

# LUXEMBOURG SUPPLEMENT TO INTERNATIONAL STANDARD ON QUALITY MANAGEMENT 2, ENGAGEMENT QUALITY REVIEWS (EFFECTIVE FOR AUDITS OF FINANCIAL STATEMENTS FOR PERIODS BEGINNING ON OR AFTER DECEMBER 15, 2022)

## Definitions

13. In this ISQM 2, the following terms have the meanings attributed below: [...]

(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 statutory audits of financial statements, together with national requirements that are more restrictive. In Luxembourg, the firm and its personnel are subject to ethical requirements from three sources: the IESBA Code including the Luxembourg supplement, the Audit Regulation (for Public-interest entities) and the Audit Law (thereafter the "Luxembourg ethical requirements" or "Luxembourg ethical standards").

13D-1. In Luxembourg, 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 23<sup>rd</sup>, 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 Article 1(1) of the Audit Law as:
  - (i) The statutory auditor 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 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 who sign(s) the audit report.
- (e) Public-interest entity – is as defined in Article 1(20) of the Audit Law.
- (f) 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.

## Requirements

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## Appointment and Eligibility of Engagement Quality Reviewers

18R-1. For statutory audits of financial statements of public-interest entities, the engagement quality review shall be performed by an engagement quality reviewer who shall:

- a) Be an approved statutory auditor (*réviseur d'entreprise agréé*); and
- b) Not be involved in the performance of the audit to which the engagement quality review relates. [AR/Article 8.2]

Where the audit is carried out by a firm and all the statutory auditors of that firm were involved in the conduct of the audit, the firm shall arrange for another firm to perform an engagement quality review. Documents or information disclosed to the engagement quality reviewer for this purpose shall be subject to professional secrecy. [AR/Article 8.3]

19-R-1. For statutory audits of financial statements of public-interest entities, a cooling-off period of 3 years shall be observed before the key audit partner can assume the role of engagement quality reviewer.

## Performance of the Engagement Quality Review

24R-1 (b). For statutory audits of financial statements of public-interest entities, before the auditor's report and the additional report to the audit committee<sup>1</sup> are issued, the firm shall require that an engagement quality control review shall be performed to assess whether the key audit partner(s) could reasonably have come to the opinion and conclusions expressed in the draft of these reports. [AR/Article 8.1]

25R-1. For statutory audits of financial statements of public-interest entities, the engagement quality reviewer, on performing an engagement quality review required by paragraph 24R-1, 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 25R-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;

<sup>1</sup> ISA 260 (Revised), "Communication with Those Charged with Governance," paragraph 16R-1 deals with the auditor's responsibilities to prepare an additional report to the audit committee.

- (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 reviewer support the opinion of the key audit partner(s) as expressed in the draft of the auditor's report<sup>2</sup> and the additional report to the audit committee<sup>3</sup>. [AR/Article 8.5]

25R-2. For statutory audits of financial statements of public-interest entities, the engagement quality reviewer shall discuss the results of the review, including the elements assessed in paragraph 25R-1, with the key audit partner(s). [AR/Article 8.6]

## Documentation

30R-1. For statutory audits of financial statements of public-interest entities, the engagement quality 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 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)]

30R-2. For statutory audits of financial statements of public-interest entities, the auditor shall keep a record of the results of the engagement quality review, together with the considerations underlying those results in the audit documentation. [AR/Article 8.7] / [AL/Article 25(5)]

<sup>2</sup> ISA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements."

<sup>3</sup> ISA 260 (Revised), "Communication with Those Charged with Governance," paragraph 16R-1