

## **AG PES 4**

### Engagement Quality Reviews

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## Introduction

### Scope of this Statement

1. This Auditor-General's Auditing Statement (referred to hereafter as Statement):
  - (a) establishes the Auditor-General's requirements in relation to Professional and Ethical Standard 4: *Engagement Quality Reviews* (PES 4); and
  - (b) contains additional requirements about how PES 4 should be applied by firms carrying out audits and other engagements on behalf of the Auditor-General.

### Application

2. Compliance with this Statement is mandatory for Appointed Auditors that carry out audits or other engagements on behalf of the Auditor-General that are required to have an engagement quality review, either in accordance with AG PES 3 or as directed by the Auditor-General.
3. This Statement requires compliance with all the requirements of PES 4 and the additional requirements included in this Statement for the purpose of engagement quality review. This Statement deals with:
  - (a) the appointment and eligibility of the engagement quality reviewer; and
  - (b) the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

### Effective date

4. This Statement applies to all applicable audit or other engagements on behalf of the Auditor-General that are required to have an engagement quality review commencing on or after 1 April 2023.

## Objective

5. The objective of the firm, through appointing an eligible engagement quality reviewer, is to perform an objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon.

## Definitions

6. For the purpose of this Auditor-General's Auditing Statement, the defined term listed below has the following meaning:

Appointed Auditor	means the person or persons appointed by the Auditor-General to carry out the annual audit or other engagement on behalf of the Auditor-General, and who are supported by other members of the audit team. Where an Auditor-General's Statement or Standard expressly intends that a requirement be fulfilled by the Appointed Auditor personally, the requirement will indicate that the Appointed Auditor shall personally satisfy the requirement.
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## Requirements

### Appointment and eligibility of engagement quality reviewers

7. The firm's policies and procedures shall meet the requirements of PES 4. (Ref: Para. A1)
8. In addition to the policies or procedures established by the firm to comply with paragraphs 17 to 21 of PES 4, the firm shall ensure, in appointing the engagement quality reviewer, that:
  - (a) the engagement quality reviewer complies with the *Auditor-General's Code of Ethics*;
  - (b) the firm has regard to findings arising from monitoring activities of the proposed engagement quality reviewer; and
  - (c) the engagement quality reviewer does not report to, or have their performance evaluated and remuneration determined by, the Appointed Auditor of the audit for which they are the engagement quality reviewer.

*Circumstances when the engagement quality reviewer uses assistants*

9. As part of the appointment of an engagement quality reviewer the firm shall consider whether the engagement quality reviewer needs to be assisted by an individual with relevant expertise. Where an assistant is used, the engagement quality reviewer shall:
  - a) consider whether the assistant understands their instructions and whether the work is being carried out in accordance with the planned approach to the engagement quality review; and
  - b) address matters raised by the assistant, considering their significance and modifying the planned approach appropriately.

*Impairment of the Engagement Quality Reviewer's Eligibility to Perform the Engagement Quality Review*

10. Where the engagement quality reviewer is stipulated in the Audit Engagement Agreement or Audit Engagement Letter of the public entity and is no longer eligible to perform the function due to circumstances that impair their eligibility, the individual in the firm who is required to be notified under the firm's policies and procedures shall advise the Office of the Auditor-General. The advice should include any remediation that is required, and the new or proposed replacement engagement quality reviewer.

**Performance of the engagement quality review**

11. In performing the engagement quality review requirements in paragraph 25 of PES 4, the engagement quality reviewer shall:
  - (a) Discuss with the Appointed Auditor and, if applicable, other members of the engagement team, the application of the Auditor-General's Auditing Standards in planning, performing and reporting the audit. This includes evaluating compliance with the relevant ethical requirements relating to independence in the *Auditor-General's Code of Ethics*.
  - (b) Review the communications to the entity about the results of the audit that are required by auditing standards.
  - (c) Review the FSG audit clearance return and engagement documentation to the extent required by PES 4 paragraphs 24 to 26.

*Engagement Quality Review Procedures*

12. The engagement quality reviewer shall advise the Appointed Auditor when the requirements of AG PES 4 have been fulfilled and the engagement quality review is complete.
13. The audit report shall not be dated before the Appointed Auditor has received the advice from the engagement quality reviewer, as required in paragraph 12.

**Documentation**

14. The engagement quality reviewer shall maintain sufficient documentation to demonstrate compliance with the requirements of this Statement.

## **Application and other explanatory material**

### **Appointment and eligibility of engagement quality reviewers (Ref: Para. 7)**

- A1 There will be circumstances, as part of the process for appointing auditors, where the Office of the Auditor-General requests information about the firm's proposed engagement quality reviewer for an engagement. The information requested may include:
- a) the name of the individual with the delegation who made the engagement quality reviewer appointment decision;
  - b) information about the basis for the decision; and
  - c) a statement that the firm's policies comply with PES 4 and AG PES 4.