

2.2.6 Audit Engagements Outside of New South Wales

Introduction

Audit engagements outside New South Wales arise where a NSW Government agency or university has an operation or operations in another Australian State, Territory or in another country (foreign operations). Local and county councils, including council joint operations and council entities, do not have foreign operations.

Foreign operations can be reporting entities such as trusts and incorporated bodies. However, some foreign operations may be branches, which are not separate reporting entities and only report as part of the parent entity.

If the controlling entity in New South Wales is subject to the reporting provisions of the *Government Sector Finance Act 2018* (GSF Act), the Audit Office (the Office) must audit the foreign operation in accordance with the *Government Sector Audit Act 1983* (GSA Act), irrespective of whether the controlling entity or the foreign operation has appointed a local auditor within that jurisdiction to comply with the specific jurisdictions' requirements. If the controlling or controlled entity is subject to the *Corporations Act 2001* (Corps Act), the Audit Office may also have separate audit responsibilities under the Corps Act.

Policies and guidance

1. **The Office is required to audit the financial statements of a 'controlled' foreign operation, that is a separate reporting entity, in accordance with the GSF Act and GSA Act.**
2. **Generally, the laws within a foreign jurisdiction will prevent the Office from issuing an opinion to satisfy the entity's local legislative requirements. Even where not prevented by law, the Office must not issue such an opinion without the mandate (refer [Policy 2.1.1 'Engagement Approach'](#) for details on the Office's mandate) and the necessary skills and competence to do so.**
3. **The Engagement Controller (EC) is responsible for the quality, conduct and management of the audit of the foreign operation, regardless of whether the audit is performed by:**
 - **Office staff**
 - **an Audit Service Provider (ASP).**

The EC must ensure that the audit team, including the ASP where relevant, have the necessary skills and competence to audit the foreign operation, taking into account the unique legislative environment of the foreign operation and relevant experience of team members in such environments.

4. **The EC must assess the engagement and auditee risk of a foreign operation in accordance with [Policy 2.2.2 'New Engagements and Risk Classification'](#).** Engagements which are subject to a foreign regulatory authority indicate a higher risk profile. However, this would not be the only indicator and the other engagement risk indicators need to be considered when determining the overall engagement risk.

5. **Where the Office (or ASP) audits a foreign operation that is a separate reporting entity, the audit must be performed and managed in accordance with ASA 220 'Quality Control for an Audit of a Financial Report and Other Historical Financial Information'¹. A separate audit opinion will be issued in relation to the foreign operation in accordance with the GSA Act requirements.**
6. **Where the Office (or ASP) audits a foreign operation that is NOT a separate reporting entity, the audit must be performed and managed in accordance with ASA 600 'Special Considerations - Audits of a Group Financial Report'².**
7. **An ASP conducting an audit of a foreign operation (on behalf of the Office) must be directed to follow relevant policies and procedures in the Audit Service Providers Manual and instructions issued by the Office as the group auditor (if applicable). Where the foreign operation has appointed an auditor in its jurisdiction to report in accordance with local jurisdictional requirements, this does not extinguish the Office's obligations to perform an audit (and issue an opinion if the foreign operation is a reporting entity) in accordance with the GSA Act.**
8. The Auditor-General is unlikely to have the mandate to audit the foreign operation's financial statements in accordance with local jurisdictional requirements and to issue an opinion under those requirements (refer paragraph 2). However, such audits can be performed by a locally registered auditor in that foreign jurisdiction (who may be the Office's ASP) and signed under their own hand.

Effective date

Issued August 2022 and effective August 2022.

¹ The revised ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information' will be effective for the first time for December 2023 year end engagements.

² The revised ASA 600 'Audits of a Group Financial Report (Including the Work of Component Auditors)' will be effective for the first time for December 2024 year end engagements.