

VICTORIA

EXTERNAL AUDITS

The Victorian Auditor-General is mandated to be the external auditor for local governments in the State. In addition to financial audits, the Auditor-General can also undertake performance audits. The Auditor-General's Office provides the Victorian Parliament with an annual report which outlines the results of the financial audits and observations for each financial year and comments on the outcomes of the audits of council performance reports. An assessment is also made of the sector's financial performance and councils' financial sustainability.

AUDIT COMMITTEES

Councils are required to establish an audit committee as an advisory committee under the *Local Government Act 1989* (VIC). Local Government Victoria has undertaken a comprehensive review of the Act, including consideration of options to strengthen the role of audit committees.

A Bill was introduced into Parliament in May 2018 that, amongst other things, requires councils to establish an audit and risk committee with an expanded oversight of financial and performance reporting, risk management and fraud prevention, internal and external audit, and compliance with council policies and legislation. The Bill requires the committee to include a majority of independent members who collectively have expertise in financial management and risk, and experience in public sector management, and councillors. The Committee must not include a member of council staff and the chairperson must not be a councillor. The Bill also requires audit and risk committees to prepare a biannual audit and risk report.

NEW SOUTH WALES

EXTERNAL AUDITS

In 2016, the New South Wales Auditor-General's mandate was extended to conduct financial and performance audits of councils in the State. Performance audits are conducted to determine the effectiveness, economy, efficiency and compliance of NSW local entities, specific programs or broad sector issues.

The Audit Office of New South Wales provides the NSW Parliament with a 'Local Government Sector Report' to summarise broad insights and key findings from across the sector covering financial reporting, financial performance and sustainability, asset management, internal controls (including information technology) and governance, and service delivery.

AUDIT COMMITTEES

The *Local Government Amendment (Governance and Planning) Act 2016 (NSW)*, which passed Parliament in August 2016, requires councils to appoint an Audit, Risk and Improvement Committee. Councils may enter into an arrangement with another council to jointly appoint an Audit, Risk and Improvement Committee to exercise functions for more than one council, reducing costs. The Committee must keep under review the following aspects of a council's operations—



Compliance, risk management, fraud control.



Financial management, governance.



Implementation of the strategic plan, delivery program and strategies.



Service reviews.



Collection of performance management data.

Committees will also be required to provide information to the council for the purpose of improving the council's performance of its functions.

The internal audit provisions will be supported by a regulatory framework that is likely to comprise of prescription by regulation and operational guidance through guidelines. The regulatory framework will be designed to ensure that internal audit operates effectively as an internal assurance mechanism and business improvement tool, conforms with standards and best practice, is deliverable by all councils regardless of size and capacity, and is cost-effective and adds value

QUEENSLAND

EXTERNAL AUDITS

The Queensland Auditor-General is mandated to be the external auditor for councils in Queensland under the *Auditor-General Act 2009* (QLD). The Auditor-General may also conduct performance audits to examine the efficiency, effectiveness and economy of a range of important aspects of public services. The Queensland Audit Office reports on the results of local government financial audits. The report analyses the performance, position and sustainability of Queensland's local governments and evaluates the timeliness and quality of financial reporting.

The Queensland Auditor-General sets and tables in Parliament standards by which audits of public sector entities are performed. These standards are to be applied to all audits, reviews and assurance engagements undertaken by, or on behalf of, the Auditor-General. The standards set out the general standards to be applied to the conduct of audits, the selection, engagement and quality of control of the work of contract auditors, and also the extent to which auditing standards made by relevant professional or statutory bodies are to be applied in conducting audits.

AUDIT COMMITTEES

All local governments in Queensland are required to establish an efficient and effective internal audit function and establish an Audit Committee. For each financial year, a local government must—



Prepare an internal audit plan.



Carry out an internal audit.



Prepare a progress report for the internal audit.



Assess compliance with the internal audit plan.

A council's audit committee must comprise at least three but no more than six members, including at least one member who has significant experience and skills in financial matters. The audit committee of the City of Brisbane may also include up to two councillors. For all other councils, it must include a minimum of one councillor, and a maximum of two councillors.

The CEO cannot be a member of the audit committee but can attend meetings of the committee. It is also inappropriate for any person who is responsible for, or involved in, council's financial or internal audit functions to be a member. The Department recommends that at least one independent member, with relevant financial skills, is appointed to the audit committee.

Audit committees must meet at least twice each financial year and review each of the following matters—



The internal audit plan for the year.



The internal audit progress report.



The local government's draft financial statements, before they are certified and given to the Auditor-General for auditing.



The Auditor-General's audit report and observation report about the local government's financial statements.

WESTERN AUSTRALIA

EXTERNAL AUDITS

By the financial year 2020-21, all local governments will be audited by the Auditor-General. The Auditor-General will report to Parliament on the results of all local government financial audits, including details of the audits completed, information about significant accounting, control and information technology issues identified, and relevant financial ratios and other statistics.

AUDIT COMMITTEES

The *Local Government Act 1995* (WA) requires all councils to establish an audit committee to undertake the following functions—



Guide and assist the local government in carrying out its financial management functions, including audits.



Review a report given by the CEO relating to the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control, and legislative compliance—and report to the council the results of that review.



Support the auditor to conduct an audit and carry out the auditor's duties.



Oversee the implementation of any action identified in the audit report and prepare a report addressing any matters identified as significant by the auditor, and stating what action has been taken or intends to take with respect to those matters.

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the council. If a council considers it appropriate, the whole council can be appointed to the audit committee. If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

TASMANIA

EXTERNAL AUDITS

The Auditor-General is mandated to be the external auditor for councils in Tasmania under *the Audit Act 2008* (TAS). The Auditor-General may also conduct performance audits and compliance audits. Performance audits examine whether local government entities are carrying out its

activities effectively and doing so economically and efficiently and complaint audits are aimed at ensuring compliant with directives, regulations and appropriate internal control procedures. The Tasmanian Audit Office reports to Parliament on the outcomes of financial audits, including an analysis of council aggregated financial results and key sustainability indicators, an assessment of cash balances held and a comparison of actual capital expenditure against budgeted amounts.

AUDIT COMMITTEES

The *Local Government Act 1993* (TAS) requires councils to establish an audit panel. The *Local Government (Audit Panels) Order 2014* (the Audit Panel Order) sets out the minimum requirements of an audit panel to consider in a review of a council's performance, including—



Whether the annual financial statements of the council accurately represent the state of affairs of the council.



Whether and how a council's strategic plan, annual plan, long-term financial management plan or a long-term strategic asset management plan, are integrated and the processes by which assumptions under which, those plans were prepared.



The accounting, internal control, anti-fraud, anti-corruption and risk management policies, systems and controls that the council has in relation to safeguarding its long-term financial position.



Whether the council is complying with the provisions of the Act and any other relevant legislation.



Whether the council has taken any action in relation to previous recommendations provided by the audit panel to the council and, if it has so taken action, what that action was and its effectiveness.

The Order prescribes a range of functions of an audit panel that extend well beyond the financial aspects of a council. It is necessary for an audit panel to review council performance with respect to corporate governance, legislative and policy compliance, procurement activities, risk management and internal control and decision making.

Membership of an audit panel must comprise between three and five members. If the panel has 4 or 5 members, at least 2 must be independent; or if the panel has 3 members, at least one must

be independent. The Chair must be an independent person, and members may be appointed for a period of one to four years, and can be reappointed once their term expires. In appointing an independent person as a member, the council is to ensure that the person possesses good business acumen and sound management and communication skills, and may take into account other relevant knowledge, abilities and skills of the person including, but not limited to knowledge and expertise in the areas of audit practices and financial management, knowledge and experience in relevant industries, and experience with governance processes including, but not limited to, risk management.

Audit panels must meet a minimum of four times each financial year.

NORTHERN TERRITORY

EXTERNAL AUDITS

Like South Australia, councils are audited by private sector auditors in the Northern Territory.

AUDIT COMMITTEES

The *Local Government (Accounting) Regulations* require councils to establish an audit committee to monitor compliance by the council with proper standards of financial management and compliance by the council with those regulations and the Accounting Standards. The Department of Local Government and Regions issues general instructions pursuant to regulation 7 of the Regulations. The Audit Committees General Instruction provides that the composition of an audit committee should ideally comprise of at least three members and that the chairperson must not be a member of the council or a member of the council's staff. The audit committee should have the relevant skills and knowledge of council and an understanding of its finance and governance arrangements, however, there is no mandated requirement for audit committee members to be formally qualified in accounting or a related field.