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that provides information about registered audit firms' implementation and compliance with Auditing Standard No. 7, Engagement Quality Review.

Dec. 11, 2013



The Public Company Accounting Oversight Board (PCAOB) has released a report that provides information about registered audit firms' implementation and compliance with Auditing Standard No. 7, *Engagement Quality Review*.

“As part of the PCAOB's oversight activities, the Board reviews the implementation of our recently issued auditing standards,” said James R. Doty, PCAOB Chairman. “I

encourage audit firms, engagement quality reviewers, audit committees, investors

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the requirements of Auditing Standard No. 7, they did not always result in an appropriately executed engagement quality review.

The report notes that in a number of engagements in which the PCAOB Inspection staff identified audit deficiencies, the staff concluded that the audit deficiency should have been identified by the engagement quality reviewer.

Observations from the Board's 2012 inspections indicated that audit deficiencies and the related deficiencies in engagement quality reviews continued to be high, according to the report.

Auditing Standard No. 7 requires an engagement quality review for every audit engagement and every engagement to review interim financial information.

The engagement quality review is a critical component of an audit, because it can serve as an important safeguard against erroneous or insufficiently supported audit opinions and, accordingly, can contribute to audit quality. The Board's engagement quality review requirement enhances investor protection by providing for a rigorous review that will serve as a meaningful check on the work performed by the engagement team.

The [report](#) is based on the PCAOB's 2011 inspections of 213 domestic and non-U.S. registered public accounting firms and approximately 820 audit engagements. The 2011 inspections included engagement quality reviews of the first audits for which firms were required to implement Auditing Standard No. 7, which became effective for audits and interim reviews for fiscal years beginning on or after Dec. 15, 2009.

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