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# Appendix three – About the audit

## Audit objective

This audit assessed whether MidCoast Council has effective financial management arrangements that support councillors and management to fulfil their financial stewardship responsibilities.

## Audit criteria

We examined the audit objective by considering the following audit questions and criteria:

1. Financial management governance: Does MidCoast Council have an effective governance framework for financial management?
  - a) Governance, risk management and internal controls are in place for financial management.
  - b) Adequate financial management and governance training and support has been provided to councillors, management and operational managers.
2. Quality and comprehensive internal financial management reporting: Does MidCoast Council have effective internal financial management reporting arrangements?
  - a) Councillors and management have identified and implemented essential internal financial management reporting elements.
  - b) Council's financial systems and data have integrity, and support identified financial management report production requirements.
  - c) Council reports are relevant, consistent, reliable, understandable, and tailored towards the requirements of key users.
3. Using the reported information: Do the financial management governance and reporting arrangements support councillors and management to fulfill their stewardship responsibilities?

Councillors and management use internal financial management reporting to:

  - i) support budget decisions, resource allocation and cost setting (for example fees and charges)
  - ii) monitor financial sustainability
  - iii) assess operational efficiency, financial services and investments
  - iv) make improvements where necessary.

## Audit scope and focus

In assessing the criteria, we considered MidCoast Council's financial management arrangements and practices for FY2019–20, FY2020–21 and FY2021–22. In doing so we checked the following aspects:

- financial governance and leadership
- financial planning
- financial monitoring and forecasting
- financial performance reporting
- maintenance of adaptation of financial arrangements during COVID-19.

## Audit exclusions

The audit did not assess the effectiveness of:

- external financial reporting – except where this was produced identically to internal management reporting
- previous or planned financial management aspects examined in other performance audits
- roles, responsibilities and functions of the ARIC
- roles, responsibilities and functions of councillors.

## Audit approach

Our procedures included:

1. interviews with council staff and executive responsible for financial management
2. examining relevant documents and data
3. understanding and evaluating relevant internal controls
4. reviewing and extending work undertaken in support of MidCoast Council's annual financial audit.

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 is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require 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 requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

## Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by MidCoast Council. In particular, we wish to thank our liaison officers and staff that participated in interviews and provided material relevant to the audit.

## Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is \$395,000.