

Technical Issues Committee Charter

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1. Technical Issues Committee (TIC)

The Audit Office is responsible for the audits of all NSW public sector agencies, universities, local and county councils and joint organisations. The TIC is a forum where technical issues our auditors encounter are debated to enhance audit quality.

This charter provides operational guidance to the TIC by setting out objectives, responsibilities, membership, and administrative and communication arrangements.

2. Objective

The objective of the TIC is to consider difficult or contentious matters and resolve differences of opinion with respect to financial audit and assurance work. This includes making recommendations to the Auditor-General on:

- the inclusion or removal of modifications to auditor's reports
- matters that may lead to a qualification of the audit opinion, for example, complex or significant accounting, audit or legislative compliance matters or material differences of opinion.

3. Responsibilities

3.1 Matters that require the Auditor-General's approval

The TIC is responsible for reviewing and making a recommendation to the Auditor-General on:

- the proposed modification to or removal of a modification for the Independent Auditor's Report (IAR) for all audit and assurance engagements conducted by the Audit Office (except for the exceptions outlined below)
- any other matter referred to the TIC that may lead to a modification of an IAR.

Modifications to an IAR includes proposals to include an emphasis of matter (EoM) or other matter (OM) paragraph in the IAR.

Exceptions to review by TIC or approval by the Auditor-General

1. The following does not require review by the TIC or approval by the Auditor-General:
 - the EoM paragraph relates to the special purpose basis of accounting for non-general purpose financial statements (non-GPFS) engagements
 - an OM paragraph has been included as the auditee has asserted compliance with the *Corporations Act 2001* (Corps Act) Act but has no reporting obligation under that Act and will not remove the assertions that it complies with the Corps Act from its financial statements / financial report, director's declaration and directors' report. This also includes the removal of this paragraph in a subsequent reporting period
 - an OM paragraph that has been included in the IAR as the prior period financial statements were either not audited or a private sector audit firm audited the prior period's financial statements before the Auditor-General received the mandate to perform the audit. This also includes the removal of this paragraph in a subsequent reporting period
 - an EoM has been included as the auditee has prepared the financial statements on a non going concern basis as the auditee will either be liquidated, wound up, ceases operations or ceases to exist
 - clearance of a prior year qualification from deficiencies or non-compliance for a non-GPFS engagement. For example, prior year qualifications for Type 2 Assurance Reports on Controls and compliance engagements as these do not necessarily carry forward to a subsequent reporting period.

2. The inclusion of an OM paragraph in the IAR for the special purpose financial statements (SPFS) of the Local Roads and Community Infrastructure Program (LRCI) due to the withdrawal of the previously issued IAR does not require the Auditor-General's approval. These OM paragraphs will be reviewed by the Quality, Improvement and Performance Branch (QIP) and noted by the TIC.

3.2 TIC decisions

The TIC's role is to review and conclude upon:

- Key Audit Matters (KAMs) included in the IAR for the Consolidated State Financial Statements
- KAMs included in the IAR of other relevant auditees, if referred to the TIC
- retrospective restatements under AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (other than first time adoption of an Australian Accounting Standard) where a relevant precedent has not previously been established
- issues that the TIC determines will not lead to a change in the audit opinion. This might include:
 - accounting treatments of complex, contentious and significant technical issues where the TIC concurs with the auditee's proposed accounting treatment
 - resolution of material differences of opinion within the audit team or between the audit team and Engagement Quality Reviewer, QIP, Audit Service Provider or auditee.

3.3 Delegation of responsibilities

The Committee is accountable to the Auditor-General. The Committee cannot delegate its responsibilities.

3.4 Code of Conduct

TIC members are subject to the general principles of conduct that apply to public sector employees. The Audit Office has also adopted a Code of Conduct which outlines the fundamental values and principles that define the standards of behaviour expected of all Audit Office staff, including committee members.

TIC members are expected to:

- act with integrity and honesty
- be impartial and act without undue influence
- apply due care and diligence to all matters
- conduct open and constructive debate
- apply expertise and skills
- operate in the public interest.

In carrying out their duties, TIC members must also:

- contribute the time needed to read and understand the meeting papers provided
- apply good analytical skills, objectivity and good judgement
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry, in a constructive manner.

3.5 Conflicts of interest

All TIC members are expected to exercise objectivity on all matters.

From time to time, a conflict of interest (a conflict) may arise in relation to a particular agenda item.

If a conflict arises for a particular agenda item, TIC members must declare any conflicts at the start of the meeting. Details of any conflicts must be appropriately minuted, and the conflict managed or resolved. Where appropriate, this may include being excused from deliberations for a particular agenda item(s) where a conflict exists.

4. Membership and quorum

4.1 Membership

The TIC is chaired by the Deputy Auditor-General. The TIC consists of the:

- Chair
- Assistant Auditors General, Financial Audit
- the Director responsible for the Consolidated State Financial Statements audit (if the issue relates to state agency auditees) or their delegate
- an independent Financial Audit Director, selected from a pool of Directors (not being the Director who submitted the issue to the TIC).

Although not part of the TIC, the following attendees are also standing invitees:

- the Engagement Controller or Engagement Manager of a matter included for discussion
- the Executive Director, Quality, Improvement and Performance (or delegate)
- the Director, Accounting, Technical and Data
- a staff member from QIP to perform the secretariat role.

Engagement Quality Reviewers may also be invited as an observer. Where appropriate, Audit Service Providers or other technical experts may be invited.

If the Deputy Auditor-General is not available, the Chair will be the Head of Financial Audit, unless an alternative Chair has been selected by the Deputy Auditor-General.

The Chair may fill casual TIC vacancies by appointing Directors of Financial Audit to the TIC.

4.2 Quorum

The TIC consists of a quorum of:

- the Chair
- one independent Financial Audit Director, selected from a pool of Directors (not being the Director who submitted the issue to the TIC)
- the Director responsible for the Consolidated State Financial Statements audit (if the issue relates to state agency auditees) or their delegate
- one Assistant Auditor-General of Financial Audit (who is not the sponsor).

At the Chair's discretion, matters may be referred for the TIC members' consideration out of session.

5. TIC process

5.1 Referral of matters

Matters may be referred to the TIC by the Auditor-General, Deputy Auditor-General, Assistant Auditor-General or the Executive Director, Quality, Improvement and Performance.

5.2 TIC papers

Issues that are brought to the TIC for consideration require an accompanying TIC paper. Audit teams are responsible for drafting TIC papers using the [TIC technical position paper](#), including any supporting documents such as proposed IARs and relevant forms and templates.

Audit teams must send the TIC paper to the following for review:

- their Engagement Quality Reviewer or Assistant Auditor-General (where an Engagement Quality Reviewer has not been appointed)
- QIP (send to Quality.Technical@audit.nsw.gov.au).

QIP will include the reviewed paper in the agenda for the relevant TIC meeting.

5.3 QIP review of IARs for modifications that do not require the Auditor-General's approval

Engagement Controllers must forward the following IARs that do not require review by the TIC to QIP (send to Quality.Technical@audit.nsw.gov.au) for review and clearance before they issue the IAR:

- EoM paragraphs relating to the special purpose basis of accounting for non-GPFS engagements where there is no IAR template for the particular engagement. The requirements for EoM paragraphs related to the special purpose basis of accounting for non-GPFS engagements is detailed in 'Procedures on engagements other than audits of general purpose financial statements'.
- OM paragraphs relating to voluntary compliance with the Corps Act. The requirements for OM paragraphs related to voluntary compliance with the Corps Act are detailed in the 'Single company and ACNC Registered Entities' and 'Consolidated company and ACNC registered entities' IAR templates
- OM paragraphs where the prior period financial statements were either not audited or a private sector audit firm audited the prior period's financial statements before the Auditor-General received the mandate to perform the audit
- EoM paragraphs where the auditee prepared the financial statements on a non going concern basis as the auditee will either be liquidated, wound up, ceases operations or ceases to exist.

When a LRCI IAR needs to be reissued, the Engagement Controller must complete the Register of LRCI reissued opinions and send the draft IAR with the OM paragraph to QIP for review. QIP will then include details of the reissued IAR in the next TIC meeting for noting.

5.4 Timing

QIP must circulate TIC papers to members three working days before each meeting.

Audit teams must provide TIC papers (outlined in Section 5.2) to QIP at least three working days before the scheduled circulation of papers, to allow QIP to review, compile and circulate the TIC papers.

Audit teams should bring any issues to TIC for discussion as early as possible in the audit cycle to allow the TIC to discuss the matter and seek the Auditor-General's approval, where appropriate. Further actions may be identified during the TIC meeting prior to a TIC recommendation or decision being made and/or by the Auditor-General before approval is given, where appropriate. Audit teams need to factor in sufficient lead time to ensure issues can be managed within relevant deadlines.

Exceptions to the above timeframes will be subject to the approval of the Executive Director, Quality, Improvement and Performance (or delegate in their absence).

5.5 TIC recommendations/decisions

The Chair of the TIC must consider all views and endorse a single view. If consensus cannot be reached, the TIC member(s) who disagrees with the TIC recommendation or decision must outline the reasons for their disagreement.

5.6 Auditor-General's approval

For matters that require the Auditor-General's approval, QIP (as TIC Secretariat) will draft a memorandum to the Auditor-General, with a summary of the matter, issues discussed by the TIC and the recommendation(s) of the TIC.

The memorandum will be sent to the Chair to confirm the TIC's recommendation before it is provided to the Auditor-General for approval. Where members of the committee have a different view from the overall view of the committee, these views shall be included in the memorandum provided to the Auditor-General.

QIP will notify the TIC members and the audit team of the Auditor-General's decision.

5.7 Record keeping

QIP must file a copy of the TIC agenda, TIC papers, minutes and the Auditor-General's approval in the Hub.

The minutes of the TIC will record the main considerations of TIC members and the Chair's views expressed when making the final decision.

QIP must maintain the Technical Issues Committee (TIC) Register. This will include matters that have been recommended to the Auditor-General and matters decided by the TIC. Where a recommendation has been made for the consideration of the Auditor-General, the register must record the decision of the Auditor-General on that matter.

The register must include whether the matter sets a precedent. Where a decision of the TIC creates a precedent, the Executive Director, Quality, Improvement and Performance, or an Assistant Auditor-General must communicate the matter to the Financial Audit Branch.

6. Administrative arrangements

6.1 Meetings

TIC meetings will be held as and when required.

At the beginning of the year, QIP will schedule the relevant TIC meetings. TIC meetings will be scheduled once weekly, with an additional weekly meeting during the busy period if required (generally August to December). Meetings that are not required will be cancelled prior to the scheduled meeting.

6.2 Induction

New members will receive relevant information and briefings from QIP (and others where necessary) on their appointment to assist them to meet their responsibilities.

6.3 Secretariat

The Chair has appointed QIP as secretariat support to the TIC. QIP is responsible for:

- scheduling TIC meetings
- ensuring the agenda and supporting papers for each meeting are circulated three business days before the meeting
- ensuring the minutes of the meetings are prepared and maintained and circulated to the TIC members within a reasonable time of the meeting (generally the next TIC meeting)
- providing the Auditor-General with a memorandum summarising the TIC recommendations for approval
- notifying TIC members and the relevant audits teams of the Auditor-General's decision
- maintaining a list of outstanding TIC actions items for the TIC's consideration
- maintaining the Technical Issues Committee (TIC) Register
- advising and providing guidance to staff on the TIC process
- maintaining confidentiality of matters discussed.

7. Review

This charter will be reviewed every two years, or earlier if organisational changes warrant an update.