

Audit Service Providers Manual

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INSIGHTS FOR BETTER GOVERNMENT

FINANCIAL AUDIT

contents

1. INTRODUCTION	1
2. AUDITING IN THE PUBLIC SECTOR	1
General expectations of ASPs	1
Specific considerations of public sector audits	2
Audit Office policy on audit independence and rotation	3
Additional services provided by ASPs.....	3
3. ROLE OF THE AUDITOR-GENERAL	3
The Auditor-General's responsibilities	3
The Audit Office's strategic foundations.....	4
4. REPORTING BY THE AUDITOR-GENERAL	4
Audit Office templates	4
Independent Auditor's Reports.....	4
Statutory Audit Reports (state and university sectors only)	5
Report on the Conduct of the Audit (local government sector only)	5
Communications with Ministers.....	6
Auditor-General's report to Parliament.....	6
Other reports and correspondence with management and those charged with governance.....	6
5. QUALITY ASSURANCE	9
Quality assurance process	9
Quality control	10
6. AUDIT ENGAGEMENT APPROACH	11
Audit planning.....	12
Audit execution.....	12
Audit completion.....	12
7. AUDIT ENGAGEMENT ADMINISTRATION	13
Audit timetable.....	13
Fees.....	13
8. PERFORMANCE MANAGEMENT	13
Concerns of the ASP and the auditee.....	13
9. BREACHES OF CONTRACT	13
10. ANNUAL AUDIT REPORTING TEMPLATES	14
APPENDIX 1. GLOSSARY OF TERMS	15
APPENDIX 2. LEGISLATION AND USEFUL WEBSITES	17

1. INTRODUCTION

This Audit Service Providers (ASP) Manual (Manual) contains important guidance for ASPs providing services to the Auditor-General of New South Wales (Auditor-General) and the Audit Office of New South Wales (Audit Office). It also details processes the Audit Office uses to:

- manage the ASPs it engages
- verify the services ASPs provide to ensure they meet its needs.

The Audit Office is continuously improving its oversight of ASPs. This may result in some changes to the oversight process and Manual during the contract period.

2. AUDITING IN THE PUBLIC SECTOR

Public sector audits provide important checks and balances to our system of government. They ensure there is accountability, integrity and transparency in the management and use of public resources, which is fundamental in building community trust.

Auditing in the public sector includes recognition that the auditor's role goes beyond issuing an opinion on an auditee's financial report. It involves working with public sector-entities to generate insights that inform and challenge government, with the ultimate goal to improve outcomes for citizens.

Each year, the Auditor-General reports directly to Parliament to provide an independent assessment of the financial health of the sector. These reports highlight sector wide themes to assess performance and benchmark across the sector and provide insights to improve the financial health and performance of public sector entities. The public-sector auditor has additional statutory functions such as, investigating matters of public concern related to financial prudence, probity and waste.

The broader mandate of a public-sector audit does mean balancing audit efficiency with audit effectiveness. Achieving the latter sometimes means investing more time on certain procedures, focusing on key areas or themes each year, and applying lower thresholds when determining the scope of our audits.

From a practical perspective, this generally means each audit will:

- have regard for evaluating an auditee's system of internal control, which includes considering: the control environment; the risk management framework; control activities; the quality and effectiveness of information and communications; and monitoring of activities
- test the design, implementation and operating effectiveness of key internal controls (including information technology controls) implemented by an auditee to manage its risks
- review the governance and practices of specific areas of focus each year e.g. project management, procurement practices, use of credit cards
- assess compliance with key legislation and central agency policy directives
- have regard for financial prudence, significant waste and probity.

The value generated from a public-sector audit includes insights aimed at improving financial management, fiscal responsibility, governance and performance of public sector entities for the benefit of all citizens.

General expectations of ASPs

ASPs are expected to:

- recognise and promote the Auditor-General as the appointed auditor
- understand and act in accordance with the principles set out in the [Audit Office's Statement of Business Ethics](#), available on the Audit Office's website
- understand and act in a way that is consistent with the principles set out in the Audit Office's:
 - [Audit and Assurance](#) policies
 - [Governance](#) policies

- have quality assurance systems that comply with Auditing Standard ASQC 1 'Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements' and APES 320 'Quality Control for Firms'
- use an audit methodology that complies with the requirements of Australian Auditing Standards and Australian Pronouncements of Ethical Standards
- observe ethical standards and professional independence requirements including APES 110 'Code of Ethics for Professional Accountants'
- adhere to all requirements in the Agreement to Provide Auditing Services
- have the necessary skills, competence and experience to undertake a public sector audit (see next section) as an agent for the Auditor-General
- ensure staff assigned to engagements have appropriate professional qualifications, skills, competence and experience
- resource the audit team sufficiently so it can perform the engagement within the agreed timetable
- communicate with, follow the instructions of, and report to the group Engagement Controller (EC) where the engagement is a component within a group
- consult with the Audit Office:
 - on difficult and contentious issues
 - on the form and content for all written communications with auditees using the Audit Office templates and stationery
 - at agreed stages of the audit and under agreed conditions
 - on any intention to subcontract, outsource or 'off-shore' any component of a contracted audit
- obtain the Auditor-General's written approval to provide any other service, including internal audit services, system implementations, and advice on accounting treatments and transactions to an auditee or a parent or related entity of the auditee either during the period of appointment, or for a further two years following the date of the last annual report
- comply with the Audit Office's [Gifts, Benefits and Hospitality](#) policy. The ASP is required to notify the Auditor-General if an auditee offers the ASP a gift or benefit in excess of \$25.

Specific considerations of public sector audits

This Manual outlines specific requirements for ASPs when auditing in the public sector. ASPs are required to:

- understand and apply the wider mandate of the Auditor-General as outlined in the 'Role of the Auditor-General' section below
- adhere to secrecy provisions and protect the confidentiality of information gained in the course of an audit. In the public sector, specific laws and regulations protect the confidentiality of personal information. These include section 38 of the PF&A Act, section 425 of LG Act, the *Privacy and Personal Information Protection Act 1998* and the *Health Records Information Act 2002*
- understand the additional reporting requirements to Parliament and those charged with the governance of auditees as outlined in the 'Reporting by the Auditor-General' section below
- audit the auditee's compliance with significant legislative requirements
- develop an audit strategy that is both efficient and meets the needs of Parliament, and assesses the effectiveness of systems of internal control
- focus on generating relevant insights and outcomes
- move from an ethos of separation – separate teams, roles, contract auditors and stakeholders – to one of connection where we collaborate with each other and are viewed as one audit team from the perspective of the auditee
- be agile in how we work, promoting creativity, collaboration, flexibility and diversity of opinions.

Audit Office policy on audit independence and rotation

ASPs are required to observe requirements of applicable legislation including the *Corporations Act 2001* (Corps Act) and requirements of relevant Australian auditing, assurance and ethical standards.

The Audit Office has detailed policies to ensure ASPs are independent. ASP's are required to comply with the Audit Office [policies](#) on 'Rotation of Staff on Engagements' and 'Ethics and Independence'. These policies are available at: <https://www.audit.nsw.gov.au/about-us/our-audit-and-assurance-policies>.

Additional services provided by ASPs

The Auditor-General is only mandated to perform audit or audit related services for the entities we are required to audit. However, ASPs engaged by the Audit Office are not constrained by our mandate and may undertake additional non-audit related services. ASP's are required to comply with the Audit Office policy [Approval to perform additional services](#), which requires ASP's to obtain the Auditor-General's (or their delegate's) written approval before commencing an engagement to provide:

- other audit and audit related services
- non-audit related services.

The Auditor-General's approval to provide any additional service is required, regardless of whether the work will be performed directly or indirectly, for the auditee or, in the case of a group audit, another component entity within the group.

ASP firms should use the:

- [Approval to perform other audit and audit related services](#) form for approval to perform other audit and audit related services
- [Approval to perform non-audit related services](#) form for approval to perform non-audit related services.

ASPs should submit completed forms to the EC for approval. The Audit Office will review the forms and the EC will advise the ASP of the outcome.

3. ROLE OF THE AUDITOR-GENERAL

The Auditor-General's responsibilities

The Auditor-General is part of the mechanism by which Parliament holds the government accountable for the use of public resources. The Audit Office helps the Auditor-General fulfil this role.

The Auditor-General is required to act in the public interest without fear or favour to maintain public and Parliamentary confidence. The powers and duties of the Auditor-General are primarily set out in the PF&A Act. However, other acts may also confer powers and duties upon the Auditor-General. These acts include the LG Act and the Corps Act.

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 Auditor-General has the functions conferred or imposed on the Auditor-General by law. 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 Audit Office's strategic foundations

The Audit Office's vision is 'our insights inform and challenge government to improve outcomes for citizens' and its purpose is 'to help Parliament hold government accountable for its use of public resources'.

The Audit Office values are:

- Purpose – we have impact, are accountable and work as a team
- People – we trust and respect others and have a balanced approach to our work
- Professionalism – we are recognised for our independence and integrity and the value we deliver.

The Auditor-General is required to:

- have regard to professional standards and practices
- comply with all/any relevant legislative requirements
- not question the merits of policy objectives of government or of a council.

4. REPORTING BY THE AUDITOR-GENERAL

Audit Office templates

ASPs are required to prepare all reports and formal correspondence with management and those charged with governance of the auditee using Audit Office templates. Where a report or document will be presented to the auditee in hard copy, the ASP should send a soft copy of the draft document to the EC, so it can be issued by the Audit Office. Audit Office templates contain instructions on content, timing, recipients, addressees, background information and other guidance. The ASP is responsible for:

- proposing and discussing the content of written communications to the auditee with the EC
- drafting the correspondence, allowing sufficient time for the EC's review. The EC will sign and send all written communications to the auditee.

Written communications (other than the Independent Auditor's Report and the Report on the Conduct of the Audit) are only intended for the parties to whom they addressed and must not be made publicly available.

The latest version of Audit Office templates is available on the [Audit Office website](#).

Independent Auditor's Reports

ASPs are responsible for recommending the form and content of the Independent Auditor's Report (IAR) consistent with requirements of Australian Auditing Standards. ASPs should include the recommended audit opinion in the Audit Service Provider Representation Letter.

When forming an opinion on financial information, the ASP is required to consider the auditee's compliance with statutory and other requirements. An audit response is required if:

- non-compliance with the requirements of an Act, regulation or directive pursuant to an Act may have a material impact on the financial statements, and
- the financial statements include an assertion that draws into question compliance with requirements.

ASPs are required to:

- recommend a qualified opinion where there is significant uncertainty, or non-compliance with laws and regulations that has a material impact on the financial statements
- advise the Audit Office of all instances of non-compliance with statutory obligations. Even if the financial statements appropriately record and disclose the non-compliance a modified IAR may still be required.

Statutory Audit Reports (state and university sectors only)

The PF&A Act (sections 43(2) and 45(2)) 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 matter that calls for special notice'. The Audit Office meets this requirement by issuing a Statutory Audit Report (SAR). Matters that call for special notice can include matters of governance interest as defined by the Australian Auditing Standards.

ASPs are responsible for recommending the form and content of the SAR, clearly articulating that either:

- there are no major audit findings, or, all matters raised have been satisfactorily resolved prior to the issue of the IAR and do not need to be reported. Also refer to 'Compliance with PF&A Act reporting deadlines' below
- significant issues arose during the audit that require reporting in the SAR (such as the reasons for modifying the IAR, important matters raised in management letters, unresolved issues or issues to which the auditee has not formally responded).

The auditee's management, those charged with governance, the relevant Minister and the Treasurer should be informed of significant audit findings on a timely basis. However, under the relevant Acts, not all parties are entitled to receive those findings by way of an SAR. Those charged with governance are sent a tailored letter with the findings instead.

ASPs are responsible for:

- promptly advising the EC if they identify a matter that requires reporting in the SAR
- discussing all matters proposed for inclusion in the SAR with the EC before discussing these with the auditee's management
- discussing all matters proposed for inclusion in the SAR with the auditee's management so misunderstandings or inaccuracies can be resolved before the formal report is issued. If the matter is significant, this discussion must include the Secretary or CEO.
- presenting a draft SAR at the same time as the recommended IAR.

Interim SARs may be issued at any time during the year, if a significant matter requires reporting.

Report on the Conduct of the Audit (local government sector only)

Section 417(3) 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 incorporates statements and comments the auditor considers appropriate, based on the audit of the council's financial statements.

ASPs are responsible for recommending the form and content of the Conduct Report. ASPs must present the draft Conduct Report (using the Audit Office template) at the same time as the recommended IAR.

Communications with Ministers

Communications to the portfolio minister (state sector only)

A separate report to the portfolio minister is required for each audit of a State Owned Corporation.

The proforma SAR provides guidance on the form and content of this report.

Communications to the Treasurer (state and university sectors only)

Section 31 of the PF&A Act requires the Auditor-General to communicate to the Treasurer matters the Auditor-General considers significant enough to be brought to the Treasurer's attention. This includes non-compliance with the PF&A Act.

Communications to the Minister for Local Government (local government sector only)

Section 426 of the LG Act requires the Auditor-General to communicate matters arising under the LG Act or regulations that 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.

ASPs are responsible for promptly advising the EC if they identify a sufficiently significant matter, that requires reporting to the Minister.

Auditor-General's report to Parliament

Section 52 of the PF&A Act requires the Auditor-General to report to Parliament. In these reports, the Auditor-General can make recommendations and suggestions for:

- better collection and payment of public money
- more effective and economic auditing and examining of the Total State Sector Accounts, and the accounts of statutory bodies
- any matters arising from the audit which, in the opinion of the Auditor-General, should be brought to the attention of Parliament.

The Auditor-General may also have regard to whether there has been:

- waste of public resources
- lack of probity or financial prudence in the management or application of public resources.

Similar reporting provisions, allowing the Auditor-General to report to Parliament on any matter in respect of a State Owned Corporation or a council, are contained within:

- section 25 of the *State Owned Corporation Act 1989*
- section 421C of the LG Act.

ASPs are expected to contribute to the content of the Auditor-General's Report as it relates to the auditee. This may include collecting and/or verifying data to support the report drafting process.

Other reports and correspondence with management and those charged with governance

Client Service Plan (CSP)

The CSP covers all matters necessary to establish a clear understanding of the engagement. CSPs are issued to auditees no later than:

- 31 January for significant 30 June audits (to be advised by the EC)
- 28 February for other 30 June audits
- 31 October for 31 December audits.

Letter of Observations on Early Close Procedures (ECPs)

The audit team issues a Letter of Observations on Early Close Procedures¹, which formally reports its observations of management's compliance with required early close procedures, the outcomes and the achievement of timeframes.

ASPs recommend the form and content of the Letter on ECPs and are responsible for providing it to the EC in sufficient time to allow its issue no later than one month after receipt of ECP materials from the auditee (or 31 December for university sector audits).

Compliance with PF&A Act reporting deadlines

ASP's are responsible for advising the EC if the auditee's financial statements are not received before the statutory deadline. The EC will arrange for a letter signed by the Auditor-General to be sent to the relevant Minister, Treasurer and auditee's Board/Department Head/CEO within three working days after the elapsed time for submission.

The ASP is responsible for:

- discussing with the auditee the reasons why the financial statements were not received within the statutory deadline
- informing the auditee that the letter will be sent unless the auditee self-reported its failure to meet the statutory deadline to the relevant Minister, Treasurer and its Board/Department Head.
- including the breach of the PF&A Act as a significant matter in the SAR.

Engagement Closing Report (ECR)

The ECR summarises the audit outcomes. The ECR is addressed to the head of the auditee/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 ASP recommends the form and content of the proposed ECR so the EC can issue it no later than three working days before the relevant Audit and Risk Committee (ARC) meeting. If there is no ARC meeting, the ECR is required to be issued no later than three working days before the IAR is signed. Potential matters for inclusion in the ECR are listed in the Appendix of Form B 'Audit completion and recommend opinion'.

Management Letter

ASPs are responsible for:

- preparing a draft management letter for all engagements where they have identified matters to report
- issuing a management letter immediately if significant matters are identified at any phase of an audit
- agreeing the risk ratings with the EC
- discussing the form, timing and expected content of the management letter with the auditee's management and those charged with governance
- sending the draft management letter to the EC to review, sign and issue.

Management letters detailing issues observed during the planning and interim phases of the engagement should be finalised and issued no later than:

- 30 June for the Top 40 state sector auditees with a 30 June reporting date
- 15 July for all other state sector auditees with a 30 June reporting date
- 31 July for councils with a 30 June reporting date
- 31 December for auditees with a 31 December reporting date.

¹ Mandatory early close procedures apply to all NSW public sector agencies, including State Owned Corporations.

ASPs should aim to have the EC finalise and issue management letters from the final phase of the engagement no later than the issue of the ECR. If that is not possible, ASPs are required to include extreme and high risk rated observations, together with management's draft responses, in the ECR. All management letters are required to be issued within six weeks of signing the IAR or by the time the cluster (and, if applicable, Internal Controls and Governance) Report to Parliament is ready for tabling – whichever comes first.

Protected disclosures

The *Public Interest Disclosures Act 1994* (PID Act) protects public officials making disclosures that concern:

- corrupt conduct, as defined in the *Independent Commission Against Corruption Act 1988* (ICAC Act)
- maladministration, defined for the purposes of 11(2) of the PID Act
- serious and substantial waste
- government information contravention
- local government pecuniary interest contravention.

Disclosures by public officials may be made to:

- the principal officer of an auditee (generally the head of the auditee), or
- another officer of the auditee or investigating authority, or
- an investigating authority, i.e. the Independent Commission Against Corruption, the Auditor-General or the Ombudsman, or
- in certain limited circumstances (refer to the PID Act), a Member of Parliament or journalist.

The Auditor-General, subject to the provisions of the PF&A Act, may conduct an inspection, examination or audit of the 'serious and substantial waste' of public money.

The Audit Office's [External Public Interest Disclosures](#) policy sets out the Audit Office staff PIDs may be reported to, what can be reported and how the Audit Office deals with reports.

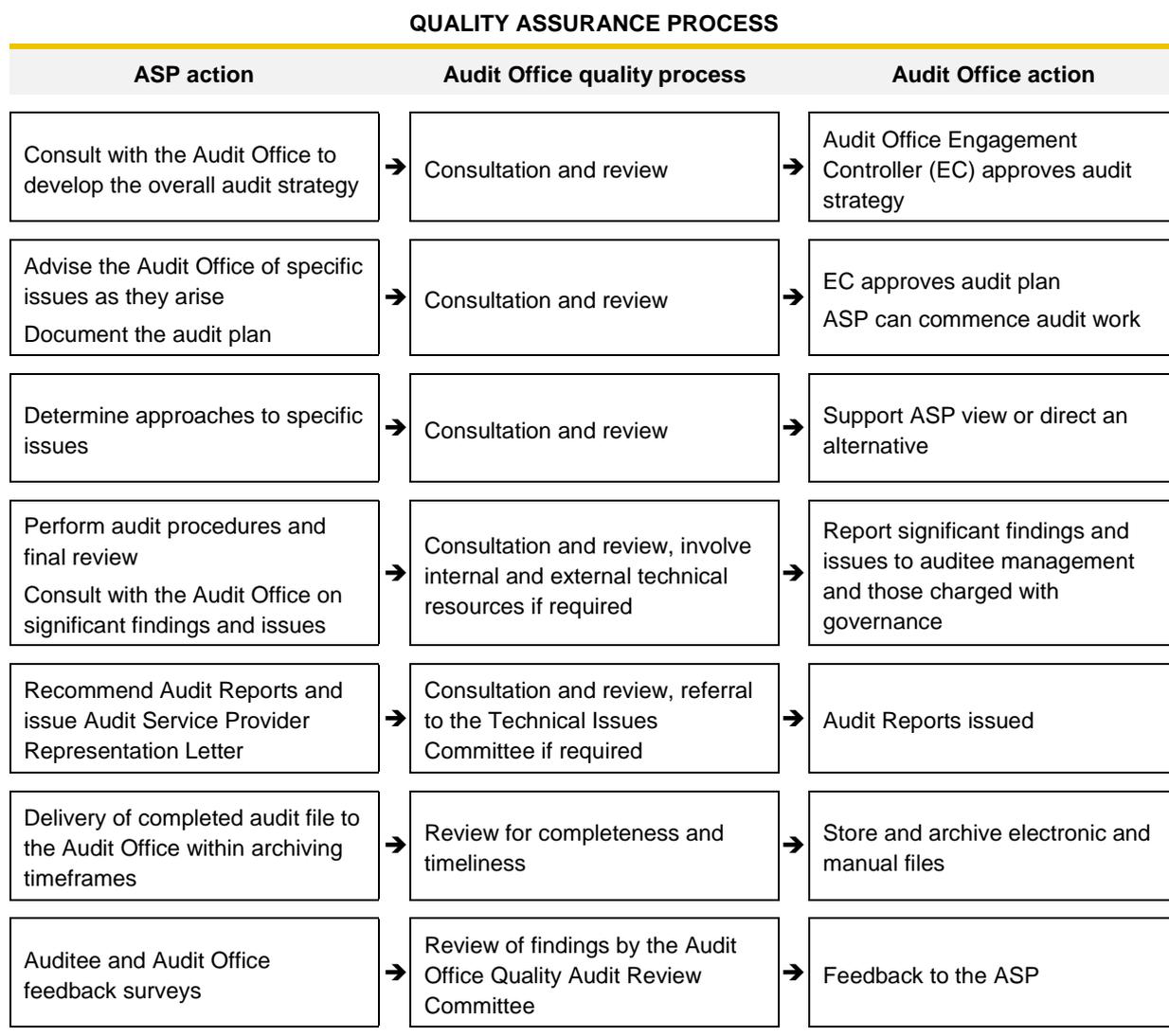
ASP's providing audit services to the Auditor-General have an important role in our internal reporting process. ASP's have a responsibility:

- to identify reports made to them in the course of their work which could be a PID, and
- assist the public official to make a report to a staff member authorised to receive PIDs under the Audit Office's 'External Public Interest Disclosures' policy.

5. QUALITY ASSURANCE

Quality assurance process

The Audit Office’s quality assurance process is detailed in the following diagram.



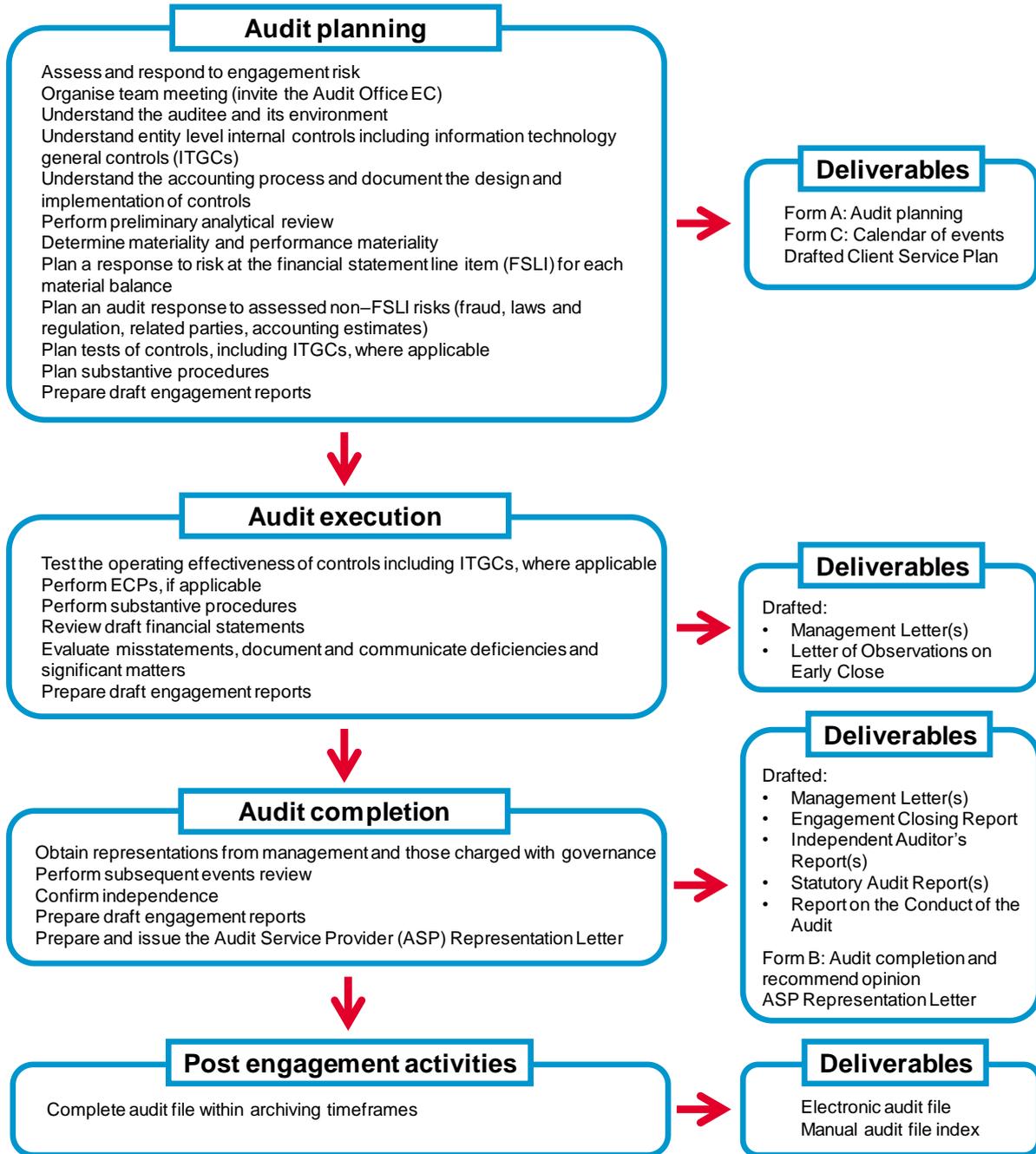
The Audit Office Quality Audit Review Committee (QARC) monitors audit quality. Where an audit is selected for review, the QARC will appoint a qualified professional auditor, independent of the engagement team to conduct the review. The quality reviewer will notify the ASP of any findings in writing at the conclusion of the review.

Quality control

The Auditor-General and the Audit Office remain responsible for the audit. ASPs should:

- adequately involve Audit Office staff in key planning meetings either during a planned site visit or by teleconference
- appropriately involve Audit Office staff in key judgments and areas of audit significance or contention throughout the audit
- discuss the audit approach with Audit Office staff. Public sector entities are required to maintain effective systems of internal control. Consequently, the Audit Office prefers a controls reliance approach, where feasible. Even where it is not appropriate to rely on the operating effectiveness of controls, ASPs are expected to test and identify deficiencies in the design and implementation of all relevant controls. This approach helps the Audit Office add value through recommendations that improve public sector accountability and report deficiencies and non-compliance to Parliament
- expect Audit Office staff to review the audit files whilst the audit is in progress
- expect Audit Office staff to review completed ASP files following the conclusion of the audit, if the QARC selects the audit as part of its monitoring program
- expect more frequent contact with the Audit Office if there is increased audit risk, unsatisfactory file reviews, significant changes to the audit team, firm methodologies or the operation or condition of the auditee.

6. AUDIT ENGAGEMENT APPROACH



Audit planning

ASPs are responsible for:

- making initial contact with both the auditee and the EC early in the relevant financial year to establish a working relationship between all parties
- agreeing the dates for the progressive review of audit working papers and completion of all audit work and reports with the EC
- inviting the EC to the planning meeting to discuss the audit strategy, fraud risk and any compliance audit requirements for the year
- presenting the audit plan to the EC for review before starting any interim audit work
- completing and sending [Form A: Audit planning](#) to the Audit Office
- completing component auditor referral instructions if the audit is part of a group audit (the Audit Office group auditor will send these to the ASP to complete)
- preparing draft engagement reports (using the Audit Office template) and sending these to the EC to review, sign and issue.

Based on this review, and in response to its consideration of audit risk, the Audit Office will confirm the existing audit plan, or may, in consultation with the ASP, recommend an alternative approach to the audit plan.

Audit execution

ASPs are responsible for:

- performing the planned audit procedures including:
 - procedures required by Australian Auditing Standards
 - testing the operating effectiveness of controls including ITCGs (where applicable)
 - performing early close procedures (where applicable)
 - performing substantive procedures
- reviewing the draft financial statements and advising the auditee of recommended changes
- evaluating misstatements, documenting and advising the EC of deficiencies and significant matters
- obtaining support for and following Audit Office policies and procedures for prior period errors and/or change to accounting policies that will be treated retrospectively
- preparing draft engagement reports (using the Audit Office template) and sending these to the EC to review, sign and issue.

Based on this review, the results of testing and a reconsideration of audit risk, the Audit Office will confirm the work performed, or may, in consultation with the ASP, recommend additional procedures.

Audit completion

ASPs are responsible for:

- presenting the work performed, including a review of the audit procedures/work papers since the planning review to the Audit Office for review
- preparing and issuing the Audit Service Provider Representation Letter, including recommending the form and content of the Independent Auditor's Report
- preparing draft engagement reports (using the Audit Office template) and sending these to the EC to review, sign and issue.

The ASP should send [Form B: Audit completion and recommend opinion](#) to the Audit Office at the completion of the audit.

Based on this review, the results of testing and a reconsideration of audit risk, the Audit Office will confirm the work performed, or may, in consultation with the ASP, recommend additional procedures.

7. AUDIT ENGAGEMENT ADMINISTRATION

Audit timetable

[Form C: Proforma calendar of events](#) outlines the typical audit process and sets out, in summary, the timing and flow of documents between the auditee, the ASP and the Audit Office.

Fees

Payment of ASP fees

The Audit Office will pay fees within the agreed terms after the receipt of a correctly rendered invoice and the Audit Office EC is satisfied that the services have been provided. A correctly rendered invoice is one that includes, at a minimum the following information:

- Audit name and year-end
- Audit Office purchase order number.

The Audit Office reserves the right to withhold a payment until the ASP has provided the Audit Office with a report (from its practice management system) of time spent on the audit.

Claims for additional fees

ASPs should discuss claims for additional fees with the EC before advising the auditee. It is the ASP's responsibility to agree the additional fees in writing with the auditee before submitting an invoice for additional fees to the Audit Office.

8. PERFORMANCE MANAGEMENT

Annually, at the end of the assignment, the EC will:

- assess the ASP's performance using [Form D: Audit Service Provider's annual performance evaluation](#)
- arrange for the auditee's feedback on the ASP's performance using [Form E: Auditee feedback on Audit Service Provider's performance](#).

The EC will forward both forms to the Assistant Auditor-General responsible for managing ASPs, who will review the information consider any disciplinary matters, and update our register with relevant comments.

Concerns of the ASP and the auditee

The ASP and the auditee may contact the Audit Office with comments, recommendations for improvement or concerns with the audit arrangements or processes. Significant concerns that are not satisfactorily resolved during the audit, can be registered as a complaint. Details of the complaint handling process are available on the Audit Office website: [Complaints and Feedback - Audit Office of New South Wales](#).

9. BREACHES OF CONTRACT

Circumstances may arise that cause the ASP to breach its contract with the Audit Office. If a breach occurs, the EC will evaluate the effect of the breach on the audit relationship. If the ongoing contractual relationship is not affected by the breach, the ASP will be advised a breach has been identified and the contract may be unaffected.

Where the contractual audit relationship is affected by the breach, the ASP will be advised in writing and formally asked to take corrective action.

Where the breach of contract is sufficiently significant the Audit Office may take steps to terminate the contract.

Examples of a breach of contract could include:

- misrepresentations of the ASP's qualifications
- failure to comply with Australian Auditing Standards or Australian Pronouncements of Ethical Standards
- audit work of an unacceptable standard or inadequately documented
- failure to meet quality standards
- inability to complete the audit within the specified time
- audit work not in accordance with the agreed audit plan
- suspension of ASP principals or key audit personnel by a professional accounting body
- imposition of an enforceable undertaking, or order, or disciplinary action by regulatory or professional body.

ASPs will be advised if an auditee expresses dissatisfaction with their audit services. The Audit Office will investigate all complaints made. ASPs will be asked to address any valid complaints. Failure to take appropriate corrective action may result in termination of the contract.

10. ANNUAL AUDIT REPORTING TEMPLATES

The following forms are available on the Audit Office website.

[Form A: Audit planning](#)

[Form B: Audit completion and recommend opinion](#)

[Form C: Proforma calendar of audit events](#)

[Form D: Audit Service Provider annual performance evaluation](#)

[Form E: Auditee feedback on Audit Service Provider performance](#)

APPENDIX 1. GLOSSARY OF TERMS

Agencies audited under the *Public Finance and Audit Act 1983* (PF&A Act): These include:

- Departments listed in Schedule 3 of the PF&A Act and their controlled entities
- Statutory bodies listed in Schedule 2 of the PF&A Act and their controlled entities
- Statutory bodies prescribed under section 44 of the PF&A Act
- State Owned Corporations.

Consolidated Fund: The main bank account of the government, which records:

- taxes, fines, fees collected
- Australian Government grants
- financial distributions from non-general government sector agencies
- recurrent and capital appropriations to agencies.

Economy: The acquisition of resources at cost to an auditee or the public. Economy is essentially a resource acquisition concept embodying a 'least cost' notion. It has been defined as the acquisition of resources of appropriate quality and quantity at the appropriate time and place for the lowest reasonable cost. The concept of economy may be violated by purchasing resources at the incorrect time, at an unfavourable price, in the wrong quantities or of inferior quality.

Financial Reporting Code: A model financial reporting framework which promotes consistency in the form and content of financial statements and accompanying note disclosures for General Government Sector entities. Treasury issues the Code annually, as a Treasury Policy and Guidelines Paper.

Financial reports (as referred to in the Financial Reporting Code): these comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows.

Financial statements (as referred to in the Local Government Code of Accounting Practice and Financial Reporting):

- **General Purpose** - these comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows
- **Special Purpose Financial Statements** meet the needs of specific users and include the council's:
 - **Declared Business Activities** prepared for use by the council and the Office of Local Government (OLG) to fulfil their requirements under the National Competition Policy
 - **Special Schedule 2 'Permissible income for general rates'** prepared for distribution to the OLG to confirm that the council's reconciliation of the total permissible general income is presented fairly.

General Government Sector: According to Australian Bureau of Statistics definitions, the general government sector comprises those public sector entities that provide, mainly goods and services outside the market mechanism, as well as those that provide for the transfer of income for public policy purposes.

General Government Sector Entity: Any department or statutory body that provides goods and services or transfers income for public policy purposes. Regulatory bodies which retain taxation receipts are also regarded as general government sector entities. Only those general government sector entities which receive direct Consolidated Fund appropriations are included in the Budget.

Legislative requirements: The particular requirements or provisions detailed in Acts, Regulations, or a Treasurer's Direction or OLG Guidelines.

Local Government Code of Accounting Practice and Financial Reporting: A comprehensive financial reporting framework outlining the form and content of financial statements and accompanying note disclosures for councils issued by the OLG.

Non-audit services: Any service other than 'Audit Services' set out in clause 11 of the Agreement to Provide Auditing Services.

Non-Compliance with legislative requirements: Acts or omissions by an auditee, either intentional or unintentional, which are contrary to law. These include unauthorised or illegal transactions entered into by or in the name of the auditee or on its behalf by its governing body or employees. For audit purposes, this does not include personal misconduct by members of the auditee's governing body or employees who are unrelated to an auditee's operations. Civil wrongs are also excluded, for example breaches of duties in contract or tort.

The terms illegal, breach of legislation/law or unlawful are intended to mean the same as non-compliance with legislative requirements.

Public Financial Enterprise (PFE): Agencies with one, or more, of the following functions:

- central banker
- acceptance of demand, time or savings deposits
- authority to incur liabilities and acquire financial assets in the market for their own account.

Public money: Includes securities and all revenue, loans, and other money collected, received, or held by, for, or on account of the State. It also includes money that is:

- directed to be paid to or expressed to form part of the Consolidated Fund or the Special Deposits Account
- money or money described or categorised as public money.

Public Trading Enterprise (PTE): Agencies which charge for services provided and hence have a broadly commercial orientation.

Report on the Conduct of the Audit: a report auditors are required to issue under section 417 of the LG Act. Auditors are required to consider and report on matters pertinent to the council's financial statements and the audit.

Significant: An item is significant if it is of such a nature or amount that its disclosure or non-disclosure, or the method of treating it, is likely to influence users in making decisions or assessments.

Significant legislative requirements: Comprise all legislative requirements intended to govern an auditee's financial management behaviour, the form and content of its financial statements and other legislative requirements where the risk of non-compliance with legislative requirements is high and the likely financial impact, operational or political exposure, is also high.

State Owned Corporation: Public Trading Enterprises (PTEs) established with a governance structure, which mirrors as far as possible a publicly listed company.

Those charged with governance: The governing body, audit and risk committee, individual member of the governing body, officer(s) and/or other person(s) having responsibility for corporate governance, including the planning and directing of activities of an auditee. For certain reporting purposes, it may also include the relevant Minister.

Total State Sector: This represents all agencies and corporations owned and controlled by the NSW Government. It comprises the General Government Sector, the Public Financial Enterprise Sector and the Public Trading Enterprise Sector (also referred to as the Public Non-Financial Corporations Sector).

Waste: The misuse of resources.

APPENDIX 2. LEGISLATION AND USEFUL WEBSITES

To access the New South Wales Legislation home page, click on this [link](#).

To access other legislation, click on this [link](#).

Website	Details
NSW Government Home Page	<p>A comprehensive website useful for simple enquiries as well as more detailed research tasks such as:</p> <ul style="list-style-type: none"> • looking up legislation • contact details for New South Wales Government Departments • identifying business opportunities • finding out rights of a consumer.
NSW Government Directories	<p>This directory provides information about the New South Wales State Government - Parliament, courts and several hundred organisations ('agencies') grouped into ministers' portfolios. The information is arranged to show the government's structure and provide general details and contact information.</p>
Independent Commission against Corruption	<p>The Independent Commission Against Corruption exposes and minimises corruption in the New South Wales public sector. It does this by conducting investigations and hearings, providing corruption prevention advice and informing and educating both the public and private sectors, and the community.</p>
The Treasury	<p>The Treasury advises the Treasurer and the New South Wales Government on state financial management policy and reporting, and economic conditions and issues.</p> <p>The policies and other reporting requirements are documented in publications such as Treasurers Directions, Treasury Circulars, and Treasury Policy Papers.</p>
Department of Finance, Services and Innovation	<p>Use this site for one-stop access to the sources underpinning the NSW Government's strategic use of Information and Communications Technology (ICT) to build a thriving information society and economy in New South Wales - The Connected State.</p>
Office of Local Government	<p>The Office of Local Government (OLG) is responsible for regulating Local Government across NSW. OLG has a policy, legislative, and investigative program focusing on matters ranging from Local Government finance, infrastructure, governance, performance, collaboration and community engagement. OLG works collaboratively with the Local Government sector and is the key advisor to the NSW Government on Local Government matters.</p>
Revenue NSW	<p>Revenue NSW is a division of the Department of Finance, Services and Innovation. Revenue NSW administers State taxation, collects revenue, develops policy and implements legislation relating to State taxation for and on behalf of the people of New South Wales.</p>
Ombudsman's Office	<p>The Ombudsman investigates conduct which may be:</p> <ul style="list-style-type: none"> • illegal • unreasonable, unjust or oppressive • improperly discriminatory • based on improper motives or irrelevant grounds • based on a mistake of law or fact.
Parliament of New South Wales	<p>The website provides access to Bills, Hansard and Committee Papers.</p>

Website	Details
<u>Department of Premier and Cabinet</u>	<p>The Department of Premier and Cabinet is the central agency for the NSW Government. Agencies, aside from State Owned Corporations (SOCs), must comply with the <u>Ministerial Memoranda and Department Circulars</u>.</p> <p>Memoranda and Circulars do not apply to SOC's unless stated and are supported by directions from the Ministerial shareholders.</p>
<u>State Archives and Records Authority</u>	<p>The State Archives and Records Authority is the NSW Government's archives and records management authority.</p>

Professional people with purpose

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.

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