



Quality Control – Eligibility of the EQCR

15 March 2017

Karin French, Board member, QCTF Chair

IAASB

International Auditing
and Assurance
Standards Board

Criteria for Selection of an EQC Reviewer

Question 1 - Matter for IAASB Consideration

The IAASB is asked to share their views regarding the proposals in relation to the eligibility of the EQC reviewer, in particular:

- a) Does the IAASB agree with how the authority of the EQC reviewer would be emphasized in ISQC 1? (See paragraphs A46a–A46b of Table 1)
- b) Does the IAASB agree with the proposal that technical competence is a required attribute of the EQC reviewer, and that the characteristics of technical competence would be explained in application material? (See paragraphs 39(a), A47 and A47c–A47d of Table 1)
- c) Does the IAASB agree with the proposal that the capacity of the individual to perform the EQC review needs to be addressed in ISQC1? (See paragraphs 39(a) and A47a of Table 1)
- d) Does the IAASB agree with the proposal for the inclusion of a specific requirement on relevant experience and if so, to what extent should the requirements be specific in relation to the nature and extent of that experience? (See paragraphs 39(b) and A47b–A47d of Table 1)

Criteria for Selection of an EQC Reviewer

Feedback from the SMPC

- General support for the requirements and application material
- Some terminology suggestions: support for using “appropriate authority” and support for using “sufficient time” instead of “capacity”
- More helpful application material is necessary for the establishment of the appropriate culture (A46a)
- Suggestions for prove the technical competence (e.g. qualification, CPD, etc.)
- Proper involvement of the EQC reviewer is needed through the whole process, not only in the conclusion stage
- Actual charged hours of the EQC reviewer can be used as evidence to support the appropriate involvement

Feedback from the CAG

- General support from the Representatives on the eligibility criteria
- More focus on the industrial knowledge

Objectivity of the EQC reviewer

Question 2 - Matter for IAASB Consideration

The IAASB is asked to share their views in relation to the objectivity of the EQC reviewer, in particular:

- a) Does the IAASB agree with the QCTF's proposal to enhance the application material in relation to threats to objectivity that are unique to the EQC reviewer in the context of their role? (See paragraphs A47f–A47i of Table 1)
- b) Does the IAASB agree that a fixed cooling-off period needs to be established in respect of audits of financial statements?
- c) Is the IAASB of the view that ISQC 1 should include a cooling-off period if it is determined by the IESBA that the cooling-off period will not be incorporated into the IESBA Code within the foreseeable future?
- d) Does the IAASB have any views regarding the period of the cooling-off period, for example, should the approach of the PCAOB be followed (2 years), or would it be more appropriate to align with the IESBA provisions addressing the long association of the EQC reviewer (3 years)?

Objectivity of the EQC reviewer

Feedback from the SMPC

- General support for enhancing the application material in relation to threats to objectivity of the EQC reviewer
- Regarding the cooling off period, a more flexible risk-based approach would be appropriate
- Encourage the coordination between the IAASB and the IESBA

Objectivity of the EQC reviewer

Feedback from the CAG

- Mixed views about the cooling off period
 - Some representatives supported, saying that the minimum period should be 2 years or align with the IESBA cooling off period for in relation to long association, which is 3 years, and the appropriate location of such a requirement would be in ISQC 1, not the IESBA Code
 - Some representatives did not support, saying, that the competence of the EQC reviewer is more important than the cooling off period, and a prescriptive requirement would cause difficulties for SMPs
- The combination of requirements relating to a cooling-off period and industry knowledge might be too onerous and cause difficulties for SMPs

The Process for the Selection of the EQC Reviewer

Question 3 - Matter for IAASB Consideration

Does the IAASB agree with the approach regarding the selection of the EQC reviewer, i.e.:

- a) The person selecting the reviewer should be someone other than the engagement partner or other members of the engagement team, with an exception for circumstances when this is not practicable. (See paragraphs 41b and A50 of Table 1)
- b) Those responsible for selecting the EQC reviewer need to have sufficient knowledge to be able to assess whether individuals are eligible to perform the EQC review. (See paragraphs 41a and A49 of Table 1)

The Process for the Selection of the EQC Reviewer

SMPC feedback

SMPs with one or a few partners might have difficulties to find a person who is not involved in the engagement to select the EQC reviewer

CAG feedback

There should be an individual or a committee within the firm who is assigned responsibility for establishing the policies and procedures in relation to the firm's system of quality management and who would be responsible for selecting the EQC reviewer.

Feedback from CAG on other EQC review topics

- Considering to extend the scope of the engagements subject to EQC review to Public Interest Entities.
- Ensuring the consistent interpretation and application across firms in practice in following the risk-based approach.
- Better understanding of what “public interest” means and of the nature of the firms subject to EQC review.
- The EQC review being performed throughout the engagement versus at appropriate stages during the engagement could be subject to different interpretations.
- Considering enforceability aspects of the requirements
- Besides the significant judgements, the EQC reviewer should focus also on compliance with the firm`s policies and procedures and with professional standards
- Emphasis should be made in the standard that every member of the engagement team has a responsibility towards quality

IAASB

**International Auditing
and Assurance
Standards Board®**

www.iaasb.org

IAPN.

ISA.

ISAE.

ISQC.

ISRE.

ISRS.

For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.
