

Information about the audit of the Statements for the Local Roads and Community Infrastructure Program

1 SCOPE

The Australian Government's Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) administers the Local Roads and Community Infrastructure (LRCI) Program (the Program), which provides funding to councils and NSW government agencies to deliver priority local road and community infrastructure projects.

The Department requires councils and applicable agencies to prepare and have audited special purpose financial statements (the Statements) for each phase and financial year of the Program in accordance with the requirements of the Local Roads and Community Infrastructure Program Guidelines (the Guidelines).

The Statements for a financial year comprise of the:

- Chief Executive Officer's Financial Statement for each phase of the Program
- financial statements within the completed Annual Report Table for each phase of the Program. The financial statements comprise the Total Project Cost, Total Approved LRCI Funding Contribution and LRCI Funding Actual Expenditure for each Approved Project in the Approved Work Schedule
- financial statements within the completed Final Report Table (on completion of all projects for a relevant phase of the Program). The financial statements comprise the Nominal Funding Allocation, Own Source Expenditure, Total LRCI funding already received, Total Project Cost, Total Approved LRCI Funding Contribution and LRCI Funding Actual Expenditure for each Approved Project in the Approved Work Schedule.

The Audit Office will conduct the audit of the Statements with the objective of expressing an opinion on whether in all material respects the:

- Chief Executive Officer's Financial Statement for each phase of the Program are based on, and in agreement with proper accounts and records
- financial statements in the completed Annual Report Table for each phase of the Program are based on and in agreement with proper accounts and records
- financial statements in the completed Final Report Table for each phase of the Program are based on and in agreement with proper accounts and records
- amount reported as expended during the year was used solely for expenditure on eligible Local Roads and Community Infrastructure Projects
- amounts certified by the Chief Executive Officer in the Chief Executive Officer's Financial Statement for each phase of the program as its own source expenditure on the Program during the year is based on, and in agreement with, proper accounts and records.

The Audit Office's authority to provide the audit service is in accordance with section 421E of the *Local Government Act 1993* for councils and section 27B(3)(c) of the *Government Sector Audit Act 1983* for agencies.

The Independent Auditor's Report will not, however, provide assurance:

- that the council or agency has carried out its activities effectively, efficiently and economically
- on the information included in the completed Annual Report Tables and the Final Report Tables other than the financial statements.

2 RESPONSIBILITIES

Auditor's Responsibilities

The Audit Office will conduct the audit in accordance with Australian Auditing and Assurance Standards, in particular ASA 800 'Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks'. The standards require the Audit Office to comply with ethical requirements relating to audit engagements and plan and perform the audit to obtain

reasonable assurance the Statements are free from material misstatement, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing and Assurance Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statements.

For more information about our responsibilities, refer to the Audit Office's [Terms of Engagement](#) and the Auditing and Assurance Standards Board website at www.auasb.gov.au/auditors_responsibilities/ar8.pdf.

Responsibilities of the General Manager or Chief Executive Officer

The General Manager or Chief Executive Officer is responsible for:

- establishing systems and processes that ensure compliance with the Guidelines
- preparing the Statements in accordance with the Guidelines
- such internal control as the General Manager or Chief Executive Officer determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

The council's or agency's management is responsible for:

- ensuring the full co-operation of its staff
- making all records, information and explanations available to the Audit Office for the purpose of the audit (management will be asked to provide written confirmations of representations made to the Audit Office relating to the audit)
- ensuring the system(s) supporting the Statements are robust and capable of providing adequate information and records for the audit
- interpreting and understanding the Guidelines and, if required, clarifying its understanding of the requirements with the Department, not the Audit Office
- confirming agreements or further guidance obtained from the Department about the Statements.

3 ENGAGEMENT COMMUNICATIONS

The Audit Office will issue an Independent Auditor's Report upon completion of the audit. The report will be addressed to the council's General Manager or the agency's Chief Executive Officer.

The Statements have been prepared for the purpose of fulfilling the council's or agency's reporting obligations to the Department under the Guidelines. The Independent Auditor's Report will therefore advise that the Statements are prepared in accordance with a special purpose framework and that as a result, they may not be suitable for another purpose.

The following reports may also be issued addressing matters arising from the audit of the Statements:

- management letter (if required)
- other letters necessary to meet our reporting obligations to those charged with governance.

Section 5 of the standard [Terms of Engagement](#) provides information about each of these reports.

OUR VISION

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

OUR PURPOSE

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