

# Terms of Engagement



INSIGHTS FOR BETTER GOVERNMENT

FINANCIAL AUDIT

# contents

1	INTRODUCTION .....	1
2	THE AUDITOR-GENERAL'S RESPONSIBILITIES .....	1
3	CLIENT RESOURCES .....	3
4	ENGAGEMENT APPROACH .....	4
5	COMMUNICATION AND REPORTS .....	9
6	SUBMITTING ACCOUNTS FOR AUDIT .....	12
7	MATERIALITY, RISK AND THE INHERENT LIMITATIONS OF AN AUDIT .....	13
8	ON-GOING COMPLIANCE REQUIREMENTS .....	14
9	PROVISION OF WORKING PAPERS .....	17
10	REPRESENTATIONS .....	19
11	ACCESS .....	19
12	CLEARANCE MEETINGS .....	20
13	ACCOMMODATION, FACILITIES AND STAFF AMENITY .....	20
14	DETERMINATION OF FEES FOR ENGAGEMENTS .....	20

## 1 INTRODUCTION

The Terms of Engagement are designed to inform the Chief Executive Officer (CEO), Chairperson, Managing Director, Secretary or Department Head, Mayor, Administrator or General Manager and others charged with governance of an auditee of legislative requirements and other matters relevant to Audit Office engagements.

Signing the Agreement of Terms issued with the Client Service Plan for the audit of the financial statements, or the engagement letter for engagements other than the audit of the financial statements, confirms acceptance of the Terms of Engagement.

## 2 THE AUDITOR-GENERAL'S RESPONSIBILITIES

### Powers and duties of the Auditor-General

The Auditor-General's powers and duties are predominantly set out in the *Public Finance and Audit Act 1983* (PF&A Act). However, other acts may also confer powers and duties upon the Auditor-General. These acts include the *Local Government Act 1993* (LG Act) and the *Corporations Act 2001* (Corps Act).

The Auditor-General's functions under the PF&A Act, include:

- auditing the Total State Sector Accounts and the financial statements of New South Wales public sector agencies with the objective of expressing an opinion on the financial statements
- providing audit and related services to the Parliament, the Treasurer and Ministers on request
- reporting to Parliament
- identifying waste of public resources, or lack of probity or financial prudence in the management or application of public resources
- conducting performance audits of agencies' activities
- conducting audits of agencies' compliance with laws and regulations
- performing anything incidental to the exercise of the Auditor-General's functions.

The Auditor-General's functions under the LG Act include:

- auditing councils' and, where applicable, council entities' financial reports with the objective of expressing an opinion on the financial statements
- providing audit and related services to a council at the request of the council, the Minister for Local Government or the Chief Executive of the Office of Local Government (OLG)
- reporting to Parliament
- conducting performance audits of the activities of councils and, where applicable, council entities
- conducting audits of councils' and, where applicable, council entities' compliance with laws and regulations.

The scope and nature of the terms of the engagement of a public sector audit differ from those for an audit in the private sector. The differences make it difficult to compare services provided by private and public sector auditors.

### Independence of the Auditor-General

Under the PF&A Act, the Auditor-General has full discretion over the engagement and may report findings to Parliament. This permits the Auditor-General to conduct all engagements at arm's length and in the public interest.

The PF&A Act sets stringent requirements for the appointment and removal of the Auditor-General. This gives Parliament confidence the Auditor-General will act independently. The legislative requirements recognise the primary role of Parliament and provide that the Auditor-General is removed from the influence of government.

The Auditor-General is only allowed to provide particular audit and related services under the:

- PF&A Act at the request of Parliament, the Treasurer or a Minister
- LG Act at the request of a council, Minister for Local Government or the Chief Executive of OLG.

The legislative arrangements mean the Auditor-General and Audit Office staff are not influenced by factors such as personal reward, the desire to increase market share, the risk of existing engagements not being renewed and the desire to promote or benefit from providing non-assurance services. This helps ensure work is planned, conducted and reported honestly and objectively.

In addition to the legislative safeguards, the Audit Office has other internal processes to strengthen independence, including policies that:

- require all staff to adhere to the Audit Office's independence requirements
- require audit staff to rotate periodically across assurance engagements
- preclude the Audit Office from providing consultancy and other advisory services
- require all staff to report and register all gifts and hospitality offered (unless the value is trivial and inconsequential), irrespective of whether the gift or hospitality has been received or declined.

Professional ethical standards and legislation, such as the Corps Act, have specific restrictions on employment relationships between an audited entity and members of its current or previous audit teams. Please discuss the prospective employment of a current or former Audit Office staff member with the Audit Office before starting formal employment negotiations with them.

Where the Audit Office contracts out assurance engagements to private sector firms, it requires these firms to obtain the Auditor-General's approval to provide any other services to the public sector entity for the duration of the contract.

## **Accountability in the public sector**

Public sector entities are usually subject to a high degree of accountability, transparency and scrutiny by many stakeholders. For example, in New South Wales, Audit Office stakeholders and clients include:

- Parliament, representing the people of New South Wales
- the Executive Government
- the auditee (public sector entity)
- other people, groups and individuals who use the Auditor-General's reports or otherwise have an interest in the Auditor-General's work.

In addition to having high expectations about the independence of public sector auditors, stakeholders expect the Auditor-General to examine matters arising during engagements that involve operating performance, waste, accountability, probity and compliance with relevant laws.

The Auditor-General's responsibility to Parliament, auditees and other stakeholders and the scope and depth of public sector audits, impose additional reporting requirements (i.e. the Auditor-General's Report to Parliament, the Statutory Audit Report<sup>1</sup> and the Report on the Conduct of the Audit<sup>2</sup>). [Section 5 provides](#) further details about reports issued by the Audit Office.

The additional effort required in a public sector assurance engagement is partly mitigated by the Audit Office's detailed knowledge of NSW public sector entities. This is particularly important due to the unique reporting requirements applicable to public sector entities (e.g. Treasury Mandates for General Government Sector Agencies, Financial Statement Guidelines for Australian Higher Education

---

<sup>1</sup> Only applies to entities audited under the PF&A Act.

<sup>2</sup> Only applies to entities audited under the LG Act.

Providers, the Local Government Code of Accounting Practice and Financial Reporting, Treasury/OLG/Premier's Circulars and Memoranda and applicable legislation).

## **Public sector legislation**

Public sector entities are subject to legislation regulating their activities as well as the laws, regulations and regulatory oversight common to both public and private sectors.

The audit team considers each entity's compliance with its enabling legislation and the provisions of other acts and regulations that may materially impact the amounts and disclosures in its financial statements.

To facilitate the audit team's understanding of the legal and regulatory framework applicable to an entity, it will seek to identify:

- acts and regulations applicable to the entity
- the requirements of central agencies and regulators
- policies and procedures adopted to ensure compliance with applicable legislation and other requirements.

The Auditor-General may undertake a performance audit on an entity's activities to determine if it is carrying out its activities economically, efficiently and effectively in accordance with relevant laws.

## **Obligations under the *Corporations Act 2001* (where applicable)**

The Corps Act imposes additional duties and reporting obligations on auditors, including the Auditor-General. For example, section 311 requires the auditor to notify the Australian Securities and Investments Commission (ASIC) if:

- the auditor has reasonable grounds to suspect a significant contravention of the Corps Act has occurred
- they believe a contravention that is not significant will not be adequately dealt with in the Independent Auditor's Report or by bringing the matter to the attention of the company's directors.

## **Obligations to report to oversight and regulatory bodies**

The Auditor-General is obliged by law to report certain matters, specified in relevant legislation, that are identified during the audit, to regulators (such as the Australian Prudential Regulation Authority) and oversight bodies (such as the Independent Commission Against Corruption (ICAC)).

## **Audits under the *Charitable Fundraising Act 1991* (where applicable)**

The *Charitable Fundraising Act 1991* (CF Act) applies to entities that conduct charitable fundraising activities.

A separate engagement letter will be issued to entities that request assurance services to satisfy the conditions of a fundraising authority or who voluntarily choose to assert they have prepared the financial statements in accordance with the CF Act.

## **Audits under the *Financial Services Reform Act 2001* (where applicable)**

The *Financial Services Reform Act 2001*, administered by ASIC, requires financial service providers to hold an Australian Financial Services Licence (AFS Licence). The regulatory requirements for AFS licensees include an annual audit. The holder of an AFS Licence is obliged to lodge the AFS Licence Assurance Report with ASIC in accordance with section 989B(3) of the Corps Act.

Further details can be obtained from the [ASIC website](#) and the engagement letter issued for this type of engagement.

## **3 CLIENT RESOURCES**

A copy of the Audit Office Guarantee of Service is available from the Audit Office [website](#).

## Australasian Council of Auditors-General

The Australasian Council of Auditors-General (ACAG) comprises Auditors-General and their respective offices for the Commonwealth, each Australian State and Territory, New Zealand and some Pacific and Asian countries. The Audit Office of New South Wales shares resources and information with other ACAG members to improve its professional services. ACAG responds to draft accounting and auditing standards exposed for comment by standard setting bodies, to ensure the needs of public sector entities are adequately addressed.

## Publications

The Audit Office has the following useful publications on our website:

- 'Professional Update' published quarterly to help staff and auditees keep abreast of key accounting, auditing and legislative developments in the NSW public sector, including pronouncements by professional standard setters and changes in the regulatory environment. To subscribe or access previous editions please visit our website at: <http://www.audit.nsw.gov.au/Publications/ProfessionalUpdate>.
- 'Financial Reporting Issues and Developments' for NSW State Government sector detailing:
  - current issues and financial reporting developments that may impact the audit
  - accounting standards and pronouncements issued during the year that may have a direct/indirect impact on the financial statements/and or annual report.
- 'Financial Reporting Issues and Developments' for the NSW Local Government sector detailing:
  - current issues and financial reporting developments that may impact the audit
  - accounting standards and pronouncements issued during the year that may impact the financial statements/and or annual report.
- 'Application of Current Treasury Pronouncements', listing Treasury Policy Papers and Circulars in force and the NSW State Government agencies they apply to.
- 'Local Government Pronouncements Guidance Note', listing key reporting pronouncements issued by OLG.

## Better practice guides

Audit Office better practice guides are available on the Audit Office [website](#). These guides are designed to help entities achieve better practice and can be used to assess performance.

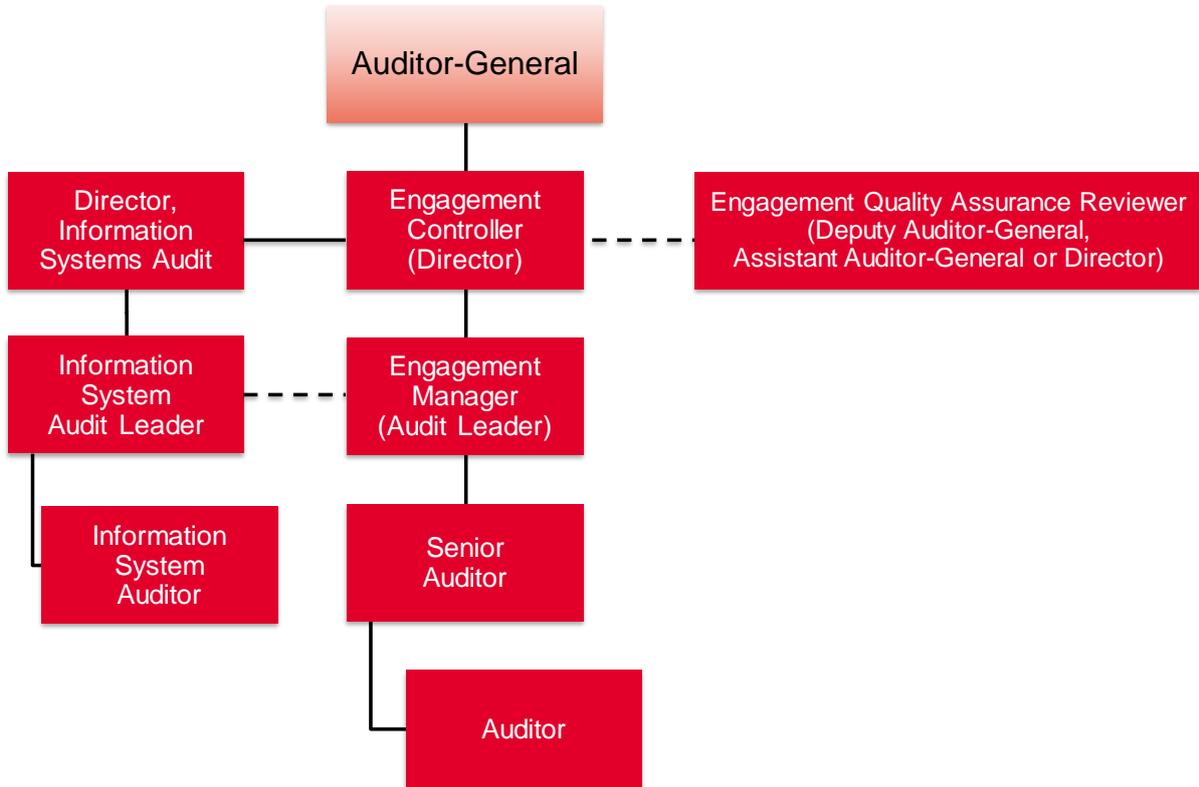
## 4 ENGAGEMENT APPROACH

### Delivering quality audit services

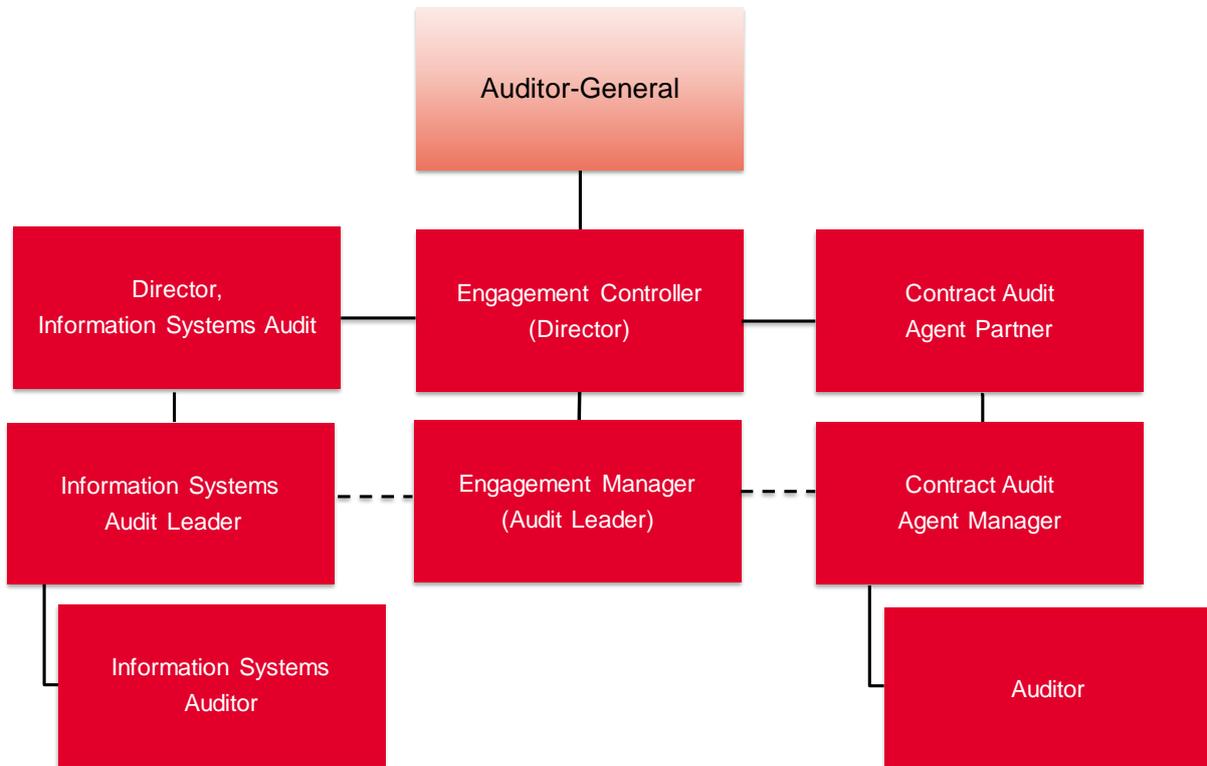
The Audit Office aims to provide high quality assurance services that comply with professional standards and provide development opportunities for staff.

To achieve high quality assurance services the Audit Office has developed an Audit Office Service Model for assurance engagements. Your entity's audit team is well supported by the Audit Office's quality processes.

**Audit Office Financial Audit Service Model<sup>3</sup>**



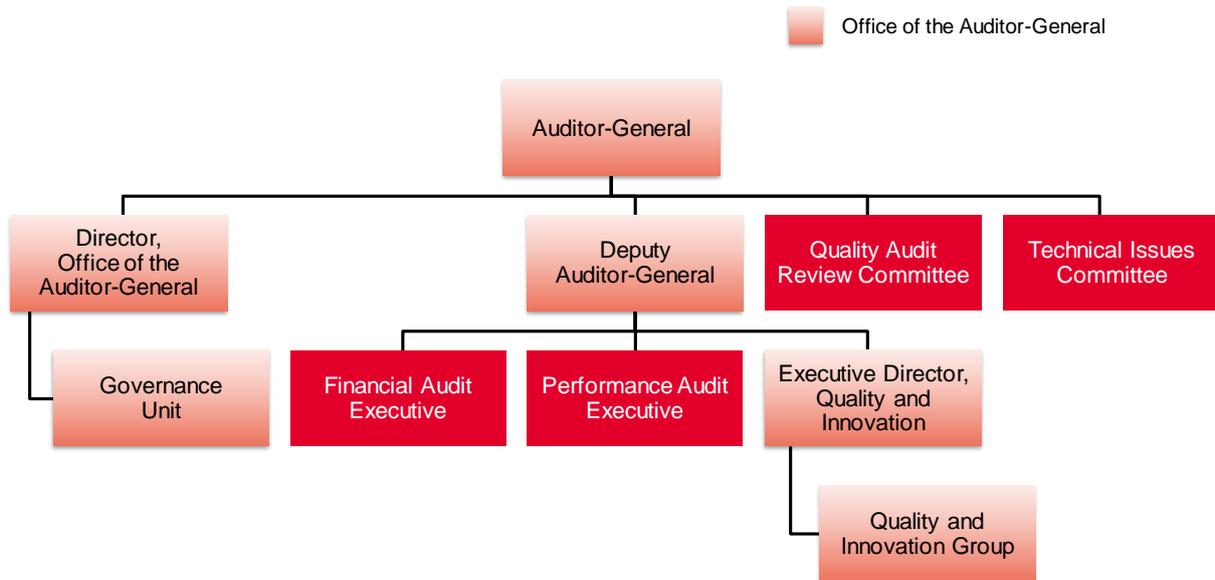
**Audit Office Financial Audit Service Model for Contract Audit Agents<sup>4</sup>**



<sup>3</sup> This structure may change depending on the size and complexity of the audit.

<sup>4</sup> This structure may change depending on the size and complexity of the audit.

## Quality processes supporting the financial audit teams



Position	Role within the audit
----------	-----------------------

### Audit Office Service Model (incorporating Contract Audit Agents)

<b>Auditor-General (AG)</b>	<p>The AG is responsible for audits and related services. The AG delegates responsibility for the audit and signing the Independent Auditor’s Report to the EC, except in limited circumstances. For example:</p> <ul style="list-style-type: none"> <li>• independence contraventions</li> <li>• where legislation, Commonwealth/State or other agreements do not provide a power of delegation</li> <li>• the AG has determined to sign the Independent Auditor’s Report.</li> </ul>
<b>Engagement Controller (EC)</b>	<p>The EC is responsible for signing the Independent Auditor’s Report, the audit approach and execution, determining key risks and judgements, assigning resources to the engagement and monitoring their performance.</p>
<b>Engagement Quality Assurance Reviewer (EQAR)</b>	<p>Where appointed, the EQAR is responsible for the overall audit quality. They consult with ECs on key aspects of audits, such as risks, judgements and conclusions.</p> <p>The Deputy Auditor-General (DAG), an Assistant Auditor-General (AAG), or another Director, Financial Audit Services can be appointed as an EQAR.</p>
<b>Engagement Manager (EM)</b>	<p>The EM supports and reports to the EC and is responsible for the day-to-day planning, coordination and execution of the audit.</p>
<b>Contract Audit Agent (CAA) Partner</b>	<p>The CAA Partner recommends the appropriate Independent Auditor’s Report to the EC. In consultation with the EC, the CAA Partner is responsible for the audit approach and execution, determining key risks and judgements, assigning resources to the engagement and monitoring their performance.</p>
<b>CAA Manager</b>	<p>The CAA Manager supports and reports to the CAA Partner and is responsible for the day-to-day planning, coordination and execution of the audit.</p>
<b>Director, Information Systems (IS) Audit</b>	<p>The Director, IS Audit directs the assessment and testing of the information system environment and the impact on key financial statement line items.</p>

Position	Role within the audit
<b>IS Audit Leader</b>	The IS Audit Leader oversees procedures to assess and test the IT control environment, selected business control procedures and the use of appropriate computer assisted audit tools.
<b>Quality processes supporting the team</b>	
<b>Financial Audit Executive (FAE)</b>	The FAE comprises the DAG and AAGs. It is responsible for overall quality of financial audit services. The FAE advises and consults with ECs on emerging issues, risks and developments; and ensures consistency and quality in the Audit Office's assurance services across the New South Wales public sector.
<b>Executive Director, Quality and Innovation (EDQI) Quality and Innovation Group (QIG)</b>	<p>The EDQI and QIG:</p> <ul style="list-style-type: none"> <li>provide technical advice and support to audit teams, the FAE and the Technical Issues Committee on legislative, accounting, auditing and ethical matters</li> <li>help the Quality Audit Review Committee discharge its quality assurance role.</li> </ul>
<b>Quality Audit Review Committee (QARC)</b>	<p>The QARC monitors the quality of assurance engagements and ensures compliance with ASCQ 1 'Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements' and APES 320 'Quality Control for Firms'.</p> <p>The QARC reviews the quality of a range of audit and assurance engagements each year.</p>
<b>Technical Issues Committee (TIC)</b>	<p>The TIC consists of the AG, DAG, and an independent AAG<sup>5</sup> and EC<sup>6</sup>. Although not part of the TIC, the attendees also include the EDQI (or their delegate) and the EC and AAG sponsoring the technical issue. The TIC's role is to review and conclude on:</p> <ul style="list-style-type: none"> <li>modifications to Independent Auditor's Reports (IARs)</li> <li>removal of modifications to IARs</li> <li>retrospective treatment of prior period errors and elective changes to accounting policies</li> <li>Emphasis of Matter and Other Matters paragraphs in IARs of general purpose financial statements</li> <li>the accounting treatment for complex, contentious and significant technical issues</li> <li>differences of opinion within audit teams.</li> </ul>

## Special Interest Groups and Discussion Groups

The Audit Office has established Special Interest Groups and Discussion Groups to ensure there is a focused, Office-wide approach to key public sector clusters/industries. These groups comprise senior Audit Office staff across the Financial and Performance Audit Branches with similar client portfolios and are designed to improve communication and understanding of cluster/industry issues.

## Financial statement audits

Audit teams conduct engagements in accordance with applicable laws, regulations and standards, including:

- the PF&A Act
- the LG Act
- the Corps Act

<sup>5</sup> The AAG selected is neither the sponsoring AAG or the EQAR on the engagement.

<sup>6</sup> Selected from a pool of three EC's (not being the EC who submitted the issue)

- the Australian Charities and *Not-for-profits Commission Act 2012*
- Treasurer's Directions
- OLG Guidelines
- Australian Auditing and Assurance Standards
- Accounting Professional and Ethical Standards.

Australian Auditing Standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance the financial statements are free from material misstatement. This involves performing procedures to obtain sufficient, appropriate audit evidence about the amounts and disclosures in the financial statements. The audit approach and procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit includes:

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- concluding on the appropriateness of management's use of the going concern basis of accounting
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the transactions and events are fairly presented in the financial statements.

## Changes to the internal control environment and systems

Entity management should advise the audit team of proposed, new or significantly changed systems and changes to their internal control environments. Such changes impact the scope, nature and or timing of audit procedures and may impact the audit fee.

## Electronic commerce

The use of the internet for electronic commerce carries with it a range of risks as well as the potential to limit or mitigate existing risks. Please take the opportunity to discuss how the use of new technology might impact your risk profile with your audit team. Impacts can relate to the security infrastructure, selection of technology features such as blockchain technology, transaction integrity, electronic record keeping, IT infrastructure, data migration and integrity, system conversion, change management, user education and the handling of legacy issues. Please advise your audit team of changes and proposed changes to systems and processes during the planning stages of the audit.

## Communications to Those Charged with Governance

Under Australian Auditing Standards, 'those charged with governance' include persons responsible for the oversight of the strategic direction and accountability of the entity. The auditor must determine the relevant persons charged with governance and communicate to them specific issues that come to their attention. However, the auditor is not required to design procedures for the specific purpose of identifying matters of governance interest.

Your audit team will ensure these communications are open, candid and timely, but will depend on the nature and importance of the matter. Examples of matters the audit team may discuss with those charged with governance include:

- the entity, its environment and particular risk whenever appropriate throughout the engagement
- instances of fraud, significant deficiencies in internal controls, material misstatements and major instances of non-compliance with laws and regulations when they come to the audit team's attention
- other findings that have been discussed at client briefings, in management letters and in client service reports, including:

- qualitative aspects of the entity's accounting practices
- difficulties encountered during the engagement
- details of uncorrected misstatements (including those relating to prior periods)
- other matters significant to the oversight of the financial reporting process, such as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.

The Client Service Plan lists those people charged with the governance of financial statement audits and the reports they will receive from the Audit Office.

## Controlled entities

The governing body of a parent entity oversees the governance of controlled entities. Secrecy provisions in section 38 of the PF&A Act and section 425 of the LG Act may prevent the audit team from communicating some matters directly with the parent entity unless the controlled entity gives its explicit permission for this exchange of information. Where the parent and controlled entities have agreed for detailed information about the controlled entities to be shared with the governing body of the parent, the governing body will receive correspondence about the results of the controlled entity audits, including details of matters found during the audits. The correspondence will be addressed to the head of the governing body, e.g. Secretary, Chair of the Board, Vice Chancellor or the Mayor/Administrator of a council.

Where such arrangements have not been agreed, those charged with governance of the parent entity should seek the following reports from its controlled entities:

- Client Service Plans detailing the plans for forthcoming audits, including significant items, timing and costs
- correspondence detailing audit observations on early close, or hard close procedures (where applicable)
- management letters detailing audit findings, internal control deficiencies and other matters of governance interest
- letters to those charged with governance detailing matters of governance interest arising from the audit
- Client Service Reports issued before controlled entities sign the financial statements, detailing audit results
- Independent Auditor's Reports containing the audit opinion on the financial statements
- Statutory Audit Reports<sup>7</sup>, which formally report audit outcomes to the agency, the Minister and the Treasurer
- Auditor-General's Reports to Parliament, which may comment on the operations and audit outcomes of controlled entities.

## Audit team interaction with management

Regular and open communication between the audit team and management help deliver an efficient and effective engagement. The audit team will meet regularly with management and will direct most questions and documentation requests through management's nominated officer.

To facilitate an efficient and timely audit it is essential for management to respond promptly to the audit team's questions and documentation requests.

## 5 COMMUNICATION AND REPORTS

### Independent Auditor's Report for a financial statement audit

The Independent Auditor's Report expresses the auditor's opinion on the financial statements and is addressed to the Members of Parliament (and Members of a Company, if applicable) for agencies and

---

<sup>7</sup> Applies to entities audited under the PF&A Act.

Councillors or Administrators for local councils. The report also tells users whether the financial statements comply with Australian Accounting Standards, the PF&A Act / LG Act (and their regulations), as well as other applicable regulatory or legislative requirements.

The PF&A Act requires the Independent Auditor's Report to be issued no later than ten weeks after receiving the financial statements, provided the Auditor-General has received a signed statement required by section 41C(1B) or 45F(1B) of the PF&A Act from the agency head or governing body and a signed representation letter. To promote timely finalisation of agency financial statements, the Audit Office is committed to ensuring the Independent Auditor's Report is issued within agreed timeframes.

The LG Act requires local councils to send audited financial statements to OLG within four months of year end.

The [Annual Reports \(Statutory Bodies\) Act 1984](#), [Annual Reports \(Departments\) Act 1985](#) and the LG Act require agencies and local councils to publish the Independent Auditor's Report with the financial statements in their annual report.

The audit opinion on an entity's financial statements does not provide assurance about:

- its future viability
- the effectiveness of its internal controls
- whether it has carried out its activities effectively, efficiently and economically
- the assumptions used in formulating budget figures disclosed in the financial statements
- the security and controls over the electronic publication of the audited financial statements on any website where they are presented
- information hyperlinked to/from the financial statements.

### **Statutory Audit Report for a financial statement audit<sup>8</sup>**

The PF&A Act requires the Auditor-General to report to the Treasurer, the Minister and the agency head, the 'results of any such inspection or audit and as to such irregularities or other matters as in the judgement of the Auditor-General or authorised person call for special notice'. The Audit Office meets this requirement by issuing a 'Statutory Audit Report'. Where no matters require reporting, the Statutory Audit Report will state this. Matters that call for special notice can include matters of governance interest as defined by the Australian Auditing Standards.

A Statutory Audit Report is issued at the same time as the [Independent Auditor's Report](#) and will include misstatements identified during the audit. A Statutory Audit Report will also be issued during the year if the audit team discovers a significant matter.

The [Annual Reports \(Statutory Bodies\) Act 1984](#) and the [Annual Reports \(Departments\) Act 1985](#) require an agency's annual report to include its responses to any significant issues raised by the Auditor-General in the Statutory Audit Report.

### **Letters to Those Charged with Governance who do not receive the Statutory Audit Report<sup>9</sup>**

Where the audit team identifies persons charged with the governance of an agency who do not receive the Statutory Audit Report, it will send them similar information to that in the Statutory Audit Report.

### **Report on the Conduct of the Audit<sup>10</sup>**

Section 417 of LG Act requires a council's auditor to prepare a Report on the Conduct of the Audit (the Conduct Report). The Conduct Report is issued at the same time as the IAR and will incorporate comments the auditor considers appropriate, based on the audit of the council's financial statements.

<sup>8</sup> Applies to entities audited under the PF&A Act.

<sup>9</sup> Applies to entities audited under the PF&A Act.

<sup>10</sup> Applies to local councils.

## Communications to the Minister for Local Government

The LG Act requires the Auditor-General to communicate with the Minister for Local Government on all matters under the LG Act or regulations which, in the Auditor-General's opinion are sufficiently significant to be brought to the Minister's attention.

The Auditor-General meets this requirement by sending a letter to the Minister if matters that require reporting are identified.

## Auditor-General's Report to Parliament for financial statement audits

The following parties will be given the draft Auditor-General's Report (the Report) for comment:

- reports on state government agencies – the relevant Cluster/Agency Head
- reports on universities – Vice Chancellors of NSW universities
- reports on local councils – the Minister for Local Government, Chief Executive of OLG, and for specifically named local councils the Mayor/Administrator and General Manager.

Specific comments about an auditee will be provided to the auditee's nominated representative. The Audit Office would appreciate receiving responses promptly following the auditee receiving the draft Report for comment. Responses should only be provided where there is fundamental disagreement with significant issues raised by the Audit Office. This helps ensure the Report is not unduly delayed. During this process, the draft report must remain confidential.

## Performance Audit Reports

The Auditor-General is required to report the result of a Performance Audit, or on any other matters that require special notice to the:

- agency head, responsible Minister and Treasurer; or
- Minister for Local Government, Chief Executive of OLG and each council concerned.

Agencies, the Minister for Local Government, Chief Executive of OLG and each council concerned are given an opportunity to respond to the Performance Audit Report before it is tabled in Parliament.

## Management letter for engagements other than Performance Audits

The audit team will send a management letter to the entity detailing matters identified of governance interest, including internal control deficiencies, unresolved matters identified in previous audits, and value adding recommendations.

The management letter may be addressed to the head of the entity and/or Chair of the Audit and Risk Committee and/or others, depending on the audit team's assessment of who is charged with governance.

A draft management letter will be sent to management so it has an opportunity to respond to matters raised. Management's responses will be incorporated into the final document.

The audit team may also send a copy of the management letter to the relevant Minister<sup>11</sup>.

## Client Service Report for a financial statement audit

The Client Service Report (CSR) summarises the audit outcomes. The CSR is addressed to the agency head/General Manager and/or Chair of the Audit and Risk Committee and/or others, depending on the audit team's assessment of who is charged with the governance. The Report is usually issued to:

- agencies after the financial statements audit clearance meeting (refer [Section 12](#)), but before the representation letter is signed, the agency head signs the financial statements and the Chief Financial Officer (CFO) signs the Certification to Treasury as required under [TPP 17-06](#)

---

<sup>11</sup> This does not apply to local councils.

Certifying the Effectiveness of Internal Controls Over Financial Information (CFO Certification)<sup>12</sup>.

Please discuss any matters management plans to report to Treasury in the CFO certification with the Audit Office on a timely basis.

- local councils after the financial statements audit clearance meeting (refer [Section 12](#)), but before the representation letter is signed, and the Councillors and Management sign the financial statements.

## Letter of Observations on Early Close Procedures for a financial statement audit

The audit team issues a Letter of Observations on Early Close Procedures<sup>13</sup>, which formally reports its observations of management's compliance with required early close procedures, the outcomes and the achievement of timeframes. It is addressed to the head of the agency and may be sent to the Chair of the Audit and Risk Committee.

The Letter is issued in sufficient time for management to incorporate these observations in the year-end financial reporting process.

## 6 SUBMITTING ACCOUNTS FOR AUDIT

### Statutory deadlines

The PF&A Act requires agencies to prepare and submit financial statements to the Auditor-General within six weeks of each financial year-end. The Auditor-General has ten weeks to audit the statements from date of receipt. Agencies may apply to the Treasurer for an extension of time.

Treasury, however, develops a tighter financial reporting timetable each year, which may override the statutory deadlines. It does this to achieve more timely preparation of agency financial statements and the Total State Sector Accounts. The tighter timetable and its impact on agencies are outlined in a Treasury Circular issued each year - refer to Treasury's [website](#) for details.

Financial statements not received within the deadlines breach the legislation, unless the Treasurer has approved an extension of time. The Auditor-General is obliged to report legislative breaches to the responsible Ministers, the Treasurer and Agency Board/Department Heads in writing.

The LG Act requires local councils to submit their financial statements for audit as soon as practicable after the end of the financial year. The financial statements must be prepared and audited within four months after the end of the financial year. Councils may apply to OLG for an extension to this timeframe.

### Client Assistance

A Client Assistance Schedule is issued to entities detailing the minimum requirements and dates by which management has agreed to provide working papers to support the financial statements. However, the audit team cannot anticipate all instances that may result in requests for further information during the audit. To facilitate an effective and timely audit and avoid additional fees, it is essential entities comply with agreed deadlines.

### Deficiencies in financial statements submitted for audit

Agencies that present financial statements that contain major deficiencies and/or omissions, such that they are rendered unauditably, breach sections 41A and 45D of the PF&A Act<sup>14</sup>. The Audit Office cannot accept financial statements in this state and is obliged to inform the responsible Minister, the Treasurer and the Agency Board/Department Head of the breach in writing. Nonetheless, the Audit Office can accept financial statements containing errors, even material errors, so long as they are

<sup>12</sup> Applies to material entities (other than State Owned Corporations) identified in the NSW Government Budget Papers (Budget Paper 2) as a 'material entity controlled by the NSW Government' including departments, statutory bodies, and other entities to comply with the Core Requirements.

<sup>13</sup> Mandatory early close procedures apply to all NSW public sector agencies, including State Owned Corporations.

<sup>14</sup> Does not apply to local councils.

auditable. However, unless errors are corrected, the audit opinion may be modified, the audit delayed and additional audit costs incurred.

## **7 MATERIALITY, RISK AND THE INHERENT LIMITATIONS OF AN AUDIT**

### **Materiality and audit risk**

The Australian Accounting Standards Board issues standards that apply to entity financial statements. The Independent Auditor's Report indicates whether the financial statements materially comply with these Standards.

The audit team plans and conducts the financial statement audit so it has a reasonable expectation of detecting misstatements that, individually or in aggregate, are material to the financial statements. A matter is normally regarded as material if its inclusion or omission, misstatement or non-disclosure, is likely to adversely affect decisions made by users of the financial statements or indicate the governing body has not fulfilled its reporting obligations.

An audit includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management and the overall presentation of the financial statements.

The audit team performs procedures to form an opinion whether, in all material respects, the financial statements give a true and fair view of the financial position and financial performance of the entity in accordance with:

- the requirements of the PF&A Act (where applicable)
- the requirements of the LG Act (where applicable)
- Australian Accounting Standards
- relevant statutory and other requirements (where applicable).

The audit team aims to detect material misstatements. Misstatement are assessed quantitatively (by amount) and qualitatively (by nature) for individual account balances and disclosures, and the financial statements as a whole. This assessment is influenced by other considerations, such as legislative and regulatory requirements, and the focus of users of the financial statements.

### **Inherent limitations of audits**

An audit does not guarantee every amount, disclosure or assertion subject to audit is error free. Because of the inherent limitations of any audit, it is possible irregularities, including fraud, other illegal acts or errors, may occur and not be detected. Audit procedures are not performed continuously throughout the period, nor are they designed to detect all irregularities. However, the audit team will inform the entity of irregularities that come to its attention. Other inherent limitations include:

- the use of testing
- the effectiveness of an entity's internal controls
- the possibility of collusion
- the fact most audit evidence is persuasive rather than conclusive.

### **Fraud, error and legislative compliance**

The CEO, Chairperson, Managing Director, Secretary, Department Head, Mayor/Administrator or General Manager of an entity is responsible for establishing and maintaining adequate accounting and internal control systems designed to prevent and detect fraud and error. Their responsibilities include ensuring the entity complies with relevant laws and regulations.

An effective system of internal control is essential for preventing and detecting fraud and error. In forming an audit opinion on the financial statements, the audit team designs procedures to obtain reasonable assurance the financial information is fairly stated in all material respects. However, the inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, mean there is an unavoidable risk some material misstatements may remain undetected.

The audit team will seek representations regarding irregularities and fraud (see [section 10](#) for further details on representations). The Audit Office is obliged to report instances of suspected fraud or corruption to ICAC.

## 8 ON-GOING COMPLIANCE REQUIREMENTS

### Quality control over preparation of the financial statements

The CEO, Chairperson, Managing Director, Secretary, Department Head, Mayor/Administrator or General Manager is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act/LG Act and other applicable statutory requirements. The Independent Auditor's Report refers to this responsibility, which includes establishing and maintaining internal controls sufficient to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Management can facilitate an efficient audit and prepare accurate and timely financial statements by:

- informing the audit team of significant accounting issues as they occur
- completing early/hard close procedures, which bring forward traditional year-end procedures
- performing revaluations of property plant and equipment before year-end
- resolving financial reporting issues early by preparing appropriate, timely accounting position papers for complex areas or transactions that have occurred during the year
- lodging financial statements within the agreed timeframes
- ensuring the financial statements comply with Australian Accounting Standards and Treasurer's Directions/ OLG pronouncements (where applicable)
- ensuring there is appropriate quality control over the financial statement preparation
- providing high quality and complete work papers to the audit team by the agreed date including:
  - supporting documentation and account reconciliations for account balances
  - sufficient and appropriate evidence to support assertions and key judgements
- responding to audit queries and making necessary amendments the financial statements on a timely basis.

Treasury's [TPP 17-06 Certifying the effectiveness of Internal Controls over Financial Information](#)<sup>15</sup> aims to ensure management has implemented and maintains quality controls over the preparation of the financial statements. This policy paper provides checklists and quality control processes to help management prepare high quality financial statements and supporting work papers.

The [Centro decision](#) makes it clear the governing body cannot simply rely on the Audit Committee, management, auditors and others, to discharge its responsibility for the financial statements. However, the Audit Committee may help the governing body discharge its responsibilities by providing a primary review function and making recommendations to it about management's processes for the preparation and fair presentation of the financial statements.

### Approving changes to the financial statements after submission to the Auditor-General<sup>16</sup>

The PF&A Act allows financial statements to be altered after receipt by the Auditor-General, but before submission to the Minister, provided all changes, even the correction of minor errors such as spelling mistakes and 'typos', are approved by the Auditor-General or delegate.

To facilitate this, agencies need to request the Engagement Controller's approval of changes in writing, detailing all changes made to the version of the financial statements it originally submitted, including explanations for significant changes.

<sup>15</sup> Applies to material entities (other than State Owned Corporations) identified in the NSW Government Budget Papers (Budget Paper 2) as a 'material entity controlled by the NSW Government' including departments, statutory bodies, and other entities to comply with the Core Requirements.

<sup>16</sup> Applies to entities audited under the PF&A Act.

## Statements accompanying financial statements

The Independent Auditor's Report can only be issued after the Auditor-General has received the signed statement by the:

- head of the agency as required by sections 41C (1B) and (1C) and sections 45F (1B) and (1C) of the PF&A Act
- Mayor, a councillor, the responsible accounting officer and the general manager as required by section 413(2)(c) of the LG Act and clause 215 of the Local Government (General) Regulations 2005.

## Electronic presentation of audited financial statements and Independent Auditor's Reports

Legislation obliges most entities to publish their annual reports on their websites and send electronic copies to the Minister<sup>17</sup> or Parliament for publication on its website. Entities should inform the audit team if the audited financial statements and the Independent Auditor's Report will be electronically presented on the entity's website.

The entity should maintain adequate security and controls over the information on the website to preserve its integrity. Examination of these controls is, however, beyond the scope of the audit (refer ['Independent Auditor's Report for a Financial Statement Audit'](#)).

The entity's governing body and management are responsible for the electronic presentation of financial statements on any website.

The audit team will ask for the presentation to be changed, if it:

- is not satisfied with the proposed electronic presentation of the audited financial statements and the Independent Auditor's Report
- believes other information presented in these documents is inconsistent with other information on the website
- is not satisfied the entity has clearly differentiated audited and unaudited information.

The Auditor-General may decline to the electronic release of the Independent Auditor's Report if the proposed presentation remains unsatisfactory.

The auditor's signature may be reproduced in the annual report or in web-based material, but there is no legal or professional requirement to do so.

## Existence of controlled entities

Section 63B of the PF&A Act requires an agency to advise the Treasurer and the Auditor-General, within one month, of the acquisition or formation of a 'controlled entity'. This includes controlled entities domiciled in other states and territories, and overseas. A 'controlled entity' is an entity that meets the criteria specified in the Australian Accounting Standards.

## Formation and operation of Public Sector controlled entities

'Premiers Memorandum [M2006-02](#) Formation and Operation of Public Sector Subsidiaries' applies to the establishment of controlled entities by all public sector entities (including departments and ministers) except State Owned Corporations, universities and local councils. The guidelines apply, as far as possible, to existing controlled entities. Where the guidelines require particular provisions in the constitution of a public sector controlled entity, existing public sector controlled entities should, if necessary, amend their constitutions to comply with the guidelines.

The Memorandum states that a 'public sector controlled entity should take the form of a company limited by shares. It should not take the form of a company limited by guarantee or an incorporated association.'

---

<sup>17</sup> Applies to local councils.

Section 358 of the LG Act requires local councils to obtain Ministerial consent before:

- forming or participating in the formation of a corporation or other entity
- obtaining a controlling interest in a corporation or other entity.

### **Obligations relating to a controlled entity's balance date**

Australian Accounting Standard AASB 10 'Consolidated Financial Statements' requires:

- each controlled entity's reporting date to be within three months of the parent's reporting date
- the length of the reporting period and any difference in reporting dates for each controlled entity to be the same from period to period.

If the parent entity reports under the Corps Act, section 323D (3) requires all controlled entities to have the same balance date as the parent.

### **Review of the annual report**

Australian Auditing Standards require the audit team to consider other information in the entity's annual report and assess whether it is materially inconsistent with the audited financial statements, the knowledge obtained during the audit, or otherwise appears to be materially misstated. The audit team is obliged to report material misstatements in the other information in the Independent Auditor's Report. An 'Other Information' section will be included in the Independent Auditor's Report when the audit team obtains some or the entire final version of the other information at the date of the Independent Auditor's report.

To facilitate these obligations please provide the final draft annual report to the audit team before the Independent Auditor's Report is issued. Where this is not possible, please provide the draft annual report to the audit team as soon as it is available and before it is sent to the printer.

### **Internal Audit and Risk Management Policy**

[TPP 15-03 'Internal Audit and Risk Management Policy for the NSW Public Sector'](#) requires department heads and governing boards of statutory bodies to attest compliance with the 'core requirements' in the annual report and provide a copy to Treasury. Even if an agency is not obliged to attest compliance with the core requirements, the principles should be applied as best practice.

The core requirements are designed to strengthen internal audit, risk management and governance practices across the NSW public sector by ensuring an ongoing minimum level of compliance that provides efficient and effective administration of the State's resources.

[TPP 16-02 Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees](#) helps agencies implement the core requirements in TPP 15-03. Agencies need to assess their Audit and Risk Committees (ARCs) against the governance arrangements and specific provisions in TPP 16-02, to ensure:

- shared ARCs do not operate as a joint or shared session between agencies. Shared ARCs are expected to hold separately minuted meetings for each agency
- invitees only attend that part of the ARC meeting that relates to their agency
- the chair and members of the ARC have a sound understanding of the agency's business
- only an appropriate number of agencies are oversighted by a shared ARC, no more than what can be comfortably accommodated in a day of meetings.

### **Public Private Partnerships**

For public infrastructure projects involving the private sector, agencies should refer to the [National Public Private Partnership Policy and Guidelines](#) and the [NSW Public Private Partnership Guidelines](#).

Please advise the Audit Office of existing or proposed Public Private Partnerships and their accounting treatment, including joint financing arrangements or significant areas of outsourced activity.

Local councils must follow the Public Private Partnership (PPP) guidelines issued by OLG. Councils can only enter into a PPP or carry out any project under a PPP if they have provided the Chief Executive of OLG with an assessment of the proposed project, and received the Minister for Local Government's consent under section 358(1) of the LG Act to enter into the PPP.

If the Minister for Local Government or the Chief Executive refers a significant or high risk project to the Local Government Project Review Committee, the council cannot enter into the PPP until:

- they provide the Project Review Committee with an assessment of the project in accordance with the PPP guidelines; and
- the Project Review Committee reviews the project and is satisfied that the project complied with the PPP guidelines.

### **Auditor independence requirements under the *Corporations Act 2001***

When an audit is conducted in accordance with the Corps Act, a statement is included in the Client Service Plan confirming:

- to the best of its knowledge and belief, the audit team meets the independence requirements of the Corps Act relating to the audit of the financial statements
- the audit team will notify the entity if it becomes aware of an auditor contravening the independence requirements.

The audit team must provide an Auditor's Independence Declaration to include with the Directors' Report. It is acceptable for the Directors' Report to refer to a copy of the declaration contained elsewhere in the annual report, for example immediately after the Directors' Report. In this case, the last paragraph of the Directors' Report should state: 'A copy of the Auditor's Independence Declaration as required under section 307C of the Corps Act is set out on page [page number of declaration]'.

The Corps Act imposes strict timeframes for signing the Directors' Declaration and Report, the Independent Auditor's Report and the Auditor's Independence Declaration – refer to section 307C of the Corps Act for the allowable timeframes.

### **Annual general meetings under the *Corporations Act 2001***

The Corps Act contains provisions relating to the auditor's attendance at an entity's annual general meeting. It provides that shareholders can submit written questions to the auditor (before an Annual General Meeting) relating to the auditor's report or the conduct of the audit. Please submit all such questions to the Engagement Controller at least five business days before the Annual General Meeting.

### **Presentation of council's financial reports**

Local councils must present its audited financial reports, together with the auditor's reports at a public meeting held by council. Under section 419 of the LG Act, councils can request the auditor attend this meeting by providing the auditor with written notice at least seven days before the meeting is held.

### **Directions by Ministers (applies to State Owned Corporations only)**

The Act establishing a corporation and the *State Owned Corporations Act 1989*, provide for the responsible Minister to give a 'direction' with respect to the way the corporation conducts its affairs. As part of the annual financial statement audit, the audit team assesses, where applicable, whether the corporation has complied with relevant directions.

## **9 PROVISION OF WORKING PAPERS**

### **Access to and transmission of entity working papers**

The audit team may need 'read only' access the entity's electronic systems. To do this it will need log-in IDs, terminals and printers.

If the entity sends sensitive information to the audit team, whether by paper, electronically or otherwise, it must label the information accordingly (agencies should refer to the Department of

Finance, Service and Innovation's '[NSW Government Information Classification and Labelling Guidelines](#)').

## Ownership of entity working papers

All original documents obtained during the audit engagement shall remain the entity's property. However, the audit team reserves the right to copy original documents for its records.

## Confidentiality

The Audit Office is authorised, for the purposes of an audit, to access an entity's records under:

- section 36 of the PF&A Act
- section 423 of the LG Act.

Where information is sensitive or commercial-in-confidence, the Auditor-General can formally request this information under section 36(2) of the PF&A Act or section 423(2) of the LG Act. The Auditor-General and Audit Office staff are required by section 38(1) of the PF&A Act and section 425(1) of the LG Act to preserve secrecy.

By virtue of section 43 and schedule 2 of the [Government Information \(Public Access\) Act 2009](#), a government entity is unable to apply to exclude the Audit Office from access to documents relating to its investigative, audit and reporting functions.

The Audit Office will not disclose information acquired during the audit to other parties except as required or allowed for by law or professional standards, or with the entity's express consent. The audit files may, however, be reviewed:

- as part of the review of the Audit Office conducted pursuant to section 48A of the PF&A Act
- as part of the quality control review program of ASIC, CPA Australia and/or Chartered Accountants Australia and New Zealand, which monitor compliance with professional standards by members
- as part of a peer or regulatory review of the Audit Office.

Signing the Agreement of Terms attached to the covering letter of the Client Service Plan acknowledges that, if requested, the audit files may be made available as described above. The same strict confidentiality requirements apply to recipients of the audit files as they do to staff of the Audit Office.

Your audit team may request information for the purposes of the audit. That information may contain fields of sensitive personal data. The Audit Office does not collect personal or health information unless it is necessary for it to carry out its functions and activities.

Personal information is dealt with in accordance with the twelve Information Protection Principles in the [Privacy and Personal Information Protection Act 1998](#) (Privacy Act). The Audit Office undertakes not to interfere with an individual's privacy rights in the way it collects, uses or discloses personal information, and to ensure individuals have a degree of control over their personal information.

The Audit Office has a Privacy Management Plan, as required by the Privacy Act, that sets out the Audit Office's commitment to respecting the privacy rights of clients, employees and members of the public. The Plan also outlines the Audit Office's practices and procedures in handling personal and health information. While the Privacy Act and the [Health Records and Information Privacy Act 2002](#) allow personal and health information to be transferred for the purposes of an audit, we encourage agencies to remove any personal, health or other sensitive information that is not required for the audit. While the Audit Office implements all mechanisms to prevent unauthorised access to sensitive information, removing any sensitive data fields that are not required helps protect the privacy of members of the public, your staff, contractors etc. if an information breach was to occur.

Ensure electronic data files are transmitted or physically delivered to your audit team in encrypted format, delivered securely or have had similar steps taken to prevent the unauthorised access to, or misuse of the information.

## 10 REPRESENTATIONS

### Representations from management and those charged with governance

Australian Auditing Standard ASA 580 'Written Representations' requires representations to be obtained from management and, where appropriate, those charged with governance, in relation to the audit of the entity's financial statements.

At the end of the engagement, the audit team will ask for written representations in relation to the audit from:

- management (signed by the entity head and the CFO (or equivalent))
- those charged with governance (if they have not signed the management representations).

Sample letters are available on the Audit Office [website](#). The date of the written representations must be as close as practicable to, but not after the date of the Independent Auditor's Report.

Before the Audit Office can issue the Independent Auditor's Report the:

- PF&A Act requires a statement signed by the governing body or agency head confirming the financial statements exhibit a true and fair view of the financial position and transactions of the agency
- LG Act requires a statement signed by Councillors and Management in accordance with section 413(2)(c).

### Letters from legal counsel

The audit team requires representations from the entity's legal counsel (if any) to confirm the consequences of legal matters.

A model letter of enquiry to legal counsel for a financial statement audit is available on the Audit Office [website](#). Letters to those handling legal matters should be prepared on the entity's letterhead and given to the audit team to send out. The entity must not send the letters.

## 11 ACCESS

### Authority to communicate with experts (where applicable)

The work of experts employed or contracted by the entity (including valuers and actuaries) may be useful to the audit engagement. If this is so, the audit team will need to communicate with the relevant experts during the planning and execution phases of the audit. Where the Audit Office will rely on the work of management's expert, it will also assess the qualifications, competence, integrity, and objectivity of the expert and the appropriateness of their work.

Signing the Agreement of Terms will confirm the Audit Office has authority to communicate with the experts.

### Protocol when obtaining an opinion from an accounting firm

If the entity intends getting an opinion on proposed accounting treatments, interpretations of accounting standards or the application of auditing standards from an accounting firm, please ask that firm to communicate with the audit team when developing its approach and to provide the audit team with a copy of its advice/opinion. This approach will help ensure the audit team has an opportunity to share its knowledge of the subject matter with the accounting firm at an early stage to achieve appropriate outcomes efficiently.

### Internal audit

The internal audit function forms part of an entity's internal control environment. If internal audit services are performed by an external service provider, the contract must specify internal audit documentation remains the property of the entity. This ensures the Audit Office has unfettered access to the documentation. Further information is available on Treasury's [website](#).

## 12 CLEARANCE MEETINGS

Before completing the engagement, the audit team will meet with senior management to discuss significant matters, brief them on significant findings and seek their views on unresolved matters.

## 13 ACCOMMODATION, FACILITIES AND STAFF AMENITY

### Work health and safety (WHS)

The Audit Office is committed to maintaining a high standard of work health and safety for everyone who works for the Audit Office and visits its workplaces.

The Audit Office expects entities' cooperation to help it meet the legislated standards for the health, safety and welfare of Audit Office staff (which includes contractors) when they are at entity premises. The law requires the audit team be given suitable accommodation, which meets all WHS standards and administrative requirements.

The Audit Office, as employer, has the right and responsibility to act in consultation with the entity and Audit Office staff on health and safety within the work environment. The Audit Office will advise its staff to adhere to dress standards and present for work wearing the appropriate clothing and footwear (excluding Personal Protective Equipment) where required.

Entities have a duty of care to Audit Office staff under the *Work Health and Safety Act 2011*, Regulation, Codes of Practice and recognised industry standards, as appropriate, to ensure there is:

- provision of a safe workplace
- provision of a safe work system
- adequate supervision and training
- an induction to site and equipment, including amenities and evacuation procedures
- elimination of hazards and control of risks to health and safety.

Entities are obliged to:

- ensure the premises are safe and do not expose Audit Office staff to risk of injury
- comply with health and safety legislation or regulations
- not allow Audit Office staff to work on a site or use equipment considered unsafe
- ensure the Audit Office is aware of special personal protective equipment (PPE) requirements
- ensure Audit Office staff do not start work unless they are wearing the advised PPE for the location
- notify the Audit Office of any injury to an Audit Office staff member
- notify SafeWork NSW of any serious injury to an Audit Office staff member.

### Disability Action Plan

*The Disability Inclusion Act 2014* requires entities to have an appropriate [Disability Action Plan](#) that gives all Audit Office staff equitable access to entity premises and appropriate workplace adjustments.

### Discrimination and harassment

The Audit Office has a discrimination and harassment free workplace policy and has implemented strategies to prevent and deal with discrimination and harassment. Audit Office staff are expected to treat entity employees and each other with courtesy and sensitivity. Equally, the Audit Office expects entity employees to treat Audit Office staff with courtesy and sensitivity.

## 14 DETERMINATION OF FEES FOR ENGAGEMENTS

For engagements, other than Performance Audits, the Audit Office charges fees based on time and direct out-of-pocket expenses, plus goods and services tax, where applicable. The fee assessment is based on the entity's existing circumstances.

The Audit Office has published its 'pricing approach' to providing transparency about its pricing model and hourly charge-out rates for each role. We perform multi-layered benchmarking to promote accountability for our use of public resources. For more information, please refer to the publication on our [website](#).

Substantial and unforeseen changes will incur additional fees, as will separate inspections or examinations under the PF&A Act or LG Act. The audit team relies on the following assumptions when budgeting the hours for each audit:

- entity compliance with the audit team's requirements for the timely provision of accurate information
- no significant changes to the organisational structure, internal controls or accounting systems
- no major breakdowns in internal controls during the financial period
- internal audit undertakes all work detailed in the Internal Audit Plan and, if appropriate, additional work agreed with the audit team.

The Audit Office will notify the entity immediately of any anticipated a change to the fee.

The entity should provide the Audit Office with a purchase order for the total estimated engagement fee at the same time as it returns the signed 'Agreement of Terms' in the CSP/ engagement letter.

The Audit Office's terms of business require invoiced fees to be paid within 14 days of invoice date.

## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## OUR MISSION

To help parliament hold government accountable for its use of public resources.

## OUR VALUES

**Purpose** – we have an impact, are accountable, and work as a team.

**People** – we trust and respect others and have a balanced approach to work.

**Professionalism** – we are recognised for our independence and integrity and the value we deliver.

Level 15, 1 Margaret Street  
Sydney NSW 2000 Australia

**PHONE** +61 2 9275 7100

**FAX** +61 2 9275 7200

[mail@audit.nsw.gov.au](mailto:mail@audit.nsw.gov.au)

Office hours: 8.30am-5.00pm,  
Monday to Friday.