.01 Possible factors to consider when evaluating the objectivity of an engagement quality reviewer (EQR)

Inquiry — Is there a self-review threat to a member’s objectivity if that member serves as the engagement quality reviewer after previously being the lead attest engagement partner?

Reply — Yes. The lead attest engagement partner and engagement quality reviewer will need to determine the significance of the threat.

The lead attest engagement partner likely has specialized knowledge of the client and related industry, including the regulatory environment, which contribute to an engagement quality reviewer’s competence. However, there is a threat that the engagement quality reviewer would not appropriately evaluate the results of previous judgments made or services performed or supervised by individuals in the member’s firm. This would include when the engagement quality reviewer previously served as the lead attest engagement partner.

The following factors may assist the lead attest engagement partner and engagement quality reviewer in determining the significance of the threat:

- The member’s current role and seniority within the firm, including the firm’s reporting structure
- The length of time the member was previously involved with the attest engagement and the member’s role
- When the member last served on the attest engagement team prior to being appointed as engagement quality reviewer
• Any relevant changes to the circumstances of the engagement subsequent to the member’s participation on the attest engagement team

• The nature and complexity of issues that required significant judgment during the period the member served on the attest engagement team and the level of involvement in the conclusions reached

.02 Potential safeguards when a significant self-review threat to an engagement quality reviewer’s (EQR) objectivity is identified

Inquiry — If the lead attest engagement partner and engagement quality reviewer concluded that the self-review threat to the member’s objectivity was significant, can the member still serve as the engagement quality reviewer?

Reply — Yes, if safeguards can be applied to eliminate the threat or reduce it to an acceptable level. Though not all-inclusive, the following list provides examples of possible safeguards:

• An individual within the firm possessing highly specialized knowledge, skills, or expertise assists the engagement quality reviewer in evaluating significant judgments

• An individual from outside the firm, or someone from within the firm who is not otherwise associated with the attest engagement, assesses the conclusions reached by the engagement quality reviewer

• Consultation with a third party, a professional regulatory body, or an external professional accountant

• Incentives and disincentives within the firm structure to encourage the objectivity of the engagement quality reviewer

• The extent of changes in the matters on which significant judgments were made and the facts and circumstances around those significant judgments compared to the period or periods in which the engagement quality reviewer was the lead attest engagement partner

If there are no safeguards that can eliminate the threat or reduce it to an acceptable level, independence will be impaired if this member serves as the engagement quality reviewer on this engagement.

When safeguards are applied to eliminate or reduce significant threats to an acceptable level, the member should document the identified threats and safeguards.