

## 2.2.1 Engagement controller responsibilities for a quality audit

### Introduction

Since December 2022, Auditing Standard ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information' (ASA 220) replaces ASA 220 'Quality Control for an Audit of a Financial Report and Other Historical Financial Information'.

The revised ASA 220 focuses on the role and responsibility of the Engagement Controller (EC) in ensuring quality on a financial or performance audit. This includes taking responsibility for creating an environment for the engagement that emphasises the Office's culture and expected behaviour of engagement team members, such as emphasising:

- that all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level
- the importance of professional ethics, values and attitudes to the members of the engagement team
- the importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal
- the importance of each engagement team member exercising professional scepticism throughout the audit engagement.

This section provides policies and guidance on the role and responsibilities of the Engagement Controller (EC) for financial and performance audit engagements within the Audit Office (the Office). This policy is also applicable to audit service provider (ASP) team members, where the Office has partnered with an ASP for audit engagements.

### Policies and guidance

#### Overarching requirement

1. The EC shall be sufficiently and appropriately involved throughout the audit engagement to ensure that significant judgements made, and the conclusions reached, are appropriate (see [policy 2.1.2 'System of quality management'](#)). The extent of involvement should be specific to the nature and circumstance of the individual engagement and subject to the EC's professional judgement.
2. In conjunction with the methodology requirements within the:
  - Financial Audit Methodology and associated Evidence Gathering Activity (EGA) templates (for financial audit)
  - Performance Audit Guide (for performance audit),EC's are responsible for ensuring they understand and comply with all relevant Office policies, including [policy 1.1.1 'Policy development, applicability and waivers'](#).

## Office specific policies

### Ethical and legal requirements

3. The EC shall have an understanding of the relevant ethical and legal requirements, including those related to independence, given the nature and circumstance of the audit engagement in accordance with the Office's:
  - Code of Conduct
  - [policy 2.3.1 'Conflict of Interest and Professional Independence Policy'](#). This includes ensuring all engagement team members are aware of the Office's policy
  - [policy 2.4.2 'Rotation of staff on audit and assurance engagements'](#) to address familiarity threats
  - obligation to notify or report to the Australian Securities and Investment Commission (ASIC) of contraventions and suspected contraventions under relevant sections of the *Corporations Act 2001*. See [policy 2.5.5 'An auditor's obligation to notify ASIC'](#)
  - [policy 2.2.10 'Approval for the Audit Office to perform other audit and related services'](#) to ensure that the Auditor-General's independence is not compromised. Similarly, where the EC is a signing officer for audits that have been outsourced to an ASP, the EC should advise their ASP of the requirements within [policy 2.2.12 'Approval for Audit Service Provider to perform other audit and related services'](#)
  - methodology requirements within the respective financial and performance Audit Guides.
4. For group audits, ECs are required to understand the ethical and legal requirements that are relevant to group audit engagements. This includes communication of component and group audit team independence.
5. The EC should also consider the Office's legal obligations to preserve secrecy and maintain confidentiality of auditee information obtained during an audit. See [policy 2.5.4 'Preserving secrecy'](#).

### Engagement Planning

6. The EC shall ensure compliance with the Office's policies in relation to acceptance and continuance of auditee relationships and audit engagements. Relevant Office policies include:
  - [2.1.1 'Engagement approach'](#)
  - [2.1.3 'Reputation protection and risk management'](#)
  - [2.2.2 'New engagements and risk classification'](#)
  - [2.2.4 'Documentation of engagement terms'](#)
  - [2.2.5 'Audit of entities that are jointly/collectively controlled'](#)
  - [2.2.6 'Audit engagements outside of New South Wales'](#)
  - [2.2.7 'Comfort letters'](#)
  - [2.2.8 'Forensic accounting services'](#).

If the EC becomes aware of information that may have caused the Office to decline the audit engagement had that information been known by the Office prior to accepting or continuing the specific engagement, the EC shall communicate that information promptly to the Head of Financial Audit / Performance Audit and Executive Director Professional Services, so that the Office can take the necessary action.

7. The EC shall determine that:
- sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner and in compliance with [policy 2.4.1 'Assignment of professional staff to assurance engagements'](#)
  - members of the engagement team and any auditor's external experts (who are not a part of the engagement team), collectively have the appropriate competence and capabilities, including sufficient time to perform the audit engagement. Refer to [policy 2.5.1 'Using external specialists or experts'](#)
  - internal Office specialists are consulted in a timely manner as and when required in accordance with [policy 2.5.2 'Using Audit Office specialists'](#).

### Engagement Performance

8. If an engagement quality reviewer (EQR) is required (see [policy 2.2.3 'Engagement quality review'](#)), the EC shall:
- determine that an EQR has been appointed
  - cooperate with the EQR and inform other members of the engagement team of their responsibility to do so
  - discuss significant matters and significant judgements arising during the audit engagement, including those identified during the engagement quality review, with the EQR
  - not date the auditor's report until the completion of the engagement quality review.
9. In case of differences of opinion between the audit team and EQR, the EC shall:
- follow the Office policy or procedures for dealing with and resolving such differences of opinion in accordance with [policy 2.2.3 'Engagement quality review'](#)
  - determine those conclusions reached are documented and implemented
  - not date the auditor's report until any differences of opinion are resolved.
10. If an engagement executive (EE) is appointed, the EE's roles and responsibilities do not replace that of the EC. The EC should involve the EE for:
- treatment of significant, complex or contentious accounting issues
  - matters requiring discussion at the Technical Issues Committee (TIC)
  - adoption of unconventional audit strategies or procedures.

Refer to [policy 2.2.11 'Engagement Executives'](#).

11. The EC shall:
- take responsibility for the engagement team undertaking consultation on difficult or contentious matters and other matters that, in the EC's professional judgement, require consultation. Refer to [policy 2.5.3 'Technical Issues Committee'](#) for Office requirements regarding matters that require consultation
  - determine that members of the engagement team have undertaken appropriate internal and external consultation during the audit engagement and agreed conclusions implemented
  - ensure the Office comply with its legal obligations regarding corrupt conduct, misconduct, maladministration or serious and substantial waste as highlighted in [policy 2.5.6 'Auditor's obligations regarding corrupt conduct, serious and substantial waste, serious wrongdoing, misconduct and serious maladministration'](#).
12. For situations where access to Office workpapers from an external third party is requested (such as from those performing due diligence reviews on behalf of the Treasurer or Minister for Local Government) or the Office is requesting third party workpapers (such as from a predecessor auditor), the EC is responsible for obtaining prior approval before either providing or requesting access. See [policy 2.7.3 'Access to workpapers'](#).

## Engagement Reporting

### Overall responsibility for managing and achieving quality

13. Prior to dating the auditor's report, the EC is responsible for determining that an engagement file is assembled, completed and supports the audit or assurance report issued. See [policy 2.7.1 'Retention of evidence and finalisation of audit files'](#). Policy 2.7.1 also contains the responsibility of the EC in the finalisation process of the audit file (which could be a combination of TeamMate, the Hub and/or a data analytics software application). For audits conducted by an ASP, this includes the ASP audit file stored in the Hub.
14. When an independent auditor's report (IAR) needs to be re-issued, the EC must assess and determine whether to re-issue an IAR in accordance with [policy 2.8.2 Reissuing Independent Auditor's Reports](#), noting that all decisions to re-issue an IAR are subject to the approval of the Technical Issues Committee.
15. When an entity ceases to be part of the NSW public sector, the EC should complete the 'Memorandum to accept that an entity will cease being an auditee of the Office' and ensure compliance with [policy 2.6.3 'Reporting requirements when an entity ceases to be part of the NSW Public Sector'](#).

### Auditor-General's report

16. Auditor-General's reports to parliament report the outcomes of our financial and performance audits to the NSW Parliament. Specific to financial audit, [policy 2.8.4 'Auditor-General's Reports to Parliament – Financial Audit Reports and Special Reports'](#) provides guidance on the EC's responsibilities (as report owner) for the planning, conduct and report writing/finalisation.
17. [Policy 2.8.3 'Amending a tabled report'](#) provides guidance for amending a tabled report. The EC as report owner needs to investigate and assess whether the error/issue is minor or significant. If a minor amendment is needed, the Deputy Auditor-General's (DA-G) approval for an online amendment is required. For a significant amendment, the Auditor-General's (A-G) approval is required.

### Monitoring and Remediation

18. The EC shall take responsibility for:
  - obtaining an understanding of information from the Office's monitoring and remediation process, as communicated by the Office. The EC should:
    - have regard to the findings from each round of quality reviews, published on Alfie at the conclusion of each review cycle
    - discuss the findings with their engagement teams and ASPs to apply the learnings
  - remaining alert throughout the audit engagement for information that may be relevant to the Office's monitoring and remediation process and communicate such information to the Executive Director, Professional Services.

The Office's quality review practice is a key element of the system of quality management, and outlined in [policy 2.8.1 'Monitoring activities'](#).

## Additional guidance where the EC is not the Signing Officer (Financial audit only)

19. Where the A-G has not delegated the signing of the Independent Auditor's Report (IAR), the EC is required to provide the A-G with the following to assist the A-G fulfil the duties required under ASA 220 as the signing officer:
- **Audit planning memorandum** – accompanied by the final Annual Engagement Plan
  - **Early close / Interim memorandum** – accompanied by the Reporting on early close procedures (for state entities where early close procedures are performed) or an interim management letter
  - **Clearance memorandum** – which includes the recommendation for the A-G to sign the IAR. Refer to Instruction & Guidance - Signing the IARs.

## Additional guidance where the engagement is performed by an ASP (Financial audit only)

20. The EC has ultimate responsibility for an audit performed by the ASP. As such, the EC must be satisfied that the ASP performs the engagement leader role efficiently and effectively to manage audit risks. Refer to Guidance Note - Understanding roles and responsibilities for audits performed by Audit Service Providers that details the respective EC and ASP responsibilities. The EC must also complete the [Progressive Involvement Record](#) for planning and execution/completion (PIR) to demonstrate their involvement throughout the audit. If the EC is not the 'signing officer' (SO) they must ensure the SO also signs-off the PIR at various stages of the audit.

## Effective date

Issued February 2024 and effective February 2024.