



## Appendix three – About the audit

---

### Audit objective

The objective of the audit was to obtain an indication of how effectively councils manage the risk of fraud.

Effectiveness of council fraud risk management was measured against the Audit Office Fraud Control Improvement Kit using a voluntary survey which was expanded from the survey previously conducted by the Audit Office with state agencies.

### Audit criteria

The audit criteria were that councils:

- identify, analyse and assess their fraud risks regularly
- have good controls to prevent or detect fraud
- investigate suspected or alleged fraud
- monitor their fraud risks, controls and responses and use the results to improve their fraud risk management framework.

### Audit scope and focus

This audit provides an overview of local council fraud controls against the Audit Office's [Fraud Control Improvement Kit](#).

### Audit exclusions

The audit did not:

- set out to detect instances of fraud
- provide an in-depth analysis of fraud control practices in individual councils.

The audit relies on the results of the responses provided by those councils that participated voluntarily in the survey.

### Audit approach

The audit approach included the following components:

- a survey of councils based on the Audit Office Fraud Control Improvement Kit
- stakeholder interviews
- analysis of data on the incidence of fraud in councils from public sources including; OLG, ICAC, BOCSAR and NSW Police Force
- findings from the Audit Office financial audits.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

## **Audit methodology**

Our performance audit methodology was designed to satisfy Australian Audit Standards ASAE 3500 Performance Engagements. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

## **Acknowledgements**

We gratefully acknowledge the co-operation and assistance provided by the Office of Local Government and those councils who responded to the audit survey.

We also thank senior staff from Albury City Council, City of Griffith Council, Yass Valley Council, Cootamundra -Gundagai Regional Council and the City of Shoalhaven Council who participated in the fraud control workshops and provided advice.

## **Audit cost**

The cost of the audit was approximately \$353,600 including overheads and travel costs.