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## PCAOB Criticizes Auditing Firms' Engagement Quality Reviews

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In December 2013, the Public Company Accounting Oversight Board issued a report on its [Observations Related to the Implementation of the Auditing Standard on Engagement Quality Review](#). The report assessed auditing firms' implementation of the PCAOB's Auditing Standard No. 7, Engagement Quality Review, based on the PCAOB's 2011 inspections of registered public accounting firms. In general, AS 7 requires that an engagement quality reviewer (often informally referred to as a "concurring partner") perform procedures to review the significant judgments and conclusions in an audit and provide concurring approval of the issuance of the audit report. The report considered whether, as to audits in which inspections had identified deficiencies resulting in insufficiently supported audit opinions, the engagement quality reviewer should have identified the deficiencies before the firm issued its opinion. The report stated that in approximately 39 percent of 111 audits by seven large domestic accounting firms in which the staff identified that the audit report was insufficiently supported, the audit deficiency should have been identified by the engagement quality reviewer. The PCAOB added that 2012 inspections indicated that engagement quality review deficiencies remained high. The PCAOB recommended that firms take various actions to prevent engagement quality review deficiencies. It also suggested that the report "may be useful to audit committees in fulfilling their oversight responsibilities, including by helping to prepare them for meaningful discussions with their auditors about the engagement quality review component of their audit."