

2.1.1 Engagement approach

Introduction

This section provides policies and guidance for planning and performing assurance engagements.

The Audit Office (the Office) audits a variety of NSW state government sector agencies and universities, councils (local and county councils, joint organisations) and their controlled entities and companies within the for-profit and not-for-profit framework. For a description of entities, refer to Types of Organisations Audited.

In addition to performance audits, including modern slavery audits, and general purpose financial statement audits of the above entities, the Office may be requested to perform other assurance engagements, including:

- reports on controls at service entities
- prudential reports
- data returns of Australian Government and State Government grant funding to a public sector entity
- compliance with Australian Financial Services Licence conditions, and other specific legislation or regulation
- engagements performed under a special purpose financial reporting framework.

Office policies and procedures are designed to ensure the Office complies with the requirements of the standards and guidance issued by the Auditing and Assurance Standards Board. Refer to Summary of Engagement Types: Assurance Levels and Subject Matter for further details.

Policies and guidance

1. When planning and performing engagements, auditors must comply with relevant:
 - legal requirements, including first establishing the relevant mandate for the engagement
 - professional standards as included within the:
 - financial audit methodology and associated Evidence Gathering Activity (EGA) templates
 - Performance Audit Guide
 - Office policies.

Auditors should also follow the relevant financial audit or performance audit methodology, guidance and related materials provided in TeamMate+ and/or on Alfie.

Establishing mandate

2. The legal mandate for each engagement must be established before commencing the audit in accordance with [Policy 2.2.2 'New Engagements and Risk Classification'](#).
3. The Office has no legal mandate to provide non-audit related services. Audit Service Providers (ASPs) must not provide non-audit related services, such as advisory or consultancy services, to the auditee for which they been contracted as an ASP, refer to [Policy 2.2.12 'Approval for Audit Service Provider to perform other audit and related services'](#).

Financial audits

4. For financial audits in the NSW state and university sectors, the Auditor-General's mandate is established in section 27B(3) of the [Government Sector Audit Act 1983](#) (GSA Act) to audit 'the Consolidated State Financial Statements, the General Government Sector Financial Statements and any other financial reports that the Auditor-General is required or authorised to audit by law'.

Section 34 of the GSA Act contains the detail of the mandate, being to audit the following statements and reports given to the Auditor-General under the [Government Sector Finance Act 2018](#) (GSF Act):

- any annual GSF financial statements for a reporting GSF agency under section 7.6 of the GSF Act
- any final annual GSF financial statements for a former reporting GSF agency under section 7.7 of the GSF Act
- an SDA account financial report for an account in the Special Deposits Account under section 7.8 of the GSF Act¹
- a special purpose financial report for a GSF agency under section 7.9 of the GSF Act²
- Consolidated State Financial Statements under section 7.17 of the GSF Act.

The requirement to audit the Consolidated State Financial Statements is also included in section 49 of the GSA Act.

5. For financial audits in the local government sector, the Auditor-General's mandate is found in section 422 of the [Local Government Act 1993](#) (LG Act).

Performance audits

6. For performance audits (including non-public sector entities that receive money or other resources for a State or local government purpose), the Auditor-General's mandate is found in section 38EA of the GSA Act and section 421BD of the LG Act.

Modern slavery audits

7. For Modern slavery audits, the Auditor-General's mandate is found in section 38G of the GSA Act.

¹ The requirement for SDA Accounts to prepare financial reports under section 7.8 of the GSF Act commenced on 1 July 2023, effective for the 2022-23 financial year.

² The requirement to audit special purpose financial reports under section 7.9 of the GSF Act commenced on 1 July, effective for the 2022-23 financial year. Under section 7.9 of the GSF Act, the Treasurer can only request, but not require the Auditor-General to perform audit or audited related functions concerning special purpose financial reports.

Particular audits of prescribed entities

8. Particular audits relate to entities prescribed under section 44 of the GSA Act. These entities are prescribed in the Government Sector Audit Regulation 2021 (GSA Regulation), generally at the request of the Treasurer, a minister or a prescribed requestor. Section 45 of the GSA Act provides the Auditor-General with the mandate to perform the audit of these particular prescribed entities when the audit has been requested by a responsible minister, Treasurer or prescribed requestor.
9. Entities may be prescribed under section 44 where a specific legal authority to audit the entity does not exist but, in the interests of public accountability, it is appropriate for the Auditor-General to audit the entity. Teams should refer to 'Letter to entity outlining how the Auditor-General can obtain the authority to conduct the audit' on how an entity may be prescribed.

Request audits

10. For specific request engagements, the Auditor-General is permitted to perform engagements under:
 - section 27B(3)(b) of the GSA Act which provides the joint Houses of Parliament the opportunity to request the Auditor-General to perform a particular audit or audit related service
 - section 27B(3)(c) of the GSA Act which provides the Treasurer or any other Minister the opportunity to request the Auditor-General to perform a particular audit or audit related service. The standing approvals to conduct existing request audits or related services are found in the database.
 - section 421E(1) of the LG Act which provides the Council, Minister for Local Government or the Secretary of the Department of Planning and Environment the opportunity to request the Auditor-General to perform a particular audit-related service for a council, county council and joint organisations.
11. Where there is no standing approval, auditors should follow:
 - [Policy 2.2.10 'Approval for the Audit Office to perform other audit and related services'](#) for engagements performed by in-house Office audit teams
 - [Policy 2.2.12 'Approval for Audit Service Provider to perform other audit and related services'](#) for engagements performed by the Office's audit service providers (ASPs)to obtain written approval to perform request audits that are not general purpose financial statement audits. Team should also refer to the procedures contained in ['Responding to requests for audits'](#).
12. Unlike section 421E of the LG Act, the Auditor-General has no discretion to decline a request under sections 27B(3)(b)-(c) of the GSA Act.
13. Under section 27(B)(3)(c1) of the GSA Act, the Auditor-General also has the mandate to 'provide any other auditing, audit-related or reporting services that the Auditor-General is required or authorise to provide by law'.

Other considerations

14. The Office may be required to provide Forensic Accounting Services as defined in [APES 215 Forensic Accounting Services](#). Refer to [Policy 2.2.8 'Forensic Accounting Services'](#) for further guidance.

Audit approach

15. Audit teams must respond appropriately to the engagement risk and observe the requirements of the performance audit or financial audit methodology when planning and conducting engagements. Guidance on risk classification is set out in [Policy 2.2.2 'New Engagements and Risk Classification'](#).

16. If, during the audit, the engagement team does not believe it can perform an engagement in accordance with legal requirements, professional standards and Audit Office policies, the Engagement Controller must consult:
 - the Engagement Quality Reviewer (EQR) if one has been appointed or an Assistant Auditor-General if no EQR was appointed
 - Executive Director, Professional Services.
17. If new information is available that may have caused the Office to decline the audit engagement had that information been known by the Office prior to accepting or continuing the client relationship or specific engagement, the audit team shall communicate that information promptly, so that the Office and the EC can take the necessary action. See also [Policy 2.2.10 'Approval for the Audit Office to perform other audit and related services'](#).

Audit communication

18. For all audits conducted in-house, the Audit Communication Portal (ACP) should be used for communication, collaboration and the exchange of information between the relevant parties of each audit.
19. Audit teams are required to use the ACP and should strongly encourage its use by auditees as this is the safest way to exchange information. However, where the auditee has opted out of the use of ACP, email, ShareFile or the exchange of physical documents may be used as an alternative.

Effective date

Issued January 2024 and effective January 2024.