

Profession

We are known for influencing auditing in Australia

We work closely with the auditing profession, commenting on draft accounting and auditing standards, and present to various forums on auditing and governance.

This helps us maintain our professional presence and influence the direction of auditing in Australia.

Professional influence

Making positive and varied contributions

28 presentations delivered to the public and the profession

Professional services

The Audit Office's Audit Support team provides technical advice on professional standards, legislation and regulations, and monitors audit quality.

Audit Support helps our financial auditors maintain their professional knowledge and keep up-to-date with latest developments. Audit Support contributes to high quality public sector financial reporting by ensuring audit staff understand, implement and apply auditing and accounting standards consistently and fairly. Audit Support reviews modifications to clients' audit opinions before they are issued, to ensure they are fair and in accordance with applicable standards.

Audit Support is seen as a leader in the profession, particularly in public sector accounting issues. Their input is sought by professional bodies, NSW Treasury and the Office of Local Government on a wide variety of financial reporting matters, policy development and legislative proposals. Audit Support also contributes to the Australasian Council of Auditors-General comments on new pronouncements.

Audit Support produces a monthly publication, 'Professional Update', available on our website. This provides commentary on emerging issues, activities of standard setters, NSW Treasury, the Office of Local Government and other central agencies, regulators and professional bodies.

In 2016–17, Audit Support continued to support and maintain our financial audit methodology 'Iris', which is based on one used by a 'Big Four' professional services firm. Iris addresses professional standard setter and legislator requirements and uses world-leading audit software. Iris targets risks to deliver effective, value adding audits. Audit Support also helps maintain a software-based solution to document and deliver performance audits.

Services to the public sector and the profession

The Audit Office aims to be recognised as a leader and expert in the auditing and accounting profession. We do this via presentations, submissions, contributions to external committees, and appearances before parliamentary committees.

We delivered 28 presentations to a variety of audiences in 2016–17, one more than in 2015–16. Twenty-two of these were to the public sector. Presentation topics included the Auditor-General's mandate in local government, principles of governing in local government, enterprise risk management and data analytics (see pages 109–110 and 112 for further details).

Submissions to professional bodies

The Audit Office contributes to the collaborative efforts of Australian audit offices by helping develop responses to professional bodies on pronouncements exposed for comment. In 2016–17, Audit Support prepared or contributed to five responses to standard setters by the Australasian Council of Auditors-General (ACAG) (see page 112 for further details).

Influencing by educating, mentoring and advising

Educating

Our staff have, for many years, been involved in determining the content of course and training modules, leading training and focus sessions and marking examination papers for Chartered Accountants Australia and New Zealand, and CPA Australia (see page 111).

Graduates employed by the Audit Office must gain membership of a professional accounting body by completing training and passing exams for a recognised Australian professional accounting qualification.

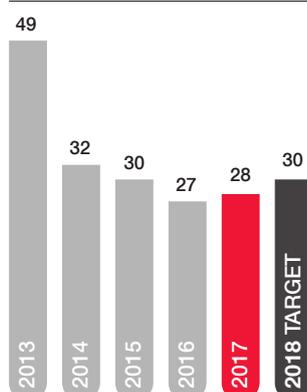
Mentoring

The Audit Office provides formal mentoring to all our candidates working towards membership of a professional accounting body. Our program achieves consistently outstanding results, providing our audit teams with well trained, high calibre professionals.

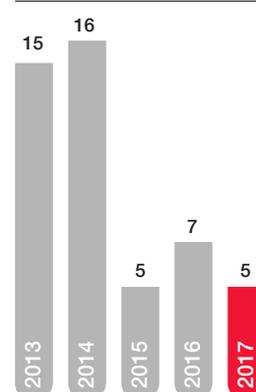
Advising

The Audit Office interacts with Australian accounting and auditing bodies, participating in their committees, research groups and working parties (see page 111). We help them better understand public sector issues. Our representatives attend roundtables hosted by the standard setters. We develop comments in conjunction with other Australian audit offices to help the boards develop standards that can be applied with equal ease in the public as well as private sectors.

Presentations delivered



Submissions made



Influencing through the Australasian Council of Auditors-General

The Audit Office is an active participant in ACAG, established in 1993 to encourage sharing and cooperation between audit offices in Australasia.

In 2016–17, the Audit Office participated in and supported various ACAG sub-groups and working parties, including:

- Financial Reporting and Auditing Committee – responsible for developing a consensus view in relation to matters exposed for comment on financial auditing, accounting and financial reporting
- Heads of Financial Audit Group – shares information between members and supports the development of effective and efficient financial auditing methods and practices by members, and oversees financial audit training
- Heads of Performance Audit Group – shares information between members and supports the development of effective and efficient performance auditing methods and practices, and oversees performance audit training
- Audit Quality Assurance Panel – seeks to enhance audit quality in Australasian audit offices, meet legal and professional requirements for quality control, and establish agreed audit quality indicators and benchmarks
- Information Systems Audit Group – a forum for exchanging knowledge and experiences in information systems audit and the use of technology as a support tool for auditors.

ACAG Performance Audit Methodology Workshop 2017

In March 2017, our new performance audit staff attended this annual training program, along with staff from other audit offices in Australia and New Zealand. This is the only training program designed specifically for government sector performance auditors. It develops knowledge of performance auditing standards and guidance for assurance engagements. The program also develops skills in applying the ACAG performance audit methodology.

Local knowledge sharing

The heads of performance audit in all Australian States and Territories meet twice a year to share ideas on performance audit topics, methodologies and better practice. Through these meetings, and subsequent liaison between audit teams in the different jurisdictions, we have helped other offices develop new audits on topics that have proved useful to them. In turn, our performance audit program has benefited from topics successfully delivered elsewhere.

ARC Chair events

We also hold events for Audit and Risk Committee Chairs who play an important role in the governance of the entities we audit. This year we hosted meetings of the ARC Chairs of State, local government and university sectors. At these meetings we shared insights from our audits, and ARC Chairs shared knowledge with, and learnt from, each other.

Feedback from participants on these events was extremely positive.

Program Evaluation event

Another knowledge sharing event we held this year was to share our insights from our Program Evaluation performance audit with members of the public sector.

Again, participant feedback on this event was very positive and we plan on holding similar events in future years.

International knowledge sharing

In 2016–17, we worked with BPK Indonesia, the Audit Board of the Republic of Indonesia, helping them transition from cash to accrual accounting and the implications of this change to their organisation. This involved the Audit Office delivering various presentations, as well as facilitating staff secondments.

We also worked closely with the Auditor-General's Office in Papua New Guinea, with staff coming to the Audit Office on secondment. These secondees had the opportunity to work with our audit teams to improve their skills and knowledge in contemporary audit techniques and methodology.

We are currently working to extend this knowledge sharing with other nations by

developing a 'twinning' relationship with the Office of the Auditor General in the Solomon Islands, which if successful will result in secondment opportunities for Audit Office staff to the Solomon Islands and vice versa. This arrangement will focus on helping the Office of the Auditor General in the Solomon Islands implement a modern audit methodology.

The year ahead

In 2017–18, we will maintain our professional presence by:

- contributing through ACAG to the development of new standards by Australian Standard setters
- being on the advisory group for the Auditing and Assurance Standards Board's (AUASB) review of the Standard on Assurance Engagements 3500 Performance Engagements
- continuing to liaise with NSW Treasury on the development and implementation of the Financial Management Transformation Program, and development of public sector accounting policy and legislation
- continuing to liaise with the Office of Local Government, councils and our contract audit agents on the Audit Office's new mandate, and development of local government sector accounting policy and legislation (see page 53 for more details on our expanded mandate)
- engaging with professional bodies about issues facing the profession, their focus areas, the public sector and the development of educational programs
- engaging with central agencies, standard setters, regulators and audit offices in other jurisdictions
- publishing 'Professional Update', the Audit Office's monthly technical update newsletter
- hosting industry events that allow us to better share insights from our audits.



Collaboration adds value

1 Auditor-General's mandate expanded to local government

In 2016–17, the *Local Government Amendment (Governance and Planning) Act 2016* gave the Auditor-General the mandate to audit NSW local government. The mandate has been extended to NSW councils as part of the NSW Government's broader local government reform agenda, which aims to create a modern system of local government with strong performing councils.

It is expected that this change will:

- support reforms aimed at strengthening governance and financial oversight in the sector
- provide greater consistency in the financial reporting and audit process
- improve financial management, fiscal responsibility and public accountability.

Since being given this new mandate, we have worked collaboratively with the sector and with accredited audit providers to ensure the arrangements we put in place are efficient and effective, and add value to our new clients and to the citizens of New South Wales.

'This is a major reform that brings New South Wales into line with most other Australian jurisdictions and New Zealand, and that will provide greater consistency and certainty across the sector. It will also ensure that reliable financial information is available that can be used to assess councils' performance and for benchmarking.'

Paul Toole, Minister for Local Government

2 Extending related party disclosures to the public sector

The extension of AASB 124 'Related Party Disclosures' to the not-for-profit sector in the 2016–17 financial year is the most significant change to the financial reporting framework in recent times. Not-for-profit agencies will collect, report and disclose related party transactions for the first time. The Audit Office will audit the completeness and accuracy of related party disclosures.

To help the NSW public sector prepare for application of the new standard, the Audit Office partnered with key stakeholders to create a better understanding of the requirements, and establish a robust process for collection and disclosure of information. Key partners included NSW Treasury, the Department of Premier and Cabinet, the Office of Local Government, the Australasian Council of Auditors-General, the Heads of Treasury Accounting and Reporting Advisory Committee and the Australian Accounting Standards Board.

To date, the Audit Office has:

- provided the Treasurer with practical examples of reportable Ministerial related party transactions and how they might be treated for disclosure purposes
- participated in discussions with key stakeholders across Australia to promote a common understanding of the requirements and their practical application
- helped central agencies understand the requirements, provide clarity about expectations, reduce unnecessary regulatory burden, and help with guidance on practical application issues
- provided feedback on Treasury and Office of Local Government's guidance, templates and frequently asked questions
- advised on auditing requirements in relation to related party risks and financial statement disclosures.

3 Financial Management Transformation

In 2016–17, the Audit Office worked closely with NSW Treasury on detailed proposals for legislative and policy reform aimed at simplifying and modernising agency management, responsibility and accountability, financial reporting, governance and performance. The reforms are being implemented by Treasury's Financial Management Transformation (FMT) team.

The Audit Office has provided comments to Treasury on key papers underpinning the reforms, been an active member of the consultation group and worked through some key proposals with the FMT team, the Crown Solicitor and the Parliamentary

Counsel's Office. The proposals aim to increase performance, accountability and transparency in the NSW public sector.

The Audit Office has provided feedback on the proposed Government Sector Finance Bill and is now working with Treasury on the content of what will become the *Government Sector Audit Act 1983*.