

2.2.5 Audit of entities that are jointly/collectively controlled

Introduction

Under section 2.4(2) of the *Government Sector Finance Act 2018* (GSF Act) an entity is a GSF agency if they are controlled (applying the control principles within the Australian Accounting Standards or section 50AA of the *Corporations Act 2001* (Corps Act)) by:

- a GSF agency or a combination of GSF agencies listed in section 2.4(1) of the GSF Act
- a minister or combination of ministers.

Under section 2.2(1) of the GSF Act, an entity can also be prescribed by regulation to be a controlled entity of a GSF agency.

Where there is joint/collective control of an entity by:

- a university and a GSF agency, or
- a collective of universities,

section 2.4(2) of the GSF Act does not apply as universities and their controlled entities are not GSF agencies under section 2.4(1) of the GSF Act and are only GSF agencies for the purpose of financial reporting (section 7.4(1) of the GSF Act).

As a result, the Auditor-General does not automatically have the mandate to audit the entity. However, as universities are accountable to the Parliament of New South Wales, accountability principles support the Auditor-General being the auditor of any entity they jointly or collectively control. In these circumstances the relevant minister should be advised accordingly so that steps can be taken to provide the Auditor-General with the mandate to audit the entity under Division 4 of Part 3 of the *Government Sector Audit Act 1983* (GSA Act).

Policies and guidance

Audit to be arranged

1. In circumstances where:
 - a) **section 2.4(2) of the GSF Act does not apply; and**
 - b) **multiple entities subject to the GSF Act jointly/collectively control another entity, but no one entity controls that entity (as defined in the Australian Accounting Standards or section 50AA of the Corps Act),****one of the entity's that jointly/collectively controls the entity must be requested to take steps to have the jointly/collectively controlled entity prescribed for the purposes of Division 4 of Part 3 of the GSA Act, thereby subjecting it to audit by the Auditor-General.**
2. **Where the entity does not get prescribed and the Auditor-General is, consequently, unable to audit the entity, the matter must be reported to Parliament.**

Responsibilities of the Engagement Controllers (ECs)

3. The ECs responsible for the audits of the entities exercising joint control must liaise and agree (in consultation with the Assistant Auditor-General responsible for resourcing if required) who will make the necessary representations through the Letter to the entity outlining how the Auditor-General can obtain the authority to conduct the audit.
4. Once the authority has been received, the EC must forward their recommendation to PSB to accept the entity as a new auditee as outlined in Policy 2.2.2 New Engagements and Risk Classification.

Effective date

Issued August 2022 and effective August 2022.