

2.2.3 Engagement quality reviews

Introduction

Auditing Standard ASQM 2 '[Engagement Quality Reviews](#)' (ASQM 2) requires the firm to establish policies and procedures relating to the:

- appointment and eligibility of the engagement quality reviewer (EQR)
- EQR's responsibilities relating to the performance and documentation of their review.

The Audit Office (the Office) and the EQR is required to have an understanding of ASQM 2, including the application and other explanatory material, to understand its purpose and to properly apply its requirements.

An engagement quality review is an objective evaluation of the significant judgements made by the engagement team and the conclusions it reached in formulating the report, before:

- the audit or assurance report is signed for financial statement audits by the engagement controller (EC) or
- an Auditor-General's Report to Parliament is tabled.

Policies and guidance

Application date

1. For financial audit engagements, the effective date is for periods beginning on or after 15 December 2022.
2. For performance audits, the effective date is for engagements beginning on or after 15 December 2022.

Scope of the engagement quality review

3. For financial audits, an EQR may be appointed to an engagement in response to the engagement or PIE risk assessment in accordance with policy [2.2.2 'New Engagements and Risk Classification'](#).
4. For performance audits, an EQR must be appointed for engagements assessed as greater than normal risk in accordance with policy [2.2.2 'New Engagements and Risk Classification'](#).
5. An EQR may also be appointed as a result of the Deputy Auditor-General (DA-G) approving the extension of an EC's term above five years.
6. The responsibilities of the EC are not reduced by the performance of the engagement quality review by the EQR.

Professional staff assigned as EQRs

7. An EQR must be a professional staff member with sufficient and appropriate experience and knowledge, but not directly involved in the audit engagement. Those eligible for assignment as EQRs include the DA-G, Assistant Auditors-General or Directors. Appropriate experience and knowledge include relevant experience and knowledge of the entity's industry, its economic environment, Australian auditing, accounting (for financial audit engagements) and ethical standards, the audit process and the regulatory environment.
8. Appointment of an EQR for the financial audit branch is the responsibility of the:
 - Head of Financial Audit (HoFA) for a term of up to five years
 - DA-G for terms exceeding five years.
9. Appointment of an EQR for the performance audit branch is the responsibility of the Assistant Auditor-General (AA-G), Performance Audit for engagements assessed as greater than normal risk. This includes where, during the audit process, new information gives rise to an escalation of audit risk from normal to greater than normal.
10. On an annual basis, a briefing of the EQR appointments needs to be provided to the DA-G for noting.
11. The 'Appointment of an Engagement Quality Reviewer' form must be completed for each appointment. Considerations for the EQR appointment include the EQR:
 - having the required competence, capabilities and appropriate authority
 - having sufficient time to undertake the review
 - meeting the cooling off requirements in accordance with policy [2.4.2 'Rotation of staff on assurance engagements'](#)
 - meeting the ethical and independence requirements in accordance with policy [2.3.1 Conflict of Interest and Professional Independence Policy](#).
12. If required, the HoFA/AA-G, Performance Audit may appoint another internal staff member or external firm to assist the EQR in performing the engagement quality review. Those assisting the EQR must:
 - have the competence and capabilities, including sufficient time, to perform the duties assigned to them
 - meet the cooling off requirements in accordance with policy [2.4.2 'Rotation of staff on assurance engagements'](#)
 - meet the ethical and independence requirements in accordance with policy [2.3.1 Conflict of Interest and Professional Independence Policy](#).

Performance of the engagement quality review

13. The EQR shall:
 - not otherwise participate in the engagement
 - not make decisions for the engagement team
 - have an understanding of ASQM 2, including the application and other explanatory material
 - comply with relevant ethical requirements and not be subject to other considerations that threaten objectivity
 - comply with provisions of law and regulation (if any) that are relevant to eligibility for appointment as EQR.

14. For the EQR's responsibilities, further guidance is located within the:
 - Financial Audit Methodology and associated Evidence Gathering Activity (EGA) templates
 - Performance Audit Guide.
15. Where required, the HoFA/AA-G, Performance Audit may appoint an EQR for review engagements, and other assurance and related services engagement. At a minimum, the EQR shall:
 - review the financial report/engagement reports thereon
 - review whether the documentation on file supports the procedures performed and the conclusions reached.
16. The EQR has overall responsibility for the performance and documentation of the engagement quality review and should fulfil their responsibilities on a timely basis throughout the engagement, which includes completing all responsibilities (as outlined in the abovementioned Financial Audit Methodology and templates and Performance Audit Guide) before the date of the independent auditor/assurance report or Report to Parliament.
17. Where there is a difference of opinion between the EQR and the audit team, the EQR shall refer to guidance (as relevant to them) in the:
 - Financial Audit Methodology and EGAs
 - Performance Audit Guide.
18. The EQR must notify the HoFA/AA-G, Performance Audit as soon as they become aware of circumstances that impair their eligibility and capability to perform the engagement quality review and must immediately discontinue performing the review or decline the appointment if the review has not yet commenced. This includes when the nature and extent of engagement team discussions with the EQR about a significant judgement give rise to a threat to their objectivity. The EQR should follow the process outlined in the guide relevant to them:
 - Financial Audit Methodology and associated EGAs
 - Performance Audit Guide.
19. The HoFA/AA-G, Performance must appoint another eligible individual within the Office to be the EQR if the current EQR is:
 - unable to perform an objective review
 - unable to comply with the Office's rotation requirement policy
 - otherwise unable to continue with the role.

Documentation

20. The EQR is responsible for the documentation of their review in accordance with the guidance (as relevant to them) provided within:
 - Financial Audit Methodology and associated EGAs
 - Performance Audit Guide.

Effective date

Issued March 2024 and effective March 2024.