

LUXEMBOURG SUPPLEMENT TO INTERNATIONAL STANDARD ON AUDITING 220 QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below: [...]

Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform audit procedures on the engagement. This excludes an auditor’s external expert engaged by the firm or by a network firm.¹

7D-1. The following terms have the meanings attributed below:

- (a) Audit Regulation [AR] – refers to Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.
- (b) Audit Law [AL] – refers to Law of July 23rd, 2016 related to the audit profession.
- (c) Competent authority – is defined in Article 1(2) of the Audit Law as “the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof.” In Luxembourg the competent authority is the CSSF.
- (d) Key audit partner – is defined in the Audit Law [AL/Article 1(1)] as:
 - (i) the statutory auditor(s) designated by an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the audit firm; or
 - (ii) in the case of a group audit, at least the statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries; or
 - (iii) the statutory auditor(s) who sign(s) the audit report.
- (e) Listed entity - is as defined in the Luxembourg supplement to the IESBA Code as entities governed by Luxembourg law whose securities are admitted to trading on a recognized market.
- (f) Public-interest entity – is as defined in Article 1(20) of the Audit Law.
- (g) Statutory audit – is defined in Article 1(6) of the Audit Law as an audit of financial statements or consolidated financial statements in so far as required by Union law or by national law.

¹ ISA 620, Using the Work of an Auditor’s Expert, paragraph 6(a), defines the term “auditor’s expert.”

Requirements

Engagement Performance

15D-1. For statutory audits of financial statements, the key audit partner(s) shall be actively involved in the carrying-out of the audit, devoting sufficient time to the engagement. [AL/Article 25(1)(2)]

19R-1 For statutory audits of financial statements of public-interest entities, the engagement partner shall [...]

- (c) not date the auditor's report and the additional report to the audit committee² until the completion of the engagement quality control review.

21R-1. For statutory audits of financial statements of public-interest entities, the engagement quality control reviewer, on performing an engagement quality control review required by ISQC 1³, shall at least assess the following elements:

- (a) The independence of the firm from the entity;
- (b) The significant risks which are relevant to the audit and which the key audit partner(s) has identified during the performance of the audit and the measures that the key audit partner(s) has taken to adequately manage those risks;
- (c) The reasoning of the key audit partner(s), in particular with regard to the level of materiality and the significant risks referred to in paragraph 21R-1(b);
- (d) Any request for advice to external experts and the implementation of such advice;
- (e) The nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the carrying out of the audit;
- (f) The subjects discussed with the audit committee and the management and/or supervisory bodies of the entity;
- (g) The subjects discussed with competent authorities and, where applicable, with other third parties; and
- (h) Whether the documents and information selected from the file by the engagement quality control reviewer support the opinion of the key audit partner(s) as expressed in the draft of the auditor's report⁴ and the additional report to the audit committee⁵. [AR/Article 8.5]

² ISA 260 Communication with those charged with governance, paragraph 16R-1

³ ISQC 1, paragraph 36 R-1

⁴ ISA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements."

⁵ ISA 260 (Revised), "Communication with Those Charged with Governance," paragraph 16R-1

21R-2. For statutory audits of financial statements of public-interest entities, the engagement quality control reviewer shall discuss the results of the review, including the elements assessed in paragraph 21R-1, with the key audit partner(s). [AR/Article 8.6]

Documentation

24D-1. For statutory audits of financial statements, the auditor shall include in the audit documentation:

- (a) All significant threats to the firm's independence as well as the safeguards applied to mitigate those threats; and [AL/Article 22]
- (b) Those matters it is required to assess before accepting or continuing a statutory audit engagement in accordance with ISQC 1⁶. [AL/Article 25(5)]

25R-1. For statutory audits of financial statements of public-interest entities, the engagement quality control reviewer shall also record:

- (a) The oral and written information provided by the key audit partner(s) to support the significant judgements as well as the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the engagement quality control reviewer; and [AR/Article 8.4(a)]
- (b) The opinions of the key audit partner(s), as expressed in the draft of the reports required by ISA 260 (Revised) and ISA 700 (Revised). [AR/Article 8.4(b)]

25R-2. For statutory audits of financial statements of public-interest entities, the auditor shall keep a record of the results of the engagement quality control review, together with the considerations underlying those results in the audit documentation. [AR/Article 8.7] / [AL/Article 25(5)]

⁶ ISQC 1, paragraph 27D-1 and 27R-2