, laws and regulations, or to carry out the role with objectivity, the EQC reviewer notifies the risk management partner and the responsible person for their appointment to the engagement, and in those circumstances:

- declines the appointment as the EQC reviewer if the review has not commenced, or
- discontinues the performance of the review if the review has commenced.

If the EQC reviewer becomes aware that other eligibility criteria (refer to [GQ&RMM](https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229> Policy 10.4.3) may no longer be met, the EQC reviewer notifies the responsible person for their appointment to the engagement.

If the EQC reviewer is not able to carry out the role of EQC reviewer in compliance with relevant ethical and independence requirements, laws and regulations, or is not able to carry out the role with objectivity, another EQC reviewer will be appointed in accordance with the requirements set out in Policy 10.4.3 of the [GQ&RMM](https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229) <https://www.gqrrmm-prod.kworld.kpmg.com/G/0/Content/83?jm=227-policy-22229> and its related procedures.

What is the overall responsibility of someone assisting the EQC reviewer in performing the EQC review?

[ISA | 3926.14708]

The EQC reviewer's assistant is responsible for complying with relevant ethical and independence requirements, laws and regulations (if applicable), and for carrying out the role of the assistant with integrity, objectivity and impartiality.

2.3 Perform the EQC review maintaining objectivity [ISA | 3928]

What do we do?

The engagement quality control reviewer maintains objectivity by not making decisions on behalf of the engagement team or assuming any of the responsibilities of the engagement team.

Why do we do this?

The engagement quality control (EQC) reviewer and those assisting the EQC reviewer maintain objectivity in their EQC review at all times in order to perform their review appropriately.

Execute the Audit

How does the EQC reviewer and those who assist the reviewer maintain objectivity? [ISA | 3928.1300]

In order to maintain objectivity, the EQC reviewer and others who assist the reviewer do not:

- make decisions on behalf of the engagement team (or become involved in decision making on the engagement),
- assume any of the responsibilities of the engagement team,

- subject themselves to other considerations that threaten the reviewer's objectivity, and
- otherwise participate in the engagement during the period of review.

While robust discussions may take place as the EQC reviewer and others who assist the reviewer provides challenge to the engagement team, the reviewers are careful to avoid being in a position where they are, or effectively are, making decisions on behalf of the engagement partner.

See question '[How does the EQC perform the EQC review?](#)' if the EQC reviewer is not able to carry out the role on the engagement with objectivity.

[What does 'assume any of the responsibilities of the engagement team' mean?](#) [ISA | 3928.14659]

Assuming any of the responsibilities of the engagement team includes having responsibility, such as direction or supervision, for the audit/review of any of the reporting entity's components, employee benefit plans or related entities.

[What engagement activities can the EQC reviewer participate in and still maintain objectivity?](#) [ISA | 3928.1400]

Frequent communication between the engagement team and EQC reviewer throughout the engagement may assist in facilitating an effective and timely EQC review. However, a threat to the objectivity of the EQC reviewer may be created depending on the timing and extent of the discussions with the engagement team about a significant judgment.

The EQC reviewer uses professional judgment in determining whether to be involved in engagement team activities that may impair their objectivity and, if involved, how to maintain their objectivity. Below is a list of example scenarios in which the EQC reviewer may participate in order to maintain a heightened awareness and how to maintain objectivity even with the EQC reviewer's participation.

Type of EQC reviewer participation	How EQC reviewer objectivity is maintained
The EQC reviewer attends or listens to meetings between the engagement partner and management and/or those charged with governance in order to gain an understanding of the underlying facts and management's rationale related to certain matters, including difficult or contentious accounting matters.	The EQC reviewer and the engagement team are careful to avoid involving the EQC reviewer in decision making, or creating confusion with management or those charged with governance as to the responsibilities of the engagement partner and the EQC reviewer.
The EQC reviewer discusses alternative approaches for the engagement team to resolve a difficult significant matter in a timely manner.	The EQC reviewer may discuss acceptable alternative solutions with the engagement partner prior to the engagement partner reaching their conclusion on the matter. The engagement partner maintains responsibility for its resolution.

The EQC reviewer attends and listens to the engagement team meetings (e.g. the risk assessment and planning discussion).

This activity actually helps the EQC reviewer gain the necessary understanding of the entity.

3 Perform an LSQC review [ISA | 3952]

What do we do?

IF a limited scope quality control (LSQC) review is necessary, THEN the reviewing partner performs an LSQC review.

Why do we do this?

The limited scope quality control (LSQC) reviews provide an opportunity to objectively evaluate the appropriateness of certain significant judgments and related conclusions made by the engagement team.

Execute the Audit

What is an LSQC review? [ISA | 3952.1301]

An LSQC review is an objective evaluation by the LSQC reviewer, on or before the report date, of certain audit considerations (e.g. assessment of materiality levels and uncorrected audit misstatements), the presentation and disclosure of the financial statements or interim financial information and the proposed report.

The 'limited scope quality control review' is also referred to as the 'limited scope quality review'.

How is an LSQC review performed? [ISA | 3952.1400]

- [Determine whether the LSQC reviewer is qualified](#)
- [Perform the LSQC review maintaining objectivity](#)
- [The engagement partner remains responsible for the performance of an engagement subject to LSQC review](#)
- [Perform procedures to complete the LSQC review](#)

3.1 Determine whether the LSQC reviewer is qualified [ISA | 3953]

What do we do?

The firm determines whether both the limited scope quality control (LSQC) reviewer and personnel assisting the LSQC reviewer are qualified to perform the LSQC review.

Why do we do this?

The limited scope quality control (LSQC) reviewer has certain qualifications to enable them to be an effective reviewer and provide the necessary level of quality control. In order to comply with these qualifications, there are protocols for initial assignment of and changes to the LSQC reviewer role.

Execute the Audit

Who can be an LSQC reviewer? [ISA | 3953.1300]

The LSQC reviewer is an audit partner (or, with the agreement of the risk management partner or country head of audit, other appropriate individual), who:

- is independent of the entity;
- has integrity and objectivity;
- has sufficient and appropriate technical skills, experience and authority to perform the review;
- is not involved with the engagement; and
- has sufficient time to carry out the review.

Who makes the initial assignment of the LSQC reviewer? [ISA | 3953.1600]

The risk management partner or country head of audit selects or agrees to the selection of the LSQC reviewer during the CEAC process. To help maintain the objectivity of the LSQC reviewer, the engagement partner does not select the LSQC reviewer.

Can an LSQC reviewer use an assistant in their review? [ISA | 3953.1700]

Yes, the LSQC reviewer may use an audit partner, an audit managing director or a senior manager, who is not an engagement team member, to assist with their review of audit or review documentation. Such assistance does not reduce the responsibilities of the LSQC reviewer for the performance of the LSQC review and the overall conclusions reached.

When an assistant is used by the LSQC reviewer, the individual assisting the LSQC reviewer documents the review of all activities and attachments that they review. Additionally, the individual assisting the LSQC reviewer confirms the following:

- I have assisted the LSQC reviewer as indicated above, and have marked as reviewed in the KPMG Clara workflow and/or signed or initialled and dated all documentation that I have reviewed. I have performed the LSQC review with integrity and maintained objectivity while providing such assistance. In maintaining objectivity, I have not made decisions for the engagement team, assumed any of the responsibilities of the engagement team, subjected myself to other considerations that threaten my objectivity, or otherwise participated in the engagement during the period of review.

What qualifications does an assistant to the LSQC review possess? [ISA | 3953.1750US]

Personnel assisting the LSQC reviewer are also independent of the entity. Similar to the LSQC reviewer, the assistant performs the assigned procedures of the LSQC with integrity and maintains objectivity in performing the review.

What else is thought about when selecting an individual to assist in the LSQC review? [ISA | 3953.1800]

When selecting an individual to assist the LSQC reviewer, the significance of relationships that exist between the individual and the engagement team and whether such relationships may threaten the

individual's objectivity is thought about. Relationships with the engagement team may include matters such as shared engagements with the engagement partner, performance manager assignments, or other chain of command relationships. Experience, industry background, and other necessary skills of the individual are also thought about.

Who approves the assignment of an assistant to the LSQC review? [ISA | 3953.1900]

The risk management partner approves the assistant to the LSQC reviewer, giving consideration to the experience, industry background and other necessary skills of the individual.

Where do we document the initial selection and assignment of the LSQC reviewer for an engagement?

[ISA | 3953.14703]

Approval of initial assignments of LSQC reviewers is documented in CEAC in accordance with the respective jurisdiction's process in Chapter 10 of the [Global Quality & Risk Management Manual \(GQ&RMM\)](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83>.

How are subsequent changes to the assignment of the LSQC reviewer made and approved? [ISA | 3953.14705]

Once the initial assignment for new clients has been made and approved in CEAC, all subsequent changes are completed in accordance with the respective jurisdiction's process in Chapter 10 of the [GQ&RMM](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83) <https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83>.

3.2 Perform the LSQC review maintaining objectivity [ISA | 3954]

What do we do?

The limited scope quality control (LSQC) reviewer maintains objectivity during the engagement review.

Why do we do this?

The engagement partner remains responsible for the engagement, regardless of the involvement of quality control reviewers. The role of the LSQC reviewer is to provide an objective review of the significant judgments made by the engagement team and the conclusions they reach.

Execute the Audit

What is the overall responsibility of the LSQC reviewer in performing the LSQC review? [ISA | 3954.1300]

The overall responsibility of the LSQC reviewer is to provide an 'objective' review.

How does the LSQC reviewer and those who assist the reviewer maintain objectivity? [ISA | 3954.1400]

In order to maintain objectivity, the LSQC reviewer and others who assist the reviewer do not:

- assume any of the responsibilities of the engagement team;
- make decisions for the engagement team (or become involved in decision making on the engagement);
- subject themselves to other considerations that threaten the reviewer's objectivity; or

- otherwise participate in the engagement during the period of review.

While robust discussions may take place as the LSQC reviewer and others who assist the reviewer provides challenge to the engagement team, the reviewers are careful to avoid being in a position where they are, or effectively are, making decisions on behalf of the engagement partner.

What does 'assume any of the responsibilities of the engagement team' mean? [ISA | 3954.1500]

Assuming any of the responsibilities of the engagement team includes having responsibility, such as direction or supervision, for the audit/review of any of the reporting entity's components, employee benefit plans or related entities.

What engagement activities can the LSQC reviewer participate in and still maintain objectivity? [ISA | 3954.14709]

Frequent communication between the engagement team and LSQC reviewer throughout the engagement may assist in facilitating an effective and timely LSQC review. However, a threat to the objectivity of the LSQC reviewer may be created depending on the timing and extent of the discussions with the engagement team about a significant judgment.

The LSQC reviewer uses professional judgment in determining whether to be involved in engagement team activities that may impair their objectivity and, if involved, how to maintain their objectivity. Below is a list of example scenarios in which the LSQC reviewer may participate in order to maintain a heightened awareness and how to maintain objectivity even with the LSQC reviewer's participation.

Type of LSQC reviewer participation	How LSQC reviewer objectivity is maintained
The LSQC reviewer attends or listens to meetings between the engagement partner and management and/or those charged with governance in order to gain an understanding of the underlying facts and management's rationale related to certain matters, including difficult or contentious accounting matters.	The LSQC reviewer and the engagement team are careful to avoid involving the LSQC reviewer in decision making, or creating confusion with management or those charged with governance as to the responsibilities of the engagement partner and the LSQC reviewer.
The LSQC reviewer discusses alternative approaches for the engagement team to resolve a difficult significant matter in a timely manner.	The LSQC reviewer may discuss acceptable alternative solutions with the engagement partner prior to the engagement partner reaching their conclusion on the matter. The engagement partner maintains responsibility for its resolution.
The LSQC reviewer attends and listens to the engagement team meetings (e.g. the risk assessment and planning discussion).	This activity actually helps the LSQC reviewer gain the necessary understanding of the entity.

Performance of the Engagement Quality Review

International Standard on Quality Management: ISQM 2.24-27

Performance of the Engagement Quality Review

24. The firm shall establish policies or procedures regarding the performance of the engagement quality review that address:

- (a) The engagement quality reviewer's responsibilities to perform procedures in accordance with paragraphs 25-26 at appropriate points in time during the engagement to provide an appropriate basis for an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon;
- (b) The responsibilities of the engagement partner in relation to the engagement quality review, including that the engagement partner is precluded from dating the engagement report until notification has been received from the engagement quality reviewer in accordance with paragraph 27 that the engagement quality review is complete; and (Ref: Para. A25-A26)
- (c) 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, and appropriate actions to take in these circumstances. (Ref: Para. A27)

25. In performing the engagement quality review, the engagement quality reviewer shall: (Ref: Para. A28-A33)

- (a) Read, and obtain an understanding of, information communicated by: (Ref: Para. A34)
 - (i) The engagement team regarding the nature and circumstances of the engagement and the entity; and
 - (ii) The firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgments made by the engagement team.
- (b) Discuss with the engagement partner and, if applicable, other members of the engagement team, significant matters and significant judgments made in planning, performing and reporting on the engagement. (Ref: Para. A35-A38)
- (c) Based on the information obtained in (a) and (b), review selected engagement documentation relating to the significant judgments made by the engagement team and evaluate: (Ref: Para. A39-A43)
 - (i) The basis for making those significant judgments, including, when applicable to the type of engagement, the exercise of professional skepticism by the engagement team;
 - (ii) Whether the engagement documentation supports the conclusions reached; and
 - (iii) Whether the conclusions reached are appropriate.
- (d) For audits of financial statements, evaluate the basis for the engagement partner's determination that relevant ethical requirements relating to independence have been fulfilled. (Ref: Para. A44)

(e) Evaluate whether appropriate consultation has taken place on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations. (Ref: Para. A45)

(f) For audits of financial statements, evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement. (Ref: Para. A46)

(g) Review:

(i) For audits of financial statements, the financial statements and the auditor's report thereon, including, if applicable, the description of the key audit matters; (Ref: Para. A47)

(ii) For review engagements, the financial statements or financial information and the engagement report thereon; or (Ref: Para. A47)

(iii) For other assurance and related services engagements, the engagement report, and when applicable, the subject matter information. (Ref: Para. A48)

26. The engagement quality reviewer shall notify the engagement partner if the engagement quality reviewer has concerns that the significant judgments made by the engagement team, or the conclusions reached thereon, are not appropriate. If such concerns are not resolved to the engagement quality reviewer's satisfaction, the engagement quality reviewer shall notify an appropriate individual(s) in the firm that the engagement quality review cannot be completed. (Ref: Para. A49)

Completion of the Engagement Quality Review

27. The engagement quality reviewer shall determine whether the requirements in this ISQM with respect to the performance of the engagement quality review have been fulfilled, and whether the engagement quality review is complete. If so, the engagement quality reviewer shall notify the engagement partner that the engagement quality review is complete.

ISQM Application and Other Explanatory Material: ISQM 2.A25-A49

Performance of the Engagement Quality Review (Ref: Para. 24-27)

Engagement Partner Responsibilities in Relation to the Engagement Quality Review (Ref: Para. 24(b))

A25. ISA 220 (Revised)⁹ establishes the requirements for the engagement partner in audit engagements for which an engagement quality review is required, including:

- Determining that an engagement quality reviewer has been appointed;
- Cooperating with the engagement quality reviewer and informing other members of the engagement team of their responsibility to do so;

- Discussing significant matters and significant judgments arising during the audit engagement, including those identified during the engagement quality review, with the engagement quality reviewer; and
- Not dating the auditor's report until the completion of the engagement quality review.

9 International Standard on Auditing (ISA) 220 (Revised), Quality Management for an Audit of Financial Statements, paragraph 36

A26. ISAE 3000 (Revised)¹⁰ also establishes requirements for the engagement partner in relation to the engagement quality review.

10 International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, paragraph 36

Discussions Between the Engagement Quality Reviewer and the Engagement Team (Ref: Para. 24(c))

A27. Frequent communication between the engagement team and engagement quality reviewer throughout the engagement may assist in facilitating an effective and timely engagement quality review. However, a threat to the objectivity of the engagement quality reviewer may be created depending on the timing and extent of the discussions with the engagement team about a significant judgment. The firm's policies or procedures may set out the actions to be taken by the engagement quality reviewer or the engagement team to avoid situations in which the engagement quality reviewer is, or may be perceived to be, making decisions on behalf of the engagement team. For example, in these circumstances the firm may require consultation about such significant judgments with other relevant personnel in accordance with the firm's consultation policies or procedures.

Procedures Performed by the Engagement Quality Reviewer (Ref: Para. 25-27)

A28. The firm's policies or procedures may specify the nature, timing and extent of the procedures performed by the engagement quality reviewer and also may emphasize the importance of the engagement quality reviewer exercising professional judgment in performing the review.

A29. The timing of the procedures performed by the engagement quality reviewer may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Timely review of the engagement documentation by the engagement quality reviewer throughout all stages of the engagement (e.g., planning, performing and reporting) allows matters to be promptly resolved to the engagement quality reviewer's satisfaction, on or before the date of the engagement report. For example, the engagement quality reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase. Timely performance of the engagement quality review also may reinforce the exercise of professional judgment and, when applicable to the type of engagement, professional skepticism, by the engagement team in planning and performing the engagement.

A30. The nature and extent of the engagement quality reviewer's procedures for a specific engagement may depend on, among other factors:

- The reasons for the assessments given to quality risks,¹¹ for example, engagements performed for entities in emerging industries or with complex transactions.
- Identified deficiencies, and the remedial actions to address the identified deficiencies, related to the firm's monitoring and remediation process, and any related guidance issued by the firm, which may indicate areas where more extensive procedures need to be performed by the engagement quality reviewer.
- The complexity of the engagement.
- The nature and size of the entity, including whether the entity is a listed entity.
- Findings relevant to the engagement, such as the results of inspections undertaken by an external oversight authority in a prior period, or other concerns raised about the quality of the work of the engagement team.
- Information obtained from the firm's acceptance and continuance of client relationships and specific engagements.
- For assurance engagements, the engagement team's identification and assessment of, and responses to, risks of material misstatement in the engagement.
- 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, informing an appropriate individual in the firm so appropriate action can be taken to resolve the issue.

¹¹ ISQM 1, paragraph A49

A31. The nature, timing and extent of the engagement quality reviewer's procedures may need to change based on circumstances encountered in performing the engagement quality review.

Group Audit Considerations

A32. The performance of an engagement quality review for an audit of group financial statements may involve additional considerations for the individual appointed as the engagement quality reviewer for the group audit, depending on the size and complexity of the group. Paragraph 21(a) requires the firm's policies or procedures to require the engagement quality reviewer to take overall responsibility for the performance of the engagement quality review. In doing so, for larger and more complex group audits, the group engagement quality reviewer may need to discuss significant matters and significant judgments with key members of the engagement team other than the group auditor (e.g., a component auditor). In these circumstances, the engagement quality reviewer may be assisted by individuals in accordance with paragraph 20. The guidance in paragraph A22 may be helpful when the engagement quality reviewer for the group audit is using assistants.

A33. In some cases, an engagement quality reviewer may be appointed for an audit of an entity or business unit that is part of a group, for example, when such an audit is required by law, regulation or other reasons. In these circumstances, communication between the engagement quality reviewer for the group audit and the engagement quality reviewer for the audit of that entity or business unit may help the group engagement quality reviewer in fulfilling the responsibilities in accordance with paragraph 21(a). For example, this may be the case when the entity or business unit has been identified as a component for purposes of the group audit and significant judgments related to the group audit have been made at the component level.

Information Communicated by the Engagement Team and the Firm (Ref: Para. 25(a))

A34. Obtaining an understanding of information communicated by the engagement team and the firm in accordance with paragraph 25(a) may assist the engagement quality reviewer in understanding the significant judgments that may be expected for the engagement. Such an understanding may also provide the engagement quality reviewer with a basis for discussions with the engagement team about the significant matters and significant judgments made in planning, performing and reporting on the engagement. For example, a deficiency identified by the firm may relate to significant judgments made by other engagement teams for certain accounting estimates for a particular industry. When this is the case, such information may be relevant to the significant judgments made on the engagement with respect to those accounting estimates, and therefore may provide the engagement quality reviewer with a basis for discussions with the engagement team in accordance with paragraph 25(b).

Significant Matters and Significant Judgments (Ref: Para. 25(b)-25(c))

A35. For audits of financial statements, ISA 220 (Revised)¹² requires the engagement partner to review audit documentation relating to significant matters¹³ and significant judgments, including those relating to difficult or contentious matters identified during the engagement, and the conclusions reached.

¹² ISA 220 (Revised), paragraph 31

¹³ ISA 230, Audit Documentation, paragraph 8(c)

A36. For audits of financial statements, ISA 220 (Revised)¹⁴ provides examples of significant judgments that may be identified by the engagement partner related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team.

¹⁴ ISA 220 (Revised), paragraph A92

A37. For engagements other than audits of financial statements, the significant judgments made by the engagement team may depend on the nature and circumstances of the engagement or the entity. For example, in an assurance engagement performed in accordance with ISAE 3000 (Revised), the engagement team's determination of whether the criteria to be applied in the preparation of the subject matter information are suitable for the engagement may involve or require significant judgment.

A38. In performing the engagement quality review, the engagement quality reviewer may become aware of other areas where significant judgments would have been expected to be made by the engagement team for which further information may be needed about the engagement team's procedures performed or the basis for conclusions reached. In those circumstances, discussions with the engagement quality reviewer may result in the engagement team concluding that additional procedures need to be performed.

A39. The information obtained in accordance with paragraphs 25(a) and 25(b), and the review of selected engagement documentation, assists the engagement quality reviewer in evaluating the engagement team's basis for making the significant judgments. Other considerations that may be relevant to the engagement quality reviewer's evaluation include, for example:

- Remaining alert to changes in the nature and circumstances of the engagement or the entity that may result in changes in the significant judgments made by the engagement team;
- Applying an unbiased view in evaluating responses from the engagement team; and
- Following up on inconsistencies identified in reviewing engagement documentation, or inconsistent responses by the engagement team to questions relating to the significant judgments made.

A40. The firm's policies or procedures may specify engagement documentation to be reviewed by the engagement quality reviewer. In addition, such policies or procedures may indicate that the engagement quality reviewer exercises professional judgment in selecting additional engagement documentation to be reviewed relating to significant judgments made by the engagement team.

A41. Discussions about significant judgments with the engagement partner, and if applicable, other members of the engagement team, together with the engagement team's documentation, may assist the engagement quality reviewer in evaluating the exercise of professional skepticism, when applicable to the engagement, by the engagement team in relation to those significant judgments.

A42. For audits of financial statements, ISA 220 (Revised)¹⁵ provides examples of the impediments to the exercise of professional skepticism at the engagement level, unconscious auditor biases that may impede the exercise of professional skepticism, and possible actions that the engagement team may take to mitigate impediments to the exercise of professional skepticism at the engagement level.

¹⁵ ISA 220 (Revised), paragraphs A34-A36

A43. For audits of financial statements, the requirements and relevant application material in ISA 315 (Revised 2019),¹⁶ ISA 540 (Revised)¹⁷ and other ISAs also provide examples of areas in an audit where the auditor exercises professional skepticism, or examples of where appropriate documentation may help provide evidence about how the auditor exercised professional skepticism. Such guidance may also assist the engagement quality reviewer in evaluating the exercise of professional skepticism by the engagement team.

¹⁶ ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, paragraph A238

¹⁷ ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, paragraph A11

Whether Relevant Ethical Requirements Relating to Independence Have Been Fulfilled (Ref: Para. 25(d))

A44. ISA 220 (Revised)¹⁸ requires the engagement partner, prior to dating the auditor's report, to take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled.

¹⁸ ISA 220 (Revised), paragraph 21

Whether Consultation Has Taken Place on Difficult or Contentious Matters or Matters Involving Differences of Opinion (Ref: Para. 25(e))

A45. ISQM 1¹⁹ addresses consultation on difficult or contentious matters and differences of opinion within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management.

19 ISQM 1, paragraphs 31(d), 31(e) and A79-A82

Sufficient and Appropriate Involvement of the Engagement Partner on the Engagement (Ref: Para. 25(f))

A46. ISA 220 (Revised)²⁰ requires the engagement partner to determine, prior to dating the auditor's report, that the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement. ISA 220 (Revised)²¹ also indicates that the documentation of the involvement of the engagement partner may be accomplished in different ways. Discussions with the engagement team, and review of such engagement documentation, may assist the engagement quality reviewer's evaluation of the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate.

20 ISA 220 (Revised), paragraph 40(a)

21 ISA 220 (Revised), paragraph A118

Review of Financial Statements and Engagement Reports (Ref: Para. 25(g))

A47. For audits of financial statements, the engagement quality reviewer's review of the financial statements and auditor's report thereon may include consideration of whether the presentation and disclosure of matters relating to the significant judgments made by the engagement team are consistent with the engagement quality reviewer's understanding of those matters based on the review of selected engagement documentation, and discussions with the engagement team. In reviewing the financial statements, the engagement quality reviewer may also become aware of other areas where significant judgments would have been expected to be made by the engagement team for which further information may be needed about the engagement team's procedures or conclusions. The guidance in this paragraph also applies to review engagements, and the related engagement report.

A48. For other assurance and related services engagements, the engagement quality reviewer's review of the engagement report and, when applicable, the subject matter information may include considerations similar to those described in paragraph A47 (e.g., whether the presentation or description of matters relating to the significant judgments made by the engagement team are consistent with the engagement quality reviewer's understanding based on the procedures performed in connection with the review).

Unresolved Concerns of the Engagement Quality Reviewer (Ref: Para. 26)

A49. The firm's policies or procedures may specify the individual(s) in the firm to be notified if the engagement quality reviewer has unresolved concerns that the significant judgments made by the

engagement team, or the conclusions reached thereon, are not appropriate. Such individual(s) may include the individual assigned the responsibility for the appointment of engagement quality reviewers. With respect to such unresolved concerns, the firm's policies or procedures may also require consultation within or outside the firm (e.g., a professional or regulatory body).

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

1 The engagement partner remains responsible for the performance of an engagement subject to EQC review [ISA | 3929]

What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to an engagement quality control review.

Why do we do this?

The engagement partner signs the auditor's report and, consequently, is always responsible for the engagement even when there is an engagement quality control (EQC) reviewer. The EQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

Execute the Audit

Who is ultimately responsible for the engagement subject to EQC review and its performance? [ISA | 3929.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the EQC reviewer and others who assist the reviewer.

What responsibilities does the engagement partner have with regards to an EQC review? [ISA | 3929.14897]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has specific responsibilities with regards to an EQC review, which include:

- determining that an EQC reviewer has been appointed during the CEAC process;
- cooperating with the EQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the EQC review, with the EQC reviewer;
- confirming that issues raised by the EQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the EQC review.

When is the EQC review of an audit complete? [ISA | 3929.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in the activities '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)' and '[Review the financial statements and the proposed auditor's report\(s\)](#)'.

For example, if the EQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the EQC review is not complete.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

[In what ways do the responsibilities of the engagement partner and the EQC review partner differ?](#) [ISA | 3929.14660]

Unlike the engagement team, including the engagement partner, the EQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support the audit opinion. If the EQC reviewer identifies additional audit procedures to be performed before the EQC reviewer completes their review, the engagement team - not the EQC reviewer - is responsible for performing the additional audit procedures. In contrast, the EQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

[When do we discuss significant findings or issues and significant judgments with the EQC reviewer?](#) [ISA | 3929.1500]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the EQC reviewer. However, bringing such matters to the EQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the EQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the EQC reviewer's objectivity, matters are not usually brought to the EQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The EQC reviewer is not making decisions on behalf of the engagement team or becoming involved in decision making on the engagement.

[When does the engagement partner have discussions with the EQC reviewer during the engagement?](#) [ISA | 3929.14661]

The engagement partner may have discussions with the EQC reviewer during the engagement, for example, to establish that a significant judgment made or conclusion reached by the engagement partner will be acceptable to the EQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the EQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely EQC review.

What do we do if differences of opinion arise between the engagement team and the engagement reviewers? [ISA | 3929.1600]

When differences of opinions arise between the engagement team and the engagement reviewers, we follow the steps in activity ['Resolve differences of opinion'](#). Differences of opinion can arise given the extent of professional judgment involved in relation to significant matters, including complex accounting, auditing and financial reporting matters.

The EQC reviewer does not complete their review until the difference of opinion is resolved in accordance with the firm's procedures. If the EQC reviewer does not complete their review, the report is not issued.

What does the engagement team or EQC reviewer do if there are concerns regarding the EQC reviewer's objectivity? [ISA | 3929.1700]

The engagement team or EQC reviewer consults with the risk management partner when there are concerns regarding the EQC reviewer's objectivity, either by the engagement team or the EQC reviewer. The EQC reviewer and engagement team are both responsible for helping the EQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

The EQC reviewer is also responsible for notifying the risk management partner and the responsible person for their appointment to the engagement if the EQC reviewer determines they are not able to carry out the role on the engagement in compliance with relevant ethical and independence requirements, laws and regulations, or able to carry out the role with objectivity. See additional information in the question ['How does the EQC perform the EQC review?'](#)

Who coordinates the EQC review? [ISA | 3929.14662]

The engagement partner may assign the engagement manager or another engagement team member to coordinate the engagement team's interaction with the EQC reviewer and facilitate the conduct of the EQC review in an effective and timely manner throughout the engagement.

How do we coordinate the EQC review? [ISA | 3929.14663]

The individual responsible for coordination may develop an EQC review plan to be discussed with the EQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the EQC review plan is to facilitate timely review by the EQC reviewer of the significant judgments made and conclusions reached by the engagement team and to enable the engagement team to respond fully to matters raised by the EQC reviewer prior to the date of the report(s).

What elements might an EQC review plan include? [ISA | 3929.14664]

The EQC review plan may include the following:

- the engagement timeline
- when it is expected that the EQC reviewer will complete each of their responsibilities as set out in the KPMG Clara workflow
- if the EQC reviewer expects to use the assistance of an audit partner or other person, who is not an engagement team member, how the engagement team will interact with them

- approach to be used by the EQC reviewer to determine what audit documentation will be reviewed in addition to what is already reviewed in accordance with the activity '[Evaluate significant judgements made and conclusions reached in an audit](#)'
- whether the EQC reviewer will attend any meetings with the engagement team, with management, or those charged with governance and, if so, the expected dates of the meetings
- when and how significant findings or issues and significant judgments arising during the engagement will be brought to the attention of the EQC reviewer (see activity '[Perform the EQC review maintaining objectivity](#)' regarding maintaining the EQC reviewer's objectivity)
- when and how the EQC reviewer will be made aware of consultations by the engagement team with others within KPMG
- other matters that are relevant to the engagement or the EQC review.

2 Perform the EQC review maintaining objectivity

[ISA | 3928]

What do we do?

The engagement quality control reviewer maintains objectivity by not making decisions on behalf of the engagement team or assuming any of the responsibilities of the engagement team.

Why do we do this?

The engagement quality control (EQC) reviewer and those assisting the EQC reviewer maintain objectivity in their EQC review at all times in order to perform their review appropriately.

Execute the Audit

[How does the EQC reviewer and those who assist the reviewer maintain objectivity?](#) [ISA | 3928.1300]

In order to maintain objectivity, the EQC reviewer and others who assist the reviewer do not:

- make decisions on behalf of the engagement team (or become involved in decision making on the engagement),
- assume any of the responsibilities of the engagement team,
- subject themselves to other considerations that threaten the reviewer's objectivity, and
- otherwise participate in the engagement during the period of review.

While robust discussions may take place as the EQC reviewer and others who assist the reviewer provides challenge to the engagement team, the reviewers are careful to avoid being in a position where they are, or effectively are, making decisions on behalf of the engagement partner.

See question '[How does the EQC perform the EQC review?](#)' if the EQC reviewer is not able to carry out the role on the engagement with objectivity.

[What does 'assume any of the responsibilities of the engagement team' mean?](#) [ISA | 3928.14659]

Assuming any of the responsibilities of the engagement team includes having responsibility, such as direction or supervision, for the audit/review of any of the reporting entity's components, employee benefit plans or related entities.

What engagement activities can the EQC reviewer participate in and still maintain objectivity? [ISA |

3928.1400]

Frequent communication between the engagement team and EQC reviewer throughout the engagement may assist in facilitating an effective and timely EQC review. However, a threat to the objectivity of the EQC reviewer may be created depending on the timing and extent of the discussions with the engagement team about a significant judgment.

The EQC reviewer uses professional judgment in determining whether to be involved in engagement team activities that may impair their objectivity and, if involved, how to maintain their objectivity. Below is a list of example scenarios in which the EQC reviewer may participate in order to maintain a heightened awareness and how to maintain objectivity even with the EQC reviewer's participation.

Type of EQC reviewer participation	How EQC reviewer objectivity is maintained
The EQC reviewer attends or listens to meetings between the engagement partner and management and/or those charged with governance in order to gain an understanding of the underlying facts and management's rationale related to certain matters, including difficult or contentious accounting matters.	The EQC reviewer and the engagement team are careful to avoid involving the EQC reviewer in decision making, or creating confusion with management or those charged with governance as to the responsibilities of the engagement partner and the EQC reviewer.
The EQC reviewer discusses alternative approaches for the engagement team to resolve a difficult significant matter in a timely manner.	The EQC reviewer may discuss acceptable alternative solutions with the engagement partner prior to the engagement partner reaching their conclusion on the matter. The engagement partner maintains responsibility for its resolution.
The EQC reviewer attends and listens to the engagement team meetings (e.g. the risk assessment and planning discussion).	This activity actually helps the EQC reviewer gain the necessary understanding of the entity.

3 Evaluate significant judgments made and conclusions reached in an audit [ISA | 3930]

What do we do?

IF the engagement quality control (EQC) review is for an audit engagement, THEN the EQC reviewer evaluates significant judgments made and conclusions reached.

Why do we do this?

An EQC review is an important element of KPMG's system of quality management. An EQC review is an objective evaluation of the significant judgments made by the engagement team and the conclusions reached on or before the date of the engagement report.

Execute the Audit

How does the EQC reviewer determine the extent of their review of significant judgments and conclusions in an audit? [ISA | 3930.14732]

While the EQC reviewer is responsible for reviewing specific audit documentation (see activity '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)') regarding significant judgments and conclusions reached, the extent or depth of this review is not prescribed. The extent of the EQC review may depend on, among other things, the complexity of the engagement and the risk that the report(s) may not be appropriate in the circumstances.

To assist with this determination, the EQC reviewer:

- reads, and obtains an understanding of, information communicated by:
 - the engagement team regarding the nature and circumstances of the engagement and the entity, and
 - the KPMG member firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgments made by the engagement team,
- discusses relevant significant matters and significant judgments made in planning, performing and reporting on the engagement with the engagement partner and, if applicable, with other engagement team members, including specific team members or employed KPMG specialists, and group or component engagement team members.

The EQC reviewer may also, among other actions:

- participate in certain engagement team meetings, and
- consider a summary of the various audit topics or areas, and determine what, if any, audit documentation they may review.

These actions may assist the EQC reviewer to understand the significant judgments that may be expected for the engagement and may provide a basis for discussions with the engagement team about the significant matters and significant judgments made.

What information is communicated by the KPMG member firm related to the firm's monitoring and remediation process? [ISA | 3930.157396]

As part of the KPMG member firm's system of quality management, a KPMG member firm's communications to the engagement quality control reviewer include the results (as applicable) of the:

- Quality Performance Review Program, which is at an engagement level;
- KPMG Quality & Compliance Evaluation (KQCE) Program, which are firm wide controls and policies undertaken by the member firm;
- Global Quality & Compliance Review (GQCR) Program, which is conducted periodically by a global team;
- Any other relevant monitoring and remediation process established as part of the KPMG member firm's system of quality management.

For more details of KPMG's policies and procedures in regards to the firm's monitoring and remediation process, refer to the GQ&RMM or any other local member firm's related policies and procedures.

[How does the EQC reviewer obtain information regarding the results of the firm's monitoring and remediation process?](#) [ISA | 3930.157480]

The results of the firm's monitoring and remediation process are communicated via KPMG member firm's system of quality management for specific deficiencies relevant to the EQC reviewer and other appropriate personnel and the recommended remedial actions.

The interval of these communications depends on the KPMG member firm process and these communications may be annual or more frequent based on the KPMG member firm's system of quality management.

[How does the EQC reviewer determine the relevance and effect on the engagement of the information from the KPMG member firm's monitoring and remediation process?](#) [ISA | 3930.157399]

While reviewing the results communicated by the KPMG member firm related to the KPMG member firm's monitoring and remediation process, in particular the identified deficiencies, the EQC reviewer may discuss with the engagement team the significant matters and significant judgments made in planning, performing and reporting on the engagement and think about how the deficiencies communicated may affect the areas involving significant judgement made by the engagement team.

For example, a deficiency identified by the KPMG member firm may be related to significant judgments made by other engagement teams for certain accounting estimates for a particular industry. When this is the case, such information may be relevant to the significant judgments made on the engagement with respect to those accounting estimates and may provide the EQC reviewer a basis for discussion with the engagement team.

[When does the EQC reviewer perform their review of the significant judgments made by the engagement team?](#) [ISA | 3930.2700]

The EQC reviewer performs their review throughout the engagement. The timing of the procedures performed may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Conducting the EQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the EQC reviewer's satisfaction on or before the report date.

For example, the EQC reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase.

In carrying out the EQC review in a timely manner, the EQC reviewer also may reinforce (e.g. in their discussions with the engagement team) the exercise of professional judgment and professional skepticism by the engagement team in planning and performing the engagement.

However, the EQC review takes place after the engagement partner's review so that the EQC reviewer role and the engagement partner role do not get confused.

What does the EQC reviewer do to evaluate significant judgments made and conclusions reached in an audit? [ISA | 3930.14699]

To perform their EQC review, the EQC reviewer:

- [Reviews selected audit documentation and evaluates conclusions reached relating to significant judgments](#)
- [Reviews the financial statements and the proposed auditor's report\(s\)](#)
- [Completes the EQC review](#)
- [Updates the EQC review in the event the engagement report is reissued](#)

3.1 Review selected audit documentation and evaluate conclusions reached relating to significant judgments [ISA | 3932]

What do we do?

The engagement quality control reviewer reviews selected audit documentation relating to significant judgments made by the engagement team and evaluates the basis for making those significant judgments, whether the engagement documentation supports the conclusions reached and whether the conclusions are appropriate.

Why do we do this?

In order for the engagement quality control (EQC) reviewer to facilitate their review of the significant judgments made by the engagement team and conclusions reached, they talk with the engagement partner and engagement team, review audit documentation, and consider whether the audit documentation is appropriate because documentation provides a means of understanding the process through which the engagement team reached their conclusions. If the documentation is insufficient, this could call in to question the adequacy of the engagement team's decision making process.

What does the EQC reviewer review in an audit? [ISA | 3932.1300]

At a minimum, the EQC reviewer reviews:

- the activity screens in the KPMG Clara workflow assigned an EQC review
- to the financial statements and proposed auditors' report (see activity '[Review the financial statements and the proposed auditor's report\(s\)](#)'), and
- the areas indicated in the table below.

The EQC reviewer also determines whether it is necessary, based on their professional judgment, to review additional documentation in order to have a sufficient basis for an objective evaluation of significant judgments made by the engagement team and the related conclusions reached in formulating the report(s).

At a minimum, the EQC reviewer performs the following procedures:

Procedure

Review of selected audit documentation relating to the significant judgments the engagement team made and the related conclusions it reached including:
The judgments made about materiality and the effect of those judgments on the engagement strategy.
Evaluate the engagement team's assessment of, and audit responses to- <ul style="list-style-type: none"> - Significant risks identified by the engagement team, including fraud risks - Other significant risks identified by the EQC reviewer through performance of the procedures within this chapter.
Evaluate the significant judgments made about the materiality and nature of corrected and uncorrected identified misstatements.
Review the engagement team's evaluation of the firm's independence in relation to the engagement, including specific confirmations related to IESBA.
Evaluate whether appropriate consultations have taken place on (1) difficult or contentious matters and (2) matters involving differences of opinion, and the conclusions arising from those consultations. Review the documentation, including conclusions, of such consultations.
Confirm the appropriateness of the engagement team's decisions related to the preliminary and final assessment of whether an instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud, that has or may have occurred is clearly inconsequential.
Review the procedures performed in response to the instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud.
Review significant written communications and other reports to those charged with governance, management or, where applicable, other parties such as regulatory bodies prior to the issuance of such communications and other reports. Evaluate whether appropriate matters have been communicated, or identified for communication, to the audit committee, management, and other parties, such as regulatory bodies.
Consider whether there are any significant matters not previously identified by the engagement team and bring them to the engagement team's attention on a timely basis for resolution.

Review the applicable engagement completion screens and activities within the KPMG Clara workflow and confirm with the engagement partner that there are no significant unresolved matters.
Evaluate the engagement team's determination, communication, and documentation of key audit matters.
Evaluate the conclusions reached in formulating the auditor's report(s) and consider whether the proposed auditor's report(s) is (are) appropriate.
Evaluate the conclusions reached regarding management's plans when we believe substantial doubt about the entity's ability to continue as a going concern exists.
Evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate throughout the engagement.

Why does the EQC reviewer consider judgments made about materiality and the effect on the engagement strategy? [ISA | 3932.14736]

In order to assess whether the engagement team appropriately identified and responded to significant risks, the EQC reviewer considers whether the engagement team's judgments reached with respect to materiality are reasonable. The EQC reviewer specifically considers materiality and all scoping related items (performance materiality, group scoping, component materiality, and audit misstatement posting threshold).

What specifically does the EQC reviewer do when evaluating the engagement team's assessment of, and audit response to, significant risks identified by the engagement team? [ISA | 3932.14737]

When evaluating the engagement team's assessment of and response to significant risks, the EQC reviewer evaluates whether:

- (1) Risks identified by the engagement team were appropriately responded to;
- (2) The engagement team's assessment of what risks were significant risks was reasonable.

What specifically may the EQC reviewer review to evaluate the engagement team's response to a significant risk? [ISA | 3932.14738]

When an engagement team has identified a significant risk, the EQC reviewer may review the following:

- Understanding obtained of the business processes in accordance with activity '[Understand business processes](#)' (e.g. the walkthrough and flowchart evidencing the process understanding);
- The identification and assessment of the RMs and RMMS in that process;
- If the significant risk relates to an estimate, the understand the estimate and results screens, as well as the risk assessment task pane and response screen associated with the element(s) with the significant inherent risk;
- The planned audit response to the RMMs that gave rise to the significant risk;

- The control and substantive work performed in response to the RMM that gave risk to the significant risk, as well as the conclusion reached.

Why may the EQC reviewer review the process documentation for the process as a whole, and not just the part that relates to the significant risk? [ISA | 3932.14739]

The EQC reviewer evaluates whether the engagement team's assessment of what risks were significant risks is reasonable. Reviewing the process documentation for the process as a whole may assist the EQC reviewer in that evaluation.

Does the EQC reviewer review processes that do not contain a significant risk? [ISA | 3932.14740]

While the EQC reviewer evaluates whether the engagement team's assessment of what risks were significant risks is reasonable, the EQC reviewer does not have to review every process to do so. Rather, the EQC reviewer uses the knowledge they obtained from other activities (evaluating significant judgments in planning, reading the financial statements, considering the engagement team's documentation around its consideration of whether critical accounting estimates give rise to a significant risk, etc.) to identify whether additional significant risks may exist.

What does the EQC reviewer think about when reviewing the engagement team's evaluation of KPMG's independence in relation to the audit engagement? [ISA | 3932.1600]

When reviewing the engagement team's evaluation of KPMG's independence in relation to the audit engagement, the EQC reviewer reviews the engagement team's documentation related to the independence procedures performed, including written communications to those charged with governance related to independence matters.

Additionally, the EQC reviewer may hold discussions with the engagement team regarding the procedures performed to monitor and evaluate independence matters, such as:

- any known independence issues, including violations and their resolutions
- the procedures the engagement team followed and its compliance with updating the Sentinel tree, in accordance with the [Global Quality & Risk Management Manual \(GQ&RMM\)](https://www.gqrm-m-prod.kworld.kpmg.com/G/0/Content/83) [https://](https://www.gqrm-m-prod.kworld.kpmg.com/G/0/Content/83)

www.gqrm-m-prod.kworld.kpmg.com/G/0/Content/83.

The EQC reviewer thinks about whether the independence procedures performed by the engagement team align with the independence rules applicable to the engagement. The KPMG Clara workflow is designed to deliver the appropriate independence procedures for each engagement, based on the engagement profile selections made by the engagement team. When the Entity Profile screen within the KPMG Clara workflow is completed accurately (in accordance with the Engagement Profile functional guidance), it will generate the appropriate Independence module.

What consultations does the EQC reviewer review? [ISA | 3932.1800]

The EQC reviewer reviews all consultations related to difficult or contentious matters and differences of opinion.

A difficult or contentious matter could be when the impact of a conclusion reached on a matter is significant to the financial statements or to our audit procedures or conclusions.

A difference of opinion may arise within the engagement team, with those consulted due to the extent of professional judgment involved in relation to significant matters, including complex accounting, auditing and financial reporting matters.

See activity '[Resolve differences of opinion](#)' for further information.

What are the significant written communications and other reports that the EQC reviewer reviews? [ISA | 3932.2000]

The significant written communications and other reports are those that the EQC reviewer and/or the engagement partner have determined to be significant.

How may the EQC reviewer evaluate whether appropriate matters have been communicated to the appropriate parties? [ISA | 3932.2100]

When evaluating whether appropriate matters have been communicated or identified for communication to those charged with governance, management and other parties, such as regulatory bodies, the EQC reviewer may perform additional procedures including:

- confirm with the engagement team whether the communications outlined in the relevant chapter on communications with those charged with governance ([AS 1301](#), [ISA 260](#), [AU-C 260](#)) were made;
- review any communications with those charged with governance that had not previously been identified for review as a "significant written communication";
- hold discussions with the engagement team regarding the procedures performed to identify matters to be communicated with those charged with governance, management and other parties; and
- think about whether other matters came to their attention while performing the EQC review that may warrant communication with those charged with governance, management and other parties, and determine whether the engagement team has identified them for communication.

In what circumstances is an 'unresolved matter' considered to be 'significant'? [ISA | 3932.2200]

Significant unresolved matters include significant accounting, auditing or financial reporting matters, that cause the EQC reviewer to believe that the significant judgments the engagement team made and the conclusions they reached were not appropriate.

What does the EQC reviewer think about when determining whether the proposed auditor's report(s) is (are) appropriate? [ISA | 3932.2300]

When the EQC reviewer reviews the proposed report(s), they use the knowledge gathered from other review areas of significant accounting, auditing/reviewing or reporting matters and discussions with the engagement team to assess whether all reporting standards have been complied with and whether the opinion expressed in the audit report is appropriate. See also activity '[Review the financial statements and the proposed auditor's report\(s\)](#)' for further information.

Specifically, the EQC reviewer reviews the conclusions reached by the engagement team in formulating the auditor's report including:

- 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;
- 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; and
- Any report modifications.

In addition, the review of the proposed auditor's report includes consideration of the proposed wording to be included in the Key Audit Matters section.

How may the EQC reviewer evaluate that the engagement partner's involvement has been sufficient and appropriate throughout the engagement? [ISA | 3932.157400]

To evaluate that the engagement partner's involvement has been sufficient and appropriate throughout the engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate, the EQC reviewer may consider:

- discussions with the engagement team
- observations during review of documentation of the engagement partner's timely review of documentation.

Group Audit | Are there additional EQC review screens in the KPMG Clara workflow for a group audit?

[ISA | 3932.2400]

Yes, at a minimum, for a group audit the EQC reviewer also reviews all activity screens in the KPMG Clara workflow Group audit module assigned an EQC review.

Group Audit | In addition to the minimum review screens, what are the other EQC review considerations for a group audit? [ISA | 3932.2500]

The EQC reviewer may have additional specific considerations related to group audits. When determining the nature and extent of their evaluation of significant judgments affecting the group financial statements that are made by component auditors, the EQC reviewer may think about:

- the nature and extent of involvement of the group auditor in the work of the component auditor (see activity '[Determine our involvement in the component auditor's work](#)');
- the nature and extent of the audit documentation available in the group audit file relating to significant judgments made by the component auditor; and
- discussion of the scope and results of any EQC review that has been performed at the component with that EQC reviewer, if applicable.

After considering matters such as those listed above, if the EQC reviewer does not believe they have obtained sufficient information regarding significant judgments, the EQC reviewer may:

- challenge the group auditor regarding their evaluation of component auditor judgments and discuss whether the nature and extent of their involvement in the work of the component auditor needs to be increased;
- hold discussions with the component auditor and/or review additional audit documentation prepared by the component auditor, or use an assistant to do so; and
- request that an EQC review be performed at the component (if not already performed) and discussing the scope and results of the EQC review with that EQC reviewer.

The EQC reviewer will then think about whether it is necessary to discuss with the group auditor and/or review additional audit documentation related to other matters including the following:

- procedures performed by the group auditor to evaluate the independence (see activity '[Understand the component auditor's independence and compliance with ethical requirements](#)') and professional competence of component auditors (see activity '[Understand the component auditor's professional competence](#)' and '[Understand the component auditor's professional](#)

[reputation](#)'), particularly non-KPMG component auditors, and how any identified issues were resolved;

- the process for and the effectiveness of two-way communication (see activity 'Communicate our requirements to the component auditors' ([PCAOB & AICPA | ISA](#))) between the component auditors and the group auditor;
- how the group auditor was involved in the work of the component auditors (including response to significant risks of the group financial statements) (see activity '[Determine our involvement in the component auditor's work](#)');
- whether the extent of involvement of specific team members or employed KPMG specialists at components is appropriate;
- how matters reported by component auditors are included or cross-referenced to the group completion activities in KPMG Clara workflow;
- how the group auditor considered and aggregated misstatements reported by component auditors;
- how the group auditor considered (and aggregated, if appropriate) internal control deficiencies reported by component auditors (if the engagement is an integrated audit);
- significant risks for the group audit identified by the component auditors that were not previously identified by the group auditor;
- consultations performed by the component auditors related to difficult or contentious matters as reported to the group auditor;
- how the group auditor addressed accounting estimates at the component level that are associated with significant risks, including whether the documentation is consistent with the activities in the relevant chapter on auditing accounting estimates ([AS 2501](#), [ISA 540](#), [AU-C 540](#)); and
- whether there are any significant unresolved matters at components, including significant accounting, auditing/review and financial reporting matters.

In larger and more complex group audits, the group EQC reviewer may need to discuss significant matters and significant judgments with key members of the engagement team other than the group auditor (e.g. component auditors). If a separate EQC reviewer is appointed to component audit, communication between the EQC reviewer for the group audit and the EQC reviewer for the component audit may help the group EQC reviewer in taking the overall responsibility for the performance of the EQC review for the group audit.

This guidance on EQC reviewer group audit considerations is not intended to be all-inclusive or create additional review responsibilities for the EQC reviewer. Based on the circumstances of the engagement and the EQC review, the EQC reviewer may determine that it is appropriate to take all, some, or none of the actions listed in this question or to take actions that are not included herein.

[What does the EQC reviewer take into account when the engagement involves reports of multiple entities using the same policies, processes, systems, people and/or controls?](#) [[ISA | 3932.2600](#)]

With respect to engagements involving reports of multiple entities where we place reliance on common procedures, policies, systems, people and/or controls by the entity that are used to prepare multiple financial statements, the EQC reviewer takes into account the decisions made by the engagement team regarding the reliance on such common procedures, policies, systems, people and/or controls, which have been brought to the EQC reviewer's attention by the engagement partner.

When reviewing the audit documentation, what does the EQC reviewer evaluate? [ISA | 3932.1301]

The EQC reviewer reviews selected audit documentation in accordance with this activity and '[Review the financial statements and the proposed auditor's report\(s\)](#)'. This review relates to evaluating the significant judgments the engagement team made and the conclusions reached. In reviewing the documentation, the EQC reviewer evaluates:

- the basis for making those significant judgments, including the exercise of professional skepticism by the engagement team,
- whether such audit documentation indicates that the engagement team responded appropriately to significant risks,
- whether such audit documentation reflects the work performed and supports the conclusions reached by the engagement team, and
- whether the conclusions reached are appropriate.

When evaluating the basis for the significant judgments, the following may be relevant:

- remaining alert to changes in the nature and circumstances of the engagement or the entity that may result in changes in the significant judgments made by the engagement team;
- applying an unbiased view in evaluating responses from the engagement team; and
- following up on inconsistencies identified in reviewing engagement documentation, or inconsistent responses by the engagement team to questions relating to the significant judgments made.

How may the EQC reviewer evaluate the exercise of professional skepticism by the engagement team? [ISA | 3932.157401]

To evaluate the exercise of professional skepticism by the engagement team, the EQC reviewer may consider discussions about significant judgments with the engagement partner and other members of the engagement team, together with the engagement team's documentation.

Activity '[Apply professional skepticism](#)' provides examples of areas where we exercise professional skepticism and examples of where appropriate documentation may help provide evidence about how we exercised professional skepticism. Such guidance may also assist the EQC reviewer in evaluating the exercise of professional skepticism by the engagement team.

When does the EQC reviewer perform their review of the significant judgments made by the engagement team? [ISA | 3932.2700]

The EQC reviewer performs their review throughout the engagement. The timing of the procedures performed may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Conducting the EQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the EQC reviewer's satisfaction on or before the report date.

For example, the EQC reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase.

In carrying out the EQC review in a timely manner, the EQC reviewer also may reinforce (e.g. in their discussions with the engagement team) the exercise of professional judgment and professional skepticism by the engagement team in planning and performing the engagement.

However, the EQC review takes place after the engagement partner's review so that the EQC reviewer role and the engagement partner role do not get confused.

How does the EQC reviewer determine what discussions to have and what documentation to review in an audit? [ISA | 3932.2800]

The EQC reviewer uses several factors when determining what discussions to have and the extent of the documentation to review, and the depth of that review, which include:

- the sensitivity and complexity of the significant risks to the financial statements (for example, engagement performed for entities in emerging industries or with complex transactions) and the impact on internal control over financial reporting, if applicable
- identified deficiencies, and the remedial actions to address them, related to KPMG member firm's monitoring and remediation process, and any related guidance issued by the KPMG member firm, which may indicate areas where more extensive procedures need to be performed by the EQC reviewer
- the complexity of the engagement
- the nature and size of the entity
- whether the results of the fraud risk assessment indicate a risk of fraud
- whether the engagement team's decision is appropriate that an instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud is clearly inconsequential
- the results of other EQC review procedures during the engagement
- findings relevant to the engagement, such as the results of inspections in a prior period, or other concerns raised about the quality of the work of the engagement team
- information from the CEAC process
- whether members of the engagement team have cooperated with the EQC reviewer.

The nature, timing and extent of the EQC reviewer's procedures may need to change based on circumstances encountered in performing the EQC review.

What does the EQC reviewer do if they have reason to believe the engagement team collectively may not have the appropriate competence and capabilities? [ISA | 3932.14956]

If the EQC reviewer has reason to believe that the engagement team collectively may not have the appropriate competence and capabilities, the EQC reviewer discusses the matter in a timely fashion with the engagement partner. If, after that discussion, the matter is not resolved to the EQC reviewer's satisfaction, the EQC reviewer discusses the matter with the risk management partner for it to be resolved to the EQC reviewer's satisfaction.

What does the EQC reviewer do if there are modifications to the audit documentation after the auditor's report or after the file assembly date? [ISA | 3932.14798]

The EQC reviewer reviews the Documentation Assembly and Modification Work Paper - International for:

- modifications to documentation made after the date of the auditors' report but before the file assembly date for circumstances that resulted in the performance of new or additional audit procedures or that led us to draw new conclusions, and

- modifications to documentation made after the file assembly date for circumstances that resulted in the performance of new or additional audit procedures or that led us to draw new conclusions; and/or other modifications or additions to documentation after the file assembly date.

[Who evaluates the results of the review performed by those assisting the EQC reviewer?](#) [ISA | 3932.14710]

The EQC reviewer evaluates the results of the review of the documentation performed by their assistant and participates in the communication of the matters resulting from the review with the engagement team.

3.2 Review the financial statements and the proposed auditor's report(s) [ISA | 3931]

What do we do?

The engagement quality control reviewer reviews the financial statements and the proposed auditor's report (or reports).

Why do we do this?

A review of the financial statements and the proposed audit report allows the engagement quality control (EQC) reviewer to understand the nature of the business and the types of transactions being audited, which will further enable the EQC reviewer to perform their functions as a reviewer.

Execute the Audit

[What does the EQC reviewer review with respect to the financial statements?](#) [ISA | 3931.1300]

The EQC reviewer reviews the financial statements and the proposed report(s), including, if applicable, the description of the key audit matters. By reviewing the financial statements and the proposed report, the EQC reviewer is able to evaluate whether the information disclosed in both the financial statements and the auditor's report is consistent with their understanding of the significant judgments made and conclusions reached from the other procedures they have already performed. The review may also identify additional significant judgments to evaluate through discussion with the engagement partner and review of audit documentation.

3.3 Complete the EQC review [ISA | 3937]

What do we do?

IF the engagement quality control reviewer is not aware of any matters that would prevent issuance of the report, THEN they complete the review prior to issuance of the report.

Why do we do this?

In order to issue our report(s), the engagement quality control (EQC) reviewer completes their review.

Execute the Audit

When is the EQC review of an audit complete? [ISA | 3937.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in the activities '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)' and '[Review the financial statements and the proposed auditor's report\(s\)](#)'.

For example, if the EQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the EQC review is not complete.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

What if the EQC reviewer identifies matter(s) that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate? [ISA | 3937.157402]

If the EQC reviewer has concerns that the significant judgments made by the engagement team, including the appropriate exercise of professional skepticism by the engagement team, or the conclusions reached are not appropriate, the EQC reviewer discusses the matter in a timely fashion with the engagement partner and determines whether the matter gets satisfactorily resolved after the notification to the engagement partner. If the matter is appropriately resolved by the engagement team, the EQC reviewer indicates that their review is complete through the EQC checklist in the KPMG Clara workflow, which includes documentation of the notification.

Generally, clarifications and other minor changes that are made in response to the EQC reviewer's comments do not make the significant judgments or the conclusions reached inappropriate.

What does the EQC reviewer do if after discussion of the matter with the engagement partner, the matter is not resolved? [ISA | 3937.157403]

If, after discussion with the engagement partner regarding the matter, that matter is not resolved, then there is a difference of opinion between the EQC reviewer and the engagement partner and the EQC reviewer does not complete their review until the difference is resolved in accordance with the firm's procedures.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

If the difference of opinion between the EQC reviewer and the engagement partner remains unresolved, the EQC reviewer notifies the risk management partner that the EQC review cannot be completed. In addition, the EQC reviewer documents the reasons for not completing the review and the documentation is included by the engagement team in the audit documentation regarding differences of opinion between the engagement partner and EQC reviewer.

3.4 Update the EQC review in the event the engagement report is reissued [ISA | 3939]

What do we do?

IF we update our procedures for subsequent events to reissue an engagement report, THEN the engagement quality control (EQC) reviewer updates the EQC review.

Why do we do this?

If subsequent events lead to the engagement team performing additional procedures and to reissuing the report, the engagement quality control (EQC) reviewer reviews the significant judgments deriving from those additional procedures. Without this additional review, the original EQC review is incomplete and its validity compromised.

Execute the Audit

If we reissue an engagement report as a result of subsequent events, does the EQC reviewer perform an additional review? [ISA | 3939.157404]

Yes, if such reissuance warrants an update to our procedures for subsequent events, the EQC reviewer will update their EQC review in accordance with this chapter by addressing those matters related to the subsequent events procedures.

4 Interim Review | Evaluate significant judgments made and conclusions reached in an interim review [ISA | 3940]

What do we do?

IF the engagement quality control (EQC) review is for an interim review, THEN the EQC reviewer evaluates significant judgments made and conclusions reached.

Why do we do this?

EQC reviews provide an opportunity to objectively evaluate the appropriateness of the significant judgments and related conclusions made by the engagement team.

Execute the Audit

How does the EQC reviewer determine the extent of their review of significant judgments and conclusions in an interim review? [ISA | 3940.1300]

While the EQC reviewer is responsible for reviewing specific review documentation regarding significant judgments and conclusions reached, the extent or depth of this review is not prescribed. The extent of the EQC review may depend, among other things, on the complexity of the engagement, whether the entity is listed, and the risk that the report(s), if issued, may not be appropriate in the circumstances.

To assist with this determination, the EQC reviewer:

- reads, and obtains an understanding of information communicated by:
 - the engagement team regarding the nature and circumstances of the engagement and the entity, and
 - the KPMG member firm related to the firm's monitoring and remediation process, in particular identified deficiencies that may relate to, or affect, the areas involving significant judgments made by the engagement team,
- discusses relevant significant matters and significant judgments made in planning, performing and reporting on the engagement with the engagement partner and, if applicable, with other engagement team members, including specific team members or employed KPMG specialists, and group or component engagement team members.

The EQC reviewer may also, among other actions:

- participate in certain engagement team meetings, and
- consider a summary of the various topics or areas, and determine what, if any, documentation they may review.

These actions may assist the EQC reviewer to understand the significant judgments that may be expected for the engagement and may provide a basis for discussions with the engagement team about the significant matters and significant judgments made.

[What information is communicated by the KPMG member firm related to the firm's monitoring and remediation process?](#) [ISA | 3940.157396]

As part of the KPMG member firm's system of quality management, a KPMG member firm's communications to the engagement quality control reviewer include the results (as applicable) of the:

- Quality Performance Review Program, which is at an engagement level;
- KPMG Quality & Compliance Evaluation (KQCE) Program, which are firm wide controls and policies undertaken by the member firm;
- Global Quality & Compliance Review (GQCR) Program, which is conducted periodically by a global team;
- Any other relevant monitoring and remediation process established as part of the KPMG member firm's system of quality management.

For more details of KPMG's policies and procedures in regards to the firm's monitoring and remediation process, refer to the GQ&RMM or any other local member firm's related policies and procedures.

[How does the EQC reviewer obtain information regarding the results of the firm's monitoring and remediation process?](#) [ISA | 3940.157480]

The results of the firm's monitoring and remediation process are communicated via KPMG member firm's system of quality management for specific deficiencies relevant to the EQC reviewer and other appropriate personnel and the recommended remedial actions.

The interval of these communications depends on the KPMG member firm process and these communications may be annual or more frequent based on the KPMG member firm's system of quality management.

How does the EQC reviewer determine the relevance and effect on the engagement of the information from the KPMG member firm's monitoring and remediation process? [ISA | 3940.157399]

While reviewing the results communicated by the KPMG member firm related to the KPMG member firm's monitoring and remediation process, in particular the identified deficiencies, the EQC reviewer may discuss with the engagement team the significant matters and significant judgments made in planning, performing and reporting on the engagement and think about how the deficiencies communicated may affect the areas involving significant judgement made by the engagement team.

For example, a deficiency identified by the KPMG member firm may be related to significant judgments made by other engagement teams for certain accounting estimates for a particular industry. When this is the case, such information may be relevant to the significant judgments made on the engagement with respect to those accounting estimates and may provide the EQC reviewer a basis for discussion with the engagement team.

When does the EQC reviewer perform their review of the significant judgments made by the engagement team? [ISA | 3940.157406]

The EQC reviewer performs their review throughout the engagement. The timing of the procedures performed may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Conducting the EQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the EQC reviewer's satisfaction on or before the report date.

However, the EQC review generally takes place after the engagement partner's review so that the EQC reviewer role and the engagement partner role do not get confused.

What does the EQC reviewer do to perform their EQC review of an interim review? [ISA | 3940.1400]

- [Review the interim financial information and certain interim review procedures and evaluate conclusions reached](#)
- [Complete the EQC review](#)

4.1 Interim Review | Review the interim financial information and certain interim review procedures and evaluate conclusions reached [ISA | 3941]

What do we do?

The engagement quality control reviewer reviews the interim financial information and selected interim review procedures relating to significant judgments made by the engagement team and evaluates the basis for making those significant judgments, whether the engagement documentation supports the conclusions reached and whether the conclusions are appropriate.

Why do we do this?

In order for the engagement quality control (EQC) reviewer to objectively evaluate the significant judgments and related conclusions made by the engagement team.

What does the EQC reviewer review with respect to the interim financial information? [ISA | 3941.1300]

The EQC reviewer reviews the interim financial information for all periods presented and the proposed report(s). By reviewing the interim financial information and any proposed reports, the EQC reviewer is able to evaluate whether the information disclosed in the interim financial information and the report is consistent with their understanding of the significant judgments made and conclusions reached from the other procedures they have already performed. The review may also identify additional significant judgments to evaluate through discussion with the engagement partner and review of interim review documentation.

What does the EQC reviewer review in a review of interim financial information? [ISA | 3941.1400]

At a minimum, the EQC reviewer reviews all activity screens in the KPMG Clara workflow assigned an EQC review. The EQC reviewer determines whether it is necessary, based on their professional judgment, to review additional documentation in order to have a sufficient basis for an objective evaluation of significant judgments made by the engagement team and the related conclusions reached in formulating the report(s).

In addition to those activities related to the interim financial information and proposed review report, at a minimum, the EQC reviewer performs the following review procedures.

EQCR procedure
Evaluate the significant judgments made about the materiality and disposition of corrected and uncorrected identified misstatements.
Review the engagement team's evaluation of the firm's independence in relation to the engagement.
Evaluate whether appropriate consultations have taken place on (1) difficult or contentious matters and (2) matters involving differences of opinion, and the conclusions arising from those consultations.
Consider the appropriateness of the engagement team's decisions related to the preliminary and final assessment of whether an instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud that has or may have occurred is clearly inconsequential.
Review the procedures performed in response to the instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud during the interim review.

Review significant written communications and other reports to those charged with governance, management or, where applicable, other parties such as regulatory bodies prior to the issuance of such communications and other reports.
Consider whether there are any significant matters not previously identified by the engagement team and bring them to the engagement team's attention on a timely basis for resolution.
Review the engagement completion screens and activities within the KPMG Clara workflow and confirm with the engagement partner that there are no significant unresolved matters.
Evaluate the conclusions reached in formulating the review report and consider whether the proposed review report is appropriate.
Evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate throughout the engagement.

What does the EQC reviewer think about when reviewing the engagement team's evaluation of KPMG's independence in relation to the interim review engagement? [ISA | 3941.2100]

When reviewing the engagement team's evaluation of KPMG's independence in relation to the interim review engagement, the EQC reviewer reviews the engagement team's documentation related to the independence procedures performed, including written communications to those charged with governance related to independence matters.

Additionally, the EQC reviewer may hold discussions with the engagement team regarding the procedures performed to monitor and evaluate independence matters, such as:

- any known independence issues, including violations and their resolutions
- the procedures the engagement team followed and its compliance with updating the Sentinel tree, in accordance with the [Global Quality & Risk Management Manual \(GQ&RMM\)](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83) [https://](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/83)

www.gqrm-prod.kworld.kpmg.com/G/0/Content/83.

The EQC reviewer thinks about whether the independence procedures performed by the engagement team align with the independence rules applicable to the engagement. The KPMG Clara workflow is designed to deliver the appropriate independence procedures for each engagement, based on the engagement profile selections made by the engagement team. When the Entity Profile screen within the KPMG Clara workflow is completed accurately (in accordance with the Engagement Profile functional guidance), it will generate the appropriate Independence module.

What consultations does the EQC reviewer review? [ISA | 3941.2500]

The EQC reviewer reviews all consultations related to difficult or contentious matters, including differences of opinion.

Difficult or contentious matters can arise when the impact of a conclusion reached on a matter is significant to the interim financial information or to our interim review procedures or conclusions.

A difference of opinion may arise within the engagement team, with those consulted due to the extent of professional judgment involved in relation to significant matters, including complex accounting, auditing and financial reporting matters.

See activity '[Resolve differences of opinion](#)' for further information.

[What are the significant written communications and other reports that the EQC reviewer reviews?](#) [ISA | 3941.2600]

The significant written communications and other reports are those that the EQC reviewer and/or the engagement partner have determined to be significant.

[How may the EQC reviewer evaluate that the engagement partner's involvement has been sufficient and appropriate throughout the engagement?](#) [ISA | 3941.157400]

To evaluate that the engagement partner's involvement has been sufficient and appropriate throughout the engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate, the EQC reviewer may consider:

- discussions with the engagement team
- observations during review of documentation of the engagement partner's timely review of documentation.

[When reviewing the interim review documentation, what does the EQC reviewer evaluate?](#) [ISA | 3941.14957]

In a review of interim financial information, the EQC reviewer reviews selected review documentation that relates to the significant judgments the engagement team made and the conclusions reached. In reviewing the documentation, the EQC reviewer evaluates:

- the basis for making those significant judgments, including the exercise of professional skepticism by the engagement team,
- whether such interim review documentation reflects the work performed and supports the conclusions reached by the engagement team, and
- whether the conclusions reached are appropriate.

When evaluating the basis for the significant judgments, the following may be relevant:

- remaining alert to changes in the nature and circumstances of the engagement or the entity that may result in changes in the significant judgments made by the engagement team;
- applying an unbiased view in evaluating responses from the engagement team; and
- following up on inconsistencies identified in reviewing engagement documentation, or inconsistent responses by the engagement team to questions relating to the significant judgments made.

[How may the EQC reviewer evaluate the exercise of professional skepticism by the engagement team in an interim review?](#) [ISA | 3941.157407]

To evaluate the exercise of professional skepticism by the engagement team, the EQC reviewer may consider discussions about significant judgments with the engagement partner and other members of the engagement team, together with the engagement team's documentation.

Activity '[Apply professional skepticism](#)' provides examples of areas where we exercise professional skepticism and examples of where appropriate documentation may help provide evidence about how

we exercised professional skepticism. Such guidance, adapted for an interim review, may also assist the EQC reviewer in evaluating the exercise of professional skepticism by the engagement team.

When does the EQC reviewer perform their review of interim financial information? [ISA | 3941.2810]

The EQC reviewer performs their review throughout the engagement. The timing of the procedures performed may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Conducting the EQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the EQC reviewer's satisfaction on or before the report date.

In carrying out the EQC review in a timely manner, the EQC reviewer also may reinforce (e.g. in their discussions with the engagement team) the exercise of professional judgment and professional skepticism by the engagement team in planning and performing the engagement.

However, the EQC review takes place after the engagement partner's review so that the EQC reviewer role and the engagement partner role do not get confused.

How does the EQC reviewer determine what discussions to have and what documentation to review in an interim review? [ISA | 3941.157481]

The EQC reviewer thinks about several factors when determining what discussions to have and the extent of the documentation to review, as well as the depth of that review, which include:

- the sensitivity and complexity of the findings and conclusions related to the interim financial information (for example, engagement performed for entities in emerging industries or with complex transactions) and the impact on internal control over financial reporting, if applicable;
- identified deficiencies, and the remedial actions to address them, related to KPMG member firm's monitoring and remediation process, and any related guidance issued by the firm, which may indicate areas where more extensive procedures need to be performed by the EQC reviewer
- the complexity of the engagement
- the nature and size of the entity
- whether the engagement team's decision is appropriate that an instance of actual or suspected non-compliance with laws and regulations, including illegal acts, or fraud is clearly inconsequential;
- the results of other EQC review procedures during the engagement
- findings relevant to the engagement, such as the results of inspections in a prior period, or other concerns raised about the quality of the work of the engagement team
- information from the CEAC process
- whether members of the engagement team have cooperated with the EQC reviewer.

The nature, timing and extent of the EQC reviewer's procedures may need to change based on circumstances encountered in performing the EQC review.

What does the EQC reviewer do if they have reason to believe the engagement team collectively may not have the appropriate competence and capabilities? [ISA | 3941.14956]

If the EQC reviewer has reason to believe that the engagement team collectively may not have the appropriate competence and capabilities, the EQC reviewer discusses the matter in a timely fashion with the engagement partner. If, after that discussion, the matter is not resolved to the EQC reviewer's

satisfaction, the EQC reviewer discusses the matter with the risk management partner for it to be resolved to the EQC reviewer's satisfaction.

What does the EQC reviewer do if there are modifications to the review documentation after the review report or after the file assembly date? [ISA | 3941.14958]

The EQC reviewer reviews the Documentation and Assembly Modification Work Paper - International for:

- modifications to documentation made after the date of the review report (if applicable) but before the file assembly date for circumstances that resulted in the performance of new or additional review procedures or that led us to draw new conclusions, and
- modifications to documentation made after the file assembly date for circumstances that resulted in the performance of new or additional review procedures or that led us to draw new conclusions; and/or other modifications or additions to documentation after the file assembly date.

Who evaluates the results of the review performed by those assisting the EQC reviewer? [ISA | 3941.14710]

The EQC reviewer evaluates the results of the review of the documentation performed by their assistant and participates in the communication of the matters resulting from the review with the engagement team.

4.2 Interim Review | Complete the EQC review [ISA |

3945]

What do we do?

IF the engagement quality control reviewer is not aware of any matters that would prevent issuance of the report, THEN they complete the review prior to issuance of the report.

Why do we do this?

In order to issue our interim review report(s) the engagement quality control (EQC) reviewer completes their review.

Execute the Audit

When is the EQC review of an interim review complete? [ISA | 3945.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in activity '[Review the interim financial information and certain interim review procedures and evaluate conclusions reached](#)'.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

However, the EQC review is not complete when the EQC reviewer has identified matters that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate.

[What if the EQC reviewer identifies matter\(s\) that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate?](#) [ISA | 3945.157402]

If the EQC reviewer has concerns that the significant judgments made by the engagement team, including the appropriate exercise of professional skepticism by the engagement team, or the conclusions reached are not appropriate, the EQC reviewer discusses the matter in a timely fashion with the engagement partner and determines whether the matter gets satisfactorily resolved after the notification to the engagement partner. If the matter is appropriately resolved by the engagement team, the EQC reviewer indicates that their review is complete through the EQC checklist in the KPMG Clara workflow, which includes documentation of the notification.

Generally, clarifications and other minor changes that are made in response to the EQC reviewer's comments do not make the significant judgments or the conclusions reached inappropriate.

[What does the EQC reviewer do if after discussion of the matter with the engagement partner, the matter is not resolved?](#) [ISA | 3945.157591]

If, after discussion with the engagement partner regarding the matter that matter is not resolved, then there is a difference of opinion between the EQC reviewer and the engagement partner and the EQC reviewer does not complete their review until the difference is resolved in accordance with the firm's procedures.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

If the difference of opinion between the EQC reviewer and the engagement partner remains unresolved, the EQC reviewer notifies the risk management partner that the EQC review cannot be completed. In addition, the EQC reviewer documents the reasons for not completing the review and the documentation is included by the engagement team in the interim review documentation regarding differences of opinion between the engagement partner and EQC reviewer.

5 The engagement partner remains responsible for the performance of an engagement subject to LSQC review [ISA | 3955]

What do we do?

The engagement partner remains responsible for the performance of an engagement which is subject to a limited scope quality control review.

Why do we do this?

The appointment of the limited scope quality control (LSQC) reviewer does not in any way diminish the engagement partner's responsibility for the engagement. This is because the LSQC reviewer performs a quality control role only and does not participate in the performance of the engagement.

Execute the Audit

Who is ultimately responsible for the engagement subject to LSQC review and its performance? [ISA |

3955.1300]

The engagement partner remains responsible for the engagement and its performance, including overall quality, notwithstanding the involvement of the LSQC reviewer and others who assist the reviewer.

In what ways do the responsibilities of the engagement partner and the LSQC review partner differ?

[ISA | 3955.1400]

Unlike the engagement team, including the engagement partner, the LSQC reviewer does not make decisions on behalf of the engagement team, perform audit procedures or obtain sufficient evidence to support an opinion. If the LSQC reviewer identifies additional audit procedures to be performed before the LSQC reviewer completes their review, the engagement team - not the LSQC reviewer - is responsible for performing the additional audit procedures. In contrast, the LSQC reviewer fulfils their responsibility to perform an effective review of the engagement by holding discussions with the engagement team, reviewing documentation, and determining whether they can complete the review.

What responsibilities does the engagement partner have with regards to an LSQC review? [ISA | 3955.1500]

In addition to maintaining overall responsibility for the engagement and its performance, the engagement partner has the following specific responsibilities with regards to an LSQC review:

- determining that an LSQC reviewer has been appointed during the CEAC process;
- cooperating with the LSQC reviewer and informing other members (e.g. as part of the risk assessment and planning discussion) of the engagement team of their responsibility to do so;
- discussing significant findings or issues and significant judgments arising during the engagement, including those identified during the LSQC review, with the LSQC reviewer;
- confirming that issues raised by the LSQC reviewer have been satisfactorily resolved; and
- not dating the auditor's report until the completion of the LSQC review.

When is the LSQC review of an engagement complete? [ISA | 3955.157372]

The engagement report is not to be dated until the completion of the LSQC review, as indicated by the LSQC reviewer's review of the relevant screens within the KPMG Clara workflow based on the scope of the LSQC review.

For example, if the LSQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the LSQC review is not complete.

The LSQC reviewer indicates their review is complete through the LSQC checklist in the KPMG Clara workflow.

What procedure does the LSQC reviewer follow if one or more matters are not 'satisfactorily resolved'? [ISA | 3955.1600]

When the LSQC reviewer believes that one or more matters are not 'satisfactorily resolved', this indicates a difference of opinion. The LSQC reviewer first directs the engagement team to resolve the matter. The LSQC reviewer does not complete their review until the difference of opinion is resolved. If the LSQC reviewer does not complete their review, the report is not issued.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

When do we discuss significant findings or issues and significant judgments with the LSQC reviewer? [ISA | 3955.1700]

The engagement partner and/or other engagement team members determine when to bring significant findings or issues and significant judgments to the attention of the LSQC reviewer. Bringing such matters to the LSQC reviewer's attention in a timely manner allows significant findings or issues and significant judgments to be promptly resolved to the LSQC reviewer's satisfaction before communicating our conclusions on the significant findings or issues and significant judgments, if applicable, with management and/or those charged with governance.

In the interest of efficiency and of maintaining the LSQC reviewer's objectivity, matters are not usually brought to the LSQC reviewer's attention in a piecemeal manner or before the engagement team has formulated a reasoned judgment or conclusion. The LSQC reviewer is not making decisions on behalf of the engagement team or become involved in decision making on the engagement.

When does the engagement partner have discussions with the LSQC reviewer during the engagement? [ISA | 3955.1800]

The engagement partner may have discussions with the LSQC reviewer during the engagement, for example, to establish that a significant finding or issue or a significant judgment made or conclusions reached by the engagement partner will be acceptable to the LSQC reviewer. Such discussion avoids identification of differences of opinion at a later stage of the engagement and does not compromise the LSQC reviewer's objectivity.

Frequent communications throughout the engagement may assist in facilitating an effective and timely LSQC review.

What does the engagement team do if there are concerns regarding the LSQC reviewer's objectivity? [ISA | 3955.14713]

The engagement team or LSQC reviewer consults with the risk management partner when there are concerns noted regarding the LSQC reviewer's objectivity, either the engagement team or the LSQC reviewer. The LSQC reviewer and engagement team are both responsible for helping the LSQC reviewer maintain objectivity, especially when the nature and extent of the discussions become significant. As a result, care is taken by both parties to uphold this objectivity.

If after consulting with the risk management partner, the LSQC reviewer's ability to perform an objective review may be impaired, another LSQC reviewer is appointed by the risk management partner.

Who coordinates the LSQC review? [ISA | 3955.14715]

The engagement partner may appoint the engagement manager or another engagement team member to coordinate the engagement team's interaction with the LSQC reviewer and facilitate the conduct of the LSQC review in an effective and timely manner throughout the engagement.

How do we coordinate the LSQC review? [ISA | 3955.14716]

The individual responsible for coordination may develop an LSQC review plan to be discussed with the LSQC reviewer early in the engagement (e.g. during risk assessment).

The objective of the LSQC review plan is to facilitate timely review by the LSQC reviewer and to enable the engagement team to respond fully to matters raised by the LSQC reviewer prior to the date of the report(s).

6 Perform procedures to complete the LSQC review [ISA | 3956]

What do we do?

The limited scope quality control (LSQC) reviewer performs procedures to complete their LSQC review

Why do we do this?

In order for the limited scope quality control (LSQC) reviewer to objectively evaluate the significant judgments and related conclusions made by the engagement team.

Execute the Audit

What are the responsibilities of the LSQC reviewer? [ISA | 3956.1300]

The LSQC reviewer is responsible for holding discussions about significant findings and issues with the engagement partner and, if appropriate, others, and performing an objective evaluation of the significant findings or issues, significant judgments made and the related conclusions reached in formulating the report(s). Additionally, the LSQC reviewer is responsible for performing their review with objectivity and integrity.

What does the LSQC reviewer review in an audit or a review of interim financial information? [ISA | 3956.1500]

There is no minimum procedures for a LSQC review because the scope of the LSQC review is first agreed with the risk management partner or country head of audit. Based on the determined scope, the LSQC considers:

- whether there are any relevant significant matters not previously identified by the engagement team and brings them to the engagement team's attention on a timely basis for resolution, and
- whether the documentation reviewed reflects the work performed in relation to the significant judgments made and supports the conclusions reached.

How does the LSQC reviewer document their LSQC review? [ISA | 3956.1600]

Documentation of an LSQC review is evidenced by the LSQC reviewer's sign off on activities in the KPMG Clara workflow. Except as specifically noted within this chapter of the KPMG Audit

Execution Guide, it is not necessary for the LSQC reviewer or engagement team to produce additional documentation explaining what the LSQC reviewer has reviewed.

The LSQC reviewer's documentation contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures performed by the LSQC reviewer, and others who assisted the reviewer.

How does the LSQC reviewer's assistant(s) document their review? [ISA | 3956.1700]

If the LSQC reviewer is using assistants to perform their review, the individual assisting the LSQC reviewer documents the review of all activities and attachments that they review within the KPMG Clara workflow.

When does the LSQC reviewer perform their review? [ISA | 3956.1800]

The LSQC reviewer performs their review throughout the engagement. Conducting the LSQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the LSQC reviewer's satisfaction on or before the report date.

Who evaluates the review performed by those assisting the LSQC reviewer? [ISA | 3956.1900]

The LSQC reviewer evaluates the results of the review of the documentation performed by the individual who assists in the LSQC review and participates in the communication of the matters resulting from the review to the engagement team.

What does the LSQC reviewer do if they have reason to believe the engagement team collectively may not have the appropriate competence and capabilities? [ISA | 3956.2100]

If the LSQC reviewer has reason to believe that the engagement team collectively may not have the appropriate competence and capabilities, the LSQC reviewer discusses the matter in a timely fashion with the engagement partner. If, after that discussion, the matter is not resolved to the LSQC reviewer's satisfaction, the LSQC reviewer discusses the matter with the risk management partner for it to be resolved to the LSQC reviewer's satisfaction.

What does the LSQC reviewer do if there are modifications to the review documentation after the auditor's report or after the file assembly date? [ISA | 3956.14719]

The LSQC reviewer reviews the Documentation Assembly and Modification Work Paper - International for:

- modifications to documentation made after the date of the auditors' report (or review report) but before the file assembly date for circumstances that resulted in the performance of new or additional audit (or review) procedures or that led us to draw new conclusions, and
- modifications to documentation made after the file assembly date for circumstances that resulted in the performance of new or additional audit (or review) procedures or that led us to draw new conclusions; and/or other modifications or additions to documentation after the file assembly date.

Documentation

International Standard on Quality Management: ISQM

2.28-30

Documentation

28. The firm shall establish policies or procedures that require the engagement quality reviewer to take responsibility for documentation of the engagement quality review. (Ref: Para. A50)

29. The firm shall establish policies or procedures that require documentation of the engagement quality review in accordance with paragraph 30, and that such documentation be included with the engagement documentation.

30. The engagement quality reviewer shall determine that the documentation of the engagement quality review is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed by the engagement quality reviewer and, when applicable, individuals who assisted the reviewer, and the conclusions reached in performing the review. The engagement quality reviewer also shall determine that the documentation of the engagement quality review includes: (Ref: Para. A51-A53)

- (a) The names of the engagement quality reviewer and individuals who assisted with the engagement quality review;
- (b) An identification of the engagement documentation reviewed;
- (c) The basis for the engagement quality reviewer's determination in accordance with paragraph 27;
- (d) The notifications required in accordance with paragraphs 26 and 27; and
- (e) The date of completion of the engagement quality review.

ISQM Application and Other Explanatory Material: ISQM

2.A50-A53

Documentation (Ref: Para. 28-30)

A50. Paragraphs 57 to 60 of ISQM 1 address the firm's documentation of its system of quality management. An engagement quality review performed in accordance with this ISQM is therefore subject to the documentation requirements in ISQM 1.

A51. The form, content and extent of the documentation of the engagement quality review may depend on factors such as:

- The nature and complexity of the engagement;
- The nature of the entity;
- The nature and complexity of the matters subject to the engagement quality review; and
- The extent of the engagement documentation reviewed.

A52. The performance and notification of the completion of the engagement quality review may be documented in a number of ways. For example, the engagement quality reviewer may document the review of engagement documentation electronically in the IT application for the performance of the engagement. Alternatively, the engagement quality reviewer may document the review through means

of a memorandum. The engagement quality reviewer's procedures may also be documented in other ways, for example, in the minutes of the engagement team's discussions where the engagement quality reviewer was present.

A53. Paragraph 24(b) requires that the firm's policies or procedures preclude the engagement partner from dating the engagement report until the completion of the engagement quality review, which includes resolving matters raised by the engagement quality reviewer. Provided that all requirements with respect to the performance of the engagement quality review have been fulfilled, the documentation of the review may be finalized after the date of the engagement report, but before the assembly of the final engagement file. However, firm policies or procedures may specify that the documentation of the engagement quality review needs to be finalized on or before the date of the engagement report.

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

1 Complete the EQC review [ISA | 3937]

What do we do?

IF the engagement quality control reviewer is not aware of any matters that would prevent issuance of the report, THEN they complete the review prior to issuance of the report.

Why do we do this?

In order to issue our report(s), the engagement quality control (EQC) reviewer completes their review.

Execute the Audit

When is the EQC review of an audit complete? [ISA | 3937.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in the activities '[Review selected audit documentation and evaluate conclusions reached relating to significant judgments](#)' and '[Review the financial statements and the proposed auditor's report\(s\)](#)'.

For example, if the EQC reviewer has communicated to the engagement partner concerns about the significant judgments made by the engagement team or that the conclusions reached thereon were not appropriate, then the EQC review is not complete.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

What if the EQC reviewer identifies matter(s) that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate? [ISA | 3937.157402]

If the EQC reviewer has concerns that the significant judgments made by the engagement team, including the appropriate exercise of professional skepticism by the engagement team, or the conclusions reached are not appropriate, the EQC reviewer discusses the matter in a timely fashion

with the engagement partner and determines whether the matter gets satisfactorily resolved after the notification to the engagement partner. If the matter is appropriately resolved by the engagement team, the EQC reviewer indicates that their review is complete through the EQC checklist in the KPMG Clara workflow, which includes documentation of the notification.

Generally, clarifications and other minor changes that are made in response to the EQC reviewer's comments do not make the significant judgments or the conclusions reached inappropriate.

[What does the EQC reviewer do if after discussion of the matter with the engagement partner, the matter is not resolved?](#) [ISA | 3937.157403]

If, after discussion with the engagement partner regarding the matter, that matter is not resolved, then there is a difference of opinion between the EQC reviewer and the engagement partner and the EQC reviewer does not complete their review until the difference is resolved in accordance with the firm's procedures.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

If the difference of opinion between the EQC reviewer and the engagement partner remains unresolved, the EQC reviewer notifies the risk management partner that the EQC review cannot be completed. In addition, the EQC reviewer documents the reasons for not completing the review and the documentation is included by the engagement team in the audit documentation regarding differences of opinion between the engagement partner and EQC reviewer.

2 Interim Review | Complete the EQC review [ISA | 3945]

What do we do?

IF the engagement quality control reviewer is not aware of any matters that would prevent issuance of the report, THEN they complete the review prior to issuance of the report.

Why do we do this?

In order to issue our interim review report(s) the engagement quality control (EQC) reviewer completes their review.

Execute the Audit

[When is the EQC review of an interim review complete?](#) [ISA | 3945.1300]

The engagement report is not to be dated until the completion of the EQC review, as indicated by the EQC reviewer's review of all designated screens within the KPMG Clara workflow, and described in activity '[Review the interim financial information and certain interim review procedures and evaluate conclusions reached](#)'.

The EQC reviewer indicates their review is complete by filling out and dating the EQC checklist in the KPMG Clara workflow. This serves as a notification to the engagement partner that the EQC review is complete.

However, the EQC review is not complete when the EQC reviewer has identified matters that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate.

What if the EQC reviewer identifies matter(s) that caused them to believe that significant judgments the engagement team made or conclusions reached were not appropriate? [ISA | 3945.157402]

If the EQC reviewer has concerns that the significant judgments made by the engagement team, including the appropriate exercise of professional skepticism by the engagement team, or the conclusions reached are not appropriate, the EQC reviewer discusses the matter in a timely fashion with the engagement partner and determines whether the matter gets satisfactorily resolved after the notification to the engagement partner. If the matter is appropriately resolved by the engagement team, the EQC reviewer indicates that their review is complete through the EQC checklist in the KPMG Clara workflow, which includes documentation of the notification.

Generally, clarifications and other minor changes that are made in response to the EQC reviewer's comments do not make the significant judgments or the conclusions reached inappropriate.

What does the EQC reviewer do if after discussion of the matter with the engagement partner, the matter is not resolved? [ISA | 3945.157591]

If, after discussion with the engagement partner regarding the matter that matter is not resolved, then there is a difference of opinion between the EQC reviewer and the engagement partner and the EQC reviewer does not complete their review until the difference is resolved in accordance with the firm's procedures.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

If the difference of opinion between the EQC reviewer and the engagement partner remains unresolved, the EQC reviewer notifies the risk management partner that the EQC review cannot be completed. In addition, the EQC reviewer documents the reasons for not completing the review and the documentation is included by the engagement team in the interim review documentation regarding differences of opinion between the engagement partner and EQC reviewer.

3 Document the EQC review [ISA | 3950]

What do we do?

The engagement quality control (EQC) reviewer documents their EQC review.

Why do we do this?

In order to demonstrate that an EQC review has occurred and that the review complies with the standards and KPMG policy, the EQC reviewer and the engagement team document the EQC review in the engagement file. The EQC review documentation contains sufficient information such that an experienced auditor, having no previous connection with the engagement, can understand the procedures performed by the EQC reviewer.

Execute the Audit

How is the EQC review documented? [ISA | 3950.1300]

The EQC reviewer takes responsibility for documentation of the EQC review.

Documentation of an EQC review is evidenced by the EQC reviewer's sign off on activities in the KPMG Clara workflow described within this chapter and summarized in the KPMG Clara workflow. Except as specifically noted within this chapter, it is not necessary for the EQC reviewer or engagement team to produce additional documentation explaining what the EQC reviewer has reviewed.

The EQC reviewer's documentation contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the nature, timing and extent of the procedures performed by the EQC reviewer, and others who assisted the reviewer, and the conclusions reached in performing the review. The documentation of the EQC review includes information that identifies the following:

- the names of the EQC reviewer, and others who assisted the reviewer;
- the documents reviewed by the EQC reviewer, and others who assisted the reviewer;
- notifications to 1) the engagement partner if the EQC reviewer has concerns that the significant judgments made by the engagement team, or the conclusions reached thereon, are not appropriate, and 2) if such concerns are not resolved to the EQC reviewer's satisfaction, notification to the risk management partner that the engagement quality review cannot be completed (see activity '[Complete the EQC review](#)' for additional information); and
- the date the EQC reviewer completed their review (which serves as notification to the engagement partner that the EQC review is complete) or, if the review was not completed, the reasons for not completing.

The EQC reviewer also documents that:

- the procedures outlined by our firm's policies on EQC review have been performed;
- the EQC review has been completed on or before the date of the auditor's report; and
- the reviewer is not aware of any unresolved matters causing the reviewer to believe that the significant judgments the engagement team made and the conclusions it reached were not appropriate.

All review documentation is facilitated through the KPMG Clara workflow.

This documentation forms the basis for the EQC reviewer's determination that the EQC review has been performed in accordance with this chapter and that the EQC review is complete.

How are discussions between the EQC reviewer and the engagement partner and / or engagement team documented? [ISA | 3950.1500]

Discussions between the EQC reviewer and the engagement partner and/or other members of the engagement team are documented only when the topic of such discussions are:

- (1) incremental to the audit documentation in the KPMG Clara workflow that has been reviewed by the EQC reviewer; and
- (2) critical for the EQC reviewer to gain an understanding about significant accounting, auditing/ review or financial reporting matters.

If the discussion topic(s) does not meet these criteria, it is not necessary to produce additional documentation explaining what was discussed.

How is the review documented when an assistant is used by the EQC reviewer? [ISA | 3950.1600]

When an assistant is used by the EQC reviewer, the individual assisting the EQC reviewer documents the review of all activities and attachments that they review. Additionally, the individual assisting the EQC reviewer confirms the following within the KPMG Clara workflow:

- I have assisted the EQC reviewer as indicated above, and have marked as reviewed in the KPMG Clara workflow and/or signed or initialled and dated all documentation that I have reviewed. I have performed the EQC review with integrity and maintained objectivity while providing such assistance. In maintaining objectivity, I have not made decisions for the engagement team, assumed any of the responsibilities of the engagement team, subjected myself to other considerations that threaten my objectivity, or otherwise participated in the engagement during the period of review.

What happens when there is a difference of opinion between the EQC reviewer and the engagement partner? [ISA | 3950.1400]

When there are differences of opinion between the EQC reviewer and the engagement partner, the EQC reviewer does not complete their review until the difference is resolved in accordance with the firm's procedures. If the EQC reviewer does not complete their review, the report is not issued.

See activity '[Resolve differences of opinion](#)' for further information on how to resolve a difference of opinion.

4 Perform procedures to complete the LSQC review [ISA | 3956]

What do we do?

The limited scope quality control (LSQC) reviewer performs procedures to complete their LSQC review

Why do we do this?

In order for the limited scope quality control (LSQC) reviewer to objectively evaluate the significant judgments and related conclusions made by the engagement team.

Execute the Audit

What are the responsibilities of the LSQC reviewer? [ISA | 3956.1300]

The LSQC reviewer is responsible for holding discussions about significant findings and issues with the engagement partner and, if appropriate, others, and performing an objective evaluation of the significant findings or issues, significant judgments made and the related conclusions reached in formulating the report(s). Additionally, the LSQC reviewer is responsible for performing their review with objectivity and integrity.

What does the LSQC reviewer review in an audit or a review of interim financial information? [ISA | 3956.1500]

There is no minimum procedures for a LSQC review because the scope of the LSQC review is first agreed with the risk management partner or country head of audit. Based on the determined scope, the LSQC considers:

- whether there are any relevant significant matters not previously identified by the engagement team and brings them to the engagement team's attention on a timely basis for resolution, and
- whether the documentation reviewed reflects the work performed in relation to the significant judgments made and supports the conclusions reached.

How does the LSQC reviewer document their LSQC review? [ISA | 3956.1600]

Documentation of an LSQC review is evidenced by the LSQC reviewer's sign off on activities in the KPMG Clara workflow. Except as specifically noted within this chapter of the KPMG Audit Execution Guide, it is not necessary for the LSQC reviewer or engagement team to produce additional documentation explaining what the LSQC reviewer has reviewed.

The LSQC reviewer's documentation contains sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures performed by the LSQC reviewer, and others who assisted the reviewer.

How does the LSQC reviewer's assistant(s) document their review? [ISA | 3956.1700]

If the LSQC reviewer is using assistants to perform their review, the individual assisting the LSQC reviewer documents the review of all activities and attachments that they review within the KPMG Clara workflow.

When does the LSQC reviewer perform their review? [ISA | 3956.1800]

The LSQC reviewer performs their review throughout the engagement. Conducting the LSQC review in a timely manner at appropriate stages during the engagement allows significant matters to be promptly resolved to the LSQC reviewer's satisfaction on or before the report date.

Who evaluates the review performed by those assisting the LSQC reviewer? [ISA | 3956.1900]

The LSQC reviewer evaluates the results of the review of the documentation performed by the individual who assists in the LSQC review and participates in the communication of the matters resulting from the review to the engagement team.

What does the LSQC reviewer do if they have reason to believe the engagement team collectively may not have the appropriate competence and capabilities? [ISA | 3956.2100]

If the LSQC reviewer has reason to believe that the engagement team collectively may not have the appropriate competence and capabilities, the LSQC reviewer discusses the matter in a timely fashion with the engagement partner. If, after that discussion, the matter is not resolved to the LSQC reviewer's satisfaction, the LSQC reviewer discusses the matter with the risk management partner for it to be resolved to the LSQC reviewer's satisfaction.

What does the LSQC reviewer do if there are modifications to the review documentation after the auditor's report or after the file assembly date? [ISA | 3956.14719]

The LSQC reviewer reviews the Documentation Assembly and Modification Work Paper - International for:

- modifications to documentation made after the date of the auditors' report (or review report) but before the file assembly date for circumstances that resulted in the performance of new or additional audit (or review) procedures or that led us to draw new conclusions, and
- modifications to documentation made after the file assembly date for circumstances that resulted in the performance of new or additional audit (or review) procedures or that led us to draw new conclusions; and/or other modifications or additions to documentation after the file assembly date.

DPP Pre-Issuance Reviews and Designated Filing Reviews

What additional activities do we perform?

What additional activities do we perform?

[ISA | KAEGWAAP]

1 Identify whether additional levels of review are necessary [ISA | 3914]

What do we do?

The engagement partner identifies whether an additional level of review is necessary for the engagement based on the nature of the engagement and KPMG policy.

Why do we do this?

Certain engagements demand additional technical skills or experience due to the jurisdictional laws and regulations or filing requirements. In these situations, additional levels of reviews are performed by individuals with the appropriate technical skills and experience. The review is generally separate from, and in addition to, the engagement quality control (EQC) or limited scope quality control (LSQC) review. This additional review addresses the risk that the audit is not performed in accordance with the standards, or that an inappropriate audit report is issued.

Execute the Audit

In addition to the EQC review or LSQC review, what other types of quality control reviews might be necessary? [ISA | 3914.8724]

Other types of quality control reviews that might be necessary include:

- [Designated filing review](#);
- [Pre-issuance review](#); or
- Second Line of Defence review ("2LoD")

How does the engagement partner identify whether an additional review, via a designated review or pre-issuance review is necessary for the engagement? [ISA | 3914.1400]

The engagement partner determines whether an additional review is necessary during the engagement acceptance/continuance process based on the KPMG member firm policies. During this process, the engagement partner assesses whether the entity lists securities on a foreign exchange or registers securities in a foreign jurisdiction where KPMG LLP's report is included in a filing in a foreign country, which can drive the type of additional review.

What is a 2LoD review? [ISA | 3914.8725]

A 2LoD review is an in-depth review of certain areas of focus performed by an experienced, independent reviewer who provides support and coaching to enhance audit quality. Engagements are selected for a 2LoD review based upon risk criteria determined by the member firm. The engagement team is responsible for appropriately addressing observations made from the 2LoD review.

1.1 Perform a designated filing review for engagements that meet the relevant criteria [ISA | 3915]

What do we do?

IF the engagement meets the relevant criteria, THEN a designated filing review partner performs a designated filing review.

Why do we do this?

In certain cases, foreign regulatory authorities may accept financial statements audited by an auditor in another jurisdiction.

A designated filing review helps determine whether the financial statements with which a KPMG member firm from another jurisdiction is associated comply with relevant local regulatory requirements and are therefore fit for the purpose.

Execute the Audit

What is a designated filing review? [ISA | 3915.1300]

A designated filing review is a review of cross border filings by a designated filing reviewer. Designated filing reviewers are individuals knowledgeable in the accounting, financial reporting, auditing and/or auditor independence standards generally accepted in the jurisdiction where the document is to be filed or widely distributed.

When does a designated filing review partner perform a designated filing review? [ISA | 3915.1400]

A designated filing review partner performs a designated filing review of cross-border filings when the financial statements with which we are associated are included in:

- A document offering securities that is to be filed with certain non-US foreign regulatory authorities.

- When we are to be associated with an offering document to be filed in another jurisdiction, the engagement partner in consultation with the local risk management partner contacts the risk management partner or designee from the KPMG member firm in the jurisdiction in which the offering document will be filed (filing firm). This is done so that they understand the EQC review policies in that jurisdiction and can appoint a designated filing reviewer, as necessary. Refer to [KPMG Manual on Offering Documents \(KMOD\)](https://alex.kpmg.com/AROWeb/document/Ifc/GSC_INTL_ASSSERVCS_0602009/toc/GSC_INTL_ASSSERVCS_0602009?tocref=) https://alex.kpmg.com/AROWeb/document/Ifc/GSC_INTL_ASSSERVCS_0602009/toc/GSC_INTL_ASSSERVCS_0602009?tocref=, Chapter 10, for further guidance on filing with foreign regulatory authorities.

Suppose KPMG Germany performs an audit of a German entity who files on the Japan stock exchange. In this situation, a designated filing review is performed by a Japanese member-firm designated filing review partner.

- A document offering to sell securities in the United States that are exempt from registration requirements of the U.S. Securities Act of 1933 based on Rule 144A and do not include U.S. registration rights, or a similar offering when the securities are not registered with the SEC (Exempt Offerings); or
- U.S. SEC filing that includes or incorporates by reference, an auditors' report(s) issued by a non-U.S. KPMG member firm on the financial statements that are filed with the U.S. SEC (including 144A offering documents that involve the issuance of securities that include U.S. registration rights, financial statements presented pursuant to Rule 3-05 and Rule 3-09 or Regulation S-X), and if applicable, ICOFR (Appendix K filings).

Suppose KPMG Germany performs an audit of a German entity who files with the SEC. In this situation, a designated filing review in the form of an Appendix K filing review is performed by a filing review partner assigned by the partner-in-charge of the U.S. Capital Markets Group or the risk management partner of KPMG Germany.

Who assigns the designated filing reviewer to the engagement? [ISA | 3915.1500]

Designated filing reviewers are assigned as below based on the type of filing:

Type of filing	Who assigns the designated filing reviewer?
Non-US filings	Risk management partner of the KPMG member firm in the jurisdiction in which the document is to be filed.
US filings	Exempt Offerings: <ul style="list-style-type: none"> • Partner-in-charge of the U.S. Capital Markets Group assigns the designated filing review partner or a U.S. Capital

	<p>Markets Group managing director from the U.S. member firm, or</p> <ul style="list-style-type: none"> the KPMG Member Firm Group assigns the non-U.S. designated filing review partner in the respective jurisdiction in which the foreign based entity or non-U.S. designated filing review partner resides. <p>Appendix K filings: The partner-in-charge of the U.S. Capital Markets Group assigns the designated filing review partner from the U.S. member firm. The KPMG Member Firm Group assigns the non-U.S. designated filing review partner in the respective jurisdiction in which the foreign based entity or non-U.S. designated filing review partner resides.</p> <p>The KPMG Member Firm Group referred to above consists of certain KPMG member firms in the United Kingdom, France, Hong Kong, Japan and Canada which maintain U.S. accounting or capital market groups.</p>
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Who determines the scope of the designated filing reviewer's review? [ISA | 3915.1600]

The determination of the scope of the review is dependent on the type of filing.

Type of filing	Who determines the scope of the review?
Non-US filings	The nature of the procedures to be performed by the designated filing review partner are agreed to by the designated filing review partner and the engagement partner. The procedures are also consistent with the scope of the review that was approved by the risk management partner of the firm in the jurisdiction in which the offering document will be filed (the filing firm).
US filings	The scope is determined by the designated filing review partner.

The procedures performed by the designated review partner may vary, depending on a number of factors, such as whether the standards applied in the preparation and audit of the financial statements

included in the offering document are the same as, or different than, the standards generally applied to the preparation and audit of financial statements in the filing jurisdiction.

What other responsibilities does the engagement partner have for designated reviews of 'exempt offerings'? [ISA | 3915.8720]

In accordance with GQ&RMM [Policy 9.9.3](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81), when a KPMG member firm located outside the US undertakes an engagement where certain rules and regulations of the US Securities Act of 1933 apply (described either as Registered Offerings or as Exempt Offerings), in the case of exempt offerings, the engagement partner:

- in all cases, establishes that an appropriate designated review has been conducted in a transparent and timely manner by the designated review partner and agreeing the conclusions resulting from the review with the designated review partner;
- determines, prior to the delivery of any transaction deliverables, that the conclusions agreed with the designated review partner are implemented and that the review is complete;
- determines that the engagement documentation includes evidence of the review by the designated review partner.

The review is considered to be complete when a written confirmation that the designated review partner has no further comments on the documents relating to the transaction is received by the engagement partner.

What else does the engagement partner and designated reviewing partner think about when referencing the designated filing review in proposals or other written communications? [ISA | 3915.1800]

Because of the purpose and limited nature of the filing review, it is generally expected that references to the filing review partner or the filing review process are not included in proposals or other written communications to the entity or prospective client. However, in the event that reference to the filing review partner is intended to be included in proposals or other written communications from the KPMG member firm to the entity or prospective client, the engagement partner discusses the intended references with the designated filing review partner and risk management partner prior to their inclusion.

Where can we find further information related to performing a designated filing review for international filings? [ISA | 3915.14692]

Refer to the GQ&RMM [Policy 9.9.3](https://www.gqrm-prod.kworld.kpmg.com/G/0/Content/81) and [KMOD section 10.30](https://alex.kpmg.com/AROWeb/document/lfc/GSC_INTL_ASSSERVCS_KMOD_2017_KMOD/toc/GSC_INTL_ASSSERVCS_KMOD_2017_KMOD?tohref=GSC_INTL_ASSSERVCS_KMOD_2017_KMOD) for information related to performing a designated filing review for international filings.

Do the procedures performed by the designated filing review partner relieve the engagement partner of their responsibilities for the performance of the audit of the financial statements? [ISA | 3915.2000]

No. The engagement partner retains overall responsibility for managing and achieving quality at the engagement level, notwithstanding the involvement of the designated filing reviewer.

1.2 Perform a DPP pre-issuance review where necessary [ISA | 3916]

What do we do?

IF a pre-issuance review is necessary, THEN the DPP pre-issuance reviewer performs a pre-issuance review.

Why do we do this?

Certain engagements inherently have a higher risk and we therefore perform an extra level of review, through a pre-issuance review performed by DPP. Gaining the input of DPP through the performance of a pre-issuance review strengthens the basis for our audit opinion and our report.

Execute the Audit

What is a pre-issuance review? [ISA | 3916.1300]

A pre-issuance review is an objective evaluation by a DPP pre-issuance reviewer on or before the date of the auditors' report.

When do we perform a pre-issuance review? [ISA | 3916.1400]

The engagement partner establishes that a pre-issuance review for the engagement has been conducted by a designated DPP pre-issuance reviewer in any of the following circumstances:

- when the engagement is a first-time audit of the financial statements of a listed entity where we have been appointed as the successor auditor;
- when the financial statements include a restatement of previously issued financial statements to reflect the correction of a material misstatement due to error or fraud;
- when we expect to modify the auditors' report on the financial statements and that modification warrants a consultation;
- when financial information on which we have issued an auditors' report is included in a listing document, such as a prospectus (e.g. combined or carve-out financial statements);
- when the financial statements are for a newly listed entity whose financial statements have not been subject to a previous pre-issuance review (e.g. a newly listed entity's financial statements were not subject to a pre-issuance review during the listing process because the entity was not required to prepare a prospectus); or
- when specific disclosures have been added to the financial statements as a result of a consultation with DPP, and DPP subsequently deems a pre-issuance review is appropriate.

DPPs may identify additional circumstances where a pre-issuance review is performed.

Who performs a pre-issuance review? [ISA | 3916.8746]

The Head of DPP designates the responsibility for performing pre-issuance reviews to DPP pre-issuance reviewers with the relevant competence and capabilities to undertake such a review.

The Head of DPP may designate the responsibility for performing a pre-issuance review to other reviewers with the relevant technical skills and experience to undertake such a review (e.g. a designated filing review partner). This reviewer is considered the 'DPP pre-issuance reviewer'.

The pre-issuance review is generally separate from the EQC/LSQC review. However, in certain circumstances, both the pre-issuance review and the EQC/LSQC review may be performed by the EQC/LSQC reviewer (i.e. the same individual) when the EQC/LSQC reviewer has the relevant technical skills and experience and has been designated the responsibility by the head of DPP.

What procedures are performed by the DPP pre-issuance reviewer during a pre-issuance review? [ISA | 3916.1600]

The DPP pre-issuance reviewer:

- reviews the financial statements and related auditors' report in their entirety; or
- applies a risk based approach to identify areas of focus for review in the financial statements and related auditors' report. If a risk based approach is applied, the DPP pre-issuance reviewer documents the nature and extent of their review.

The pre-issuance review is based solely on the financial statements and related auditors' report as presented and does not consider any additional knowledge of the entity known by the engagement team or EQC/LSQC reviewer. It is not intended to be comprehensive or a substitute for the engagement team's or EQC's/LSQC's review, the completion of relevant audit documentation or the completion of other procedures by the engagement team or EQC/LSQC reviewer.

What are examples of areas of focus that may be taken into account when developing a risk based approach to the pre-issuance review? [ISA | 3916.1700]

When applying a risk-based approach to identify areas of focus for the pre-issuance review, examples of the areas of focus may include the following:

- primary financial statements;
- significant accounting policies;
- notes to the financial statements dealing with non-routine transactions;
- implementation of new or revised standards and interpretations under the applicable financial reporting framework that have a significant impact on the financial statements;
- implementation of new or revised auditing standards that have an impact on the auditors' report on the financial statements; and
- other matters of current concern (e.g. deficiencies in financial statement disclosures identified by regulators in their inspection reports).

How are the DPP pre-issuance reviewer's comments addressed and evidenced in the audit file? [ISA | 3916.8722]

The engagement partner or manager:

- discusses with the DPP pre-issuance reviewer all significant review comments brought to their attention, and
- satisfactorily resolves comments raised by the DPP pre-issuance reviewer.

When the DPP pre-issuance reviewer is not the EQC reviewer, the engagement team includes the workpaper, '[Pre-Issuance Reviewer Memorandum](https://alex.kpmg.com/AROWeb/DocumentWindow.aspx?)' <https://alex.kpmg.com/AROWeb/DocumentWindow.aspx?>

ref=GSC_INTL_AUDDOC_010104015_Preissuance_review&from=attach' in the audit documentation, which evidences the scope of the pre-issuance review and its completion.

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