

Western Australian Auditor General's Report



Western Australian Public Sector Audit Committees – Better Practice Guide



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**Office of the Auditor General
Western Australia**

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

**Western Australian Public Sector Audit
Committees – Better Practice Guide**



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

**WESTERN AUSTRALIAN PUBLIC SECTOR AUDIT COMMITTEES – BETTER PRACTICE
GUIDE**

This report has been prepared for submission to Parliament under sections 23(2) and 24(1) of the *Auditor General Act 2006*.

Better practice checklists regularly feature in my Office's performance audit reports as a means of providing guidance to help the Western Australian public sector perform efficiently and effectively. This is the first comprehensive stand-alone better practice guide we have produced.

While prepared primarily as a resource for audit committees in State and local government entities, it also provides Parliament with further insight on the significant role public sector audit committees play in supporting quality public administration.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
25 June 2020

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Auditor General's overview

Audit committees play a fundamental role in assisting directors general, councils and boards to fulfil their governance and oversight responsibilities. They are not a substitute for good management and controls. Instead, they help provide advice and independent assurance to the accountable authority on how effective these controls are.



The purpose of this guide is to provide better practice principles and guidance to accountable authorities, audit committee members and senior managers with responsibility for audit committee activities. We have drawn from our experience in interacting with audit committees at State and local government entities, as well as guidance from the Institute of Internal Auditors and other jurisdictions.

WA public sector entities range in size and complexity. Service delivery, rigorous compliance requirements and the ability to attract and retain skilled, qualified and experienced staff can be a challenge. To assist smaller entities to address these challenges, we have included some specific guidance to help them implement simple, yet effective practices to strengthen the effectiveness of their audit committees. There is also a toolkit in part 6 of the guide with useful resources for all entities.

Maintaining a strong ethical organisational culture is important in promoting excellence and efficiency in public service delivery, as well as minimising the risk of fraud and corruption. Failures in governance and integrity are all too common across sectors and jurisdictions, and recent inquiries into the finance sector have highlighted the important role that audit committees play in challenging management and holding them accountable. Poorly governed entities often have common characteristics, including a lack of an accountability culture that can be evident in such areas as long overdue internal and external audit recommendations. By ensuring that management promptly address weaknesses identified in internal and external audits, and by rigorously overseeing internal audit, risk management and compliance functions, audit committees can help to establish the right tone and culture within entities.

The guide provides principle-based guidance for State and local government entities in Western Australia. We recognise that the specific legislative and regulatory requirements for State and local government entities are different, and it is therefore difficult to have a 'one-size-fits-all' approach for better practice guidance. Entities need to consider their relevant legal and regulatory requirements as well as operating environment when using this guide.

It has been pleasing that the importance of public sector audit committees has been elevated recently, which included the introduction of a revised Treasurer's instruction for audit committees in State government entities. While our guide is not mandatory or intended to be a prescriptive list of requirements, I hope that it serves as a useful resource for entities in assessing and improving their audit committees for the benefit of the Western Australian community.

Part 1: Introduction

Audit committees are an essential part of an entity's governance framework. They provide independent advice and assurance to accountable authorities on systems of risk management and internal control, and financial and performance reporting. (Figure 1).

All State and local government entities in Western Australia are required to establish an audit committee that is independent from management influence, a fundamental element of effective audit committees. If they are not independent, objectivity may be compromised, making it difficult for them to perform their oversight roles.



Source: OAG

Figure 1: Scope of audit committee oversight responsibilities

1.1 About this guide

This guide provides better practice principles and guidance on common key challenges that audit committees face.

The guide consists of six parts:

Part 1: Introduction outlines the purpose of the guide and explains the lines of defence model.

Part 2: Key challenges to building effective audit committees provides insight into the key challenges faced by audit committees based on our observations from attending a wide range of Western Australian public sector audit committees.

Part 3: Principles for better practice audit committees outlines core better practice principles for our State public sector audit committees based on guidance from the Institute of Internal Auditors Australia (the IIA). These principles are as follows:

Principles for Better Practice Audit Committees	
1.	Membership: Members have the right experience and leadership skills to be trusted independent advisors.
2.	Role and Responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.
3.	Professional Practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.
4.	Performance and Accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.
5.	Entity Relationships: The audit committee is a trusted, independent partner.
6.	Governance and Reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.

Part 4: Guidance for audit committee fees outlines information to guide fee arrangements for external audit committee members.

Part 5: Guidance for smaller entities provides practical measures that smaller entities could apply to build effective audit committees with limited resources.

Part 6: Toolkit includes a comprehensive compilation of templates and checklists which can be used to help develop effective audit committees.

Throughout the guide, we have used the term 'accountable authority' to collectively represent:

- for State government entities, the Director General, Commissioner, Board, or other person responsible for the direction and control of the entity as defined in the *Financial Management Act 2006* or relevant legislation
- for local government entities, Councils. This reflects the direct reporting relationship between the audit committee and Council under the *Local Government Act 1995*. However, it is important to note that the Chief Executive Officer (CEO) has some responsibilities under the Act, including financial reporting, which instead rests with the accountable authority in State government entities.

We have also used the term 'audit committee' to represent all public sector audit-related committees. Within the public sector, there is a wide range of names for audit committees, such as, Audit and Risk Committees.

1.2 Who should use this guide

While we have tailored this guide for public sector entities in Western Australia, the principles and practices outlined in this guide generally apply to all audit committees.

This guide is suitable for members of audit committees, accountable authorities, CEOs, chief audit executives and senior managers with responsibility for audit committee activities, as well as those who are accountable to an audit committee.

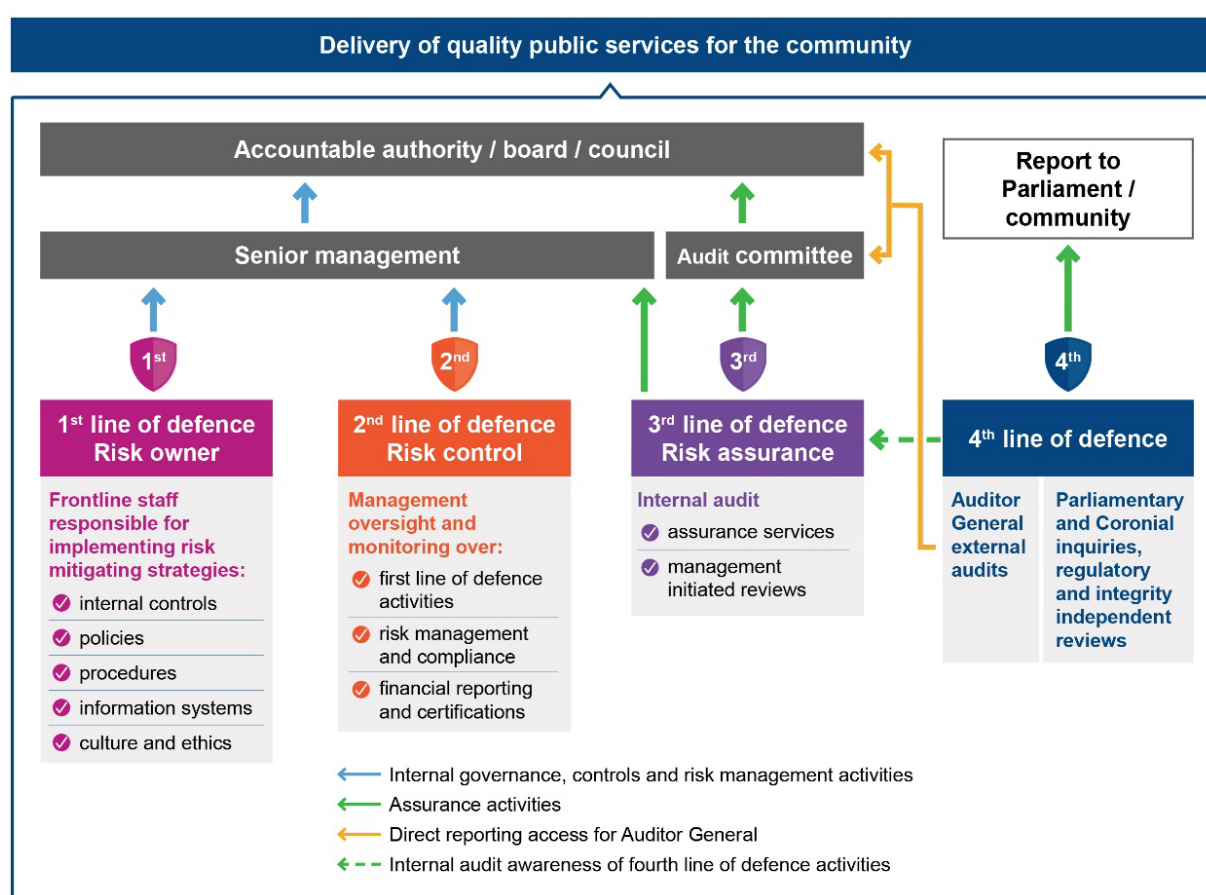
1.3 Lines of defence model

The lines of defence model is a visual representation of the different mechanisms (defences) which all work together to manage risks and ensure that controls are implemented and effective. It helps to provide a coordinated approach for managing entities' risks.

All entities regardless of their size and complexity should establish a good understanding of their risks and four lines of defence.

The lines of defence model typically identifies the 3 lines of defence within the entity. However, external auditors, regulators, parliamentary committees and other integrity bodies also provide important information and assurance on the implementation of controls within an entity. We have referred to these entities as the fourth line of defence.

Figure 2 below illustrates the activities for each line of defence and the general flow of communication between each of the bodies.



Source: OAG

Figure 2: WA public sector four lines of defence model

To apply the model, entities need to understand and assess business activities performed by each line of defence. This is often referred to as 'assurance mapping'. This mapping helps the accountable authority, audit committee and management to understand whether there are any gaps in assurance activities that manage key risks or whether there is duplication of effort. This can help inform the internal audit program, improve efficiency and assist the audit committee in their oversight responsibilities.

1.4 Acknowledgements

We would like to express our appreciation to the public sector entities and their staff and individual audit committee members and Chairs for sharing their valuable insights. In particular, a number of stakeholders, experienced in governance and accountability roles, willingly shared their views and suggestions for this guide. We highly valued and appreciated their input, guidance, advice and time.

In addition, we would like to thank the Institute of Internal Auditors - Australia (and Global) and the Australian National Audit Office who allowed us to use their resources to inform our guide.

Part 2: Key challenges to building effective audit committees

2.1 Establishing and maintaining effective relationships between the three governance parties

High functioning audit committees rely on strong working relationships between the accountable authority, the head of internal audit (the chief audit executive) and the audit committee (Figure 3). To support effective governance of an entity, the communication between them needs to be open, transparent and built on a relationship of trust.

Source: OAG

Figure 3: Relationships between the three governance parties



Roles and responsibilities of governance parties

Accountable Authority is responsible for establishing an effective audit committee and internal audit function¹ which is suitable for the entity. The accountable authority relies on the audit committee to provide independent oversight over the governance of financial and non-financial activities.

Chief Audit Executive is the head of internal audit within an entity. To maintain their independence, the Chief Audit Executive (CAE) should not perform key management duties. For example, the Chief Finance Officer should not take on the role of CAE.

For local government entities, responsibility for the internal audit function rests with the CEO, who also reports to the audit committee and council. Given that it is important for internal audit to be independent from management, it is good practice for the CAE to also have a direct line of communication to the audit committee (a functional reporting relationship).

To be effective, the Chief Audit Executive needs to be of a sufficiently senior level and respected by management as a key contributor to good governance and entity outcomes. This means that they need to be aware of current initiatives and activities within the entity, be suitably qualified, have open access to senior management and the accountable authority and adequate resources to carry out internal audits and support the audit committee.

While entities can use different models for their internal audit services (in-house, co-sourced or fully outsourced), it is critical that the entity appoint a CAE who is responsible for the internal audit function. This role should be performed by a capable and respected professional internal to the entity, even if all internal audit services are outsourced. The roles and responsibilities of the CAE should be documented and formally approved in the Internal Audit Charter.

Audit Committee provides independent advice and assurance to the accountable authority over the entity's systems of risk management and internal control, and financial and performance reporting. It consists of a group of members who support the accountable authority to instil strong control and risk practices within the entity by overseeing and probing

¹ For State entities only, refer to section 53(1)(d) of the *Financial Management Act 2006*.

activities relating to governance, control, risk management and compliance. The audit committee does not, and should not, hold formal decision-making powers. Rather, it relies on the skills and expertise of members to obtain sufficient appropriate information, through the CAE and internal auditors as their “eyes and ears”, as well as reports from management and external auditors and advisers.

For local government entities, the role of audit committee is prescribed by the *Local Government Act 1995* and Local Government (Audit) Regulations 1996. They do not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and they do not have any delegated financial responsibility. The committee does not have management functions and cannot involve itself in management processes or procedures.

Key aspects for effective relationships between the governance parties

Supporting the independence of the CAE

The accountable authority and audit committee must take an active role in promoting the independence of internal audit and protect them from pressure from senior management. There are some cases where the accountable authority and audit committee need to increase their support for the CAE. For example, if management seeks to limit internal audit activities and scope, takes an overly defensive attitude towards audit findings, attacks the credibility of the CAE or fails to respond to audit enquiries and recommendations.

The audit committee needs to receive and request the right information

The audit committee may struggle to effectively perform its duties if it does not receive or request the right information. The committee needs to know what information to “pull” from internal audit and the CAE needs to know what information to “push” forward to the audit committee. To establish this flow of information, there must be strong working relationships between the audit committee and CAE and an understanding of what information both parties need.

It is important that the audit committee and CAE are clear about the expectations of internal audit. Having clear expectations about the content, format and frequency of internal audit reports and other reporting is crucial to having an effective relationship.

A good example of this is the CAE and audit committee Chair working effectively together, where possible, to establish an agenda for the audit committee meeting. The agenda should not be set by one party in isolation. Instead, the Chair needs to be comfortable obtaining information from the CAE to inform and direct the meeting. Similarly, the CAE needs to be confident in raising matters or concerns with the Chair and helping to guide the agenda and discussions.

Figure 4 provides some practical examples of common challenges faced by entities and how the 3 governance parties can work together to overcome the challenge.

Better practice activity	Example scenario
Timely and open engagement with the audit committee on an emerging issue	The entity is subject to a cybersecurity attack and activates its incident response plan. As part of the response, senior management writes to the Chair of the audit committee to inform them of the breach and to seek their input on management’s planned response. At the next audit committee meeting, management provides an update on the incident and key decisions and outcomes agreed by management as part of their regular reporting on cybersecurity incidents. The audit committee evaluates risk management actions and internal audit plans based on this information.

Better practice activity	Example scenario
	The timely and open discussion at the audit committee meeting provides additional independent assurance to the accountable authority that the measures the entity took to address the major incident are sound and based on informed decisions.
Treating the CAE as a trusted partner	<p>A senior executive decided not to implement recommendations from an internal audit on project management because the project was completed. The senior executive sought the accountable authority's approval to close the recommendations, without seeking input from the CAE.</p> <p>The accountable authority then checked whether the CAE was consulted on the decision. When the accountable authority became aware that the CAE was not consulted, the accountable authority sought advice from the CAE prior to deciding on the matter. The accountable authority reminded senior executives of the need to engage with the CAE when considering internal audit recommendations.</p>
CAE reporting directly to the audit committee and accountable authority	<p>The CAE administratively reported to a senior executive who was trying to limit the scope of an internal audit in the executive's area, without informing the audit committee.</p> <p>The CAE reminded the senior executive that they also need to report to the accountable authority and audit committee. The CAE raised the matter with the Chair of the audit committee and accountable authority and sought their advice. The accountable authority informed the executive team about the independence of internal audit, and allowed the CAE and audit committee to determine the scope of the internal audit to obtain the necessary assurance on priority risks.</p>

Source: OAG

Figure 4: Examples of effective relationships between the governance parties

2.2 Getting the right balance of skills and experience

It is essential that audit committee members have the right experience, personal qualities and independence to effectively perform their duties.

Independence is key

Having independent audit committee members who are free from management oversight and responsibility will help to bring an objective perspective and fresh insights to audit committee discussions. Audit committees that fully or predominately consist of senior management members will have difficulties in setting aside their management responsibilities to perform their oversight role. While local government entities and statutory authorities have a natural division between those charged with governance and management, this is not the case for State government departments.

Changes to Treasurer's Instruction 1201: 'Internal Audit' (TI 1201), in 2019 have strengthened the independence of audit committees. All State government entities subject to the Treasurer's instructions are required to have an audit committee Chair who is not employed by the entity and is suitably qualified. The guidelines in TI 1201 also recommend having a majority of members who are free of management responsibility and oversight.

For local government entities and statutory authorities whose audit committee members comprise of selected

The audit committee Chair plays an important role in leading and guiding discussions at audit committee meetings. The Chair should be independent, and have the right interpersonal skills to guide discussions on complex and sensitive matters.

board or council members, having at least 1 appropriately skilled audit committee member who is completely independent of the board or council can bring fresh insight or bridge gaps in the experience needed by the audit committee to perform their duties.

While the Director General or CEO should not be a member of the audit committee, it is important that they can attend meetings as an observer to provide context on important issues impacting the entity where useful or necessary, preferably meeting with the committee at least annually.

Collective expertise that is relevant to the entity

The audit committee must collectively have the knowledge, skills, qualifications and experience to perform its functions. As a minimum, the committee should comprise members with financial, risk management and relevant public sector or industry experience. Having a broad range of members from differing backgrounds helps to bring diverse perspectives to important issues and minimises group-think. Members should have senior governance and leadership experience in operating environments similar in complexity to that of the entity the audit committee is overseeing. Familiarity with the public sector environment of heightened probity, transparency and accountability is essential. If a new member does not have demonstrated experience working in or with the public sector, they must at all times fully inform themselves of their obligations and those of the entity. In these circumstances, induction and ongoing mentoring by the CAE, Chair and other members is important to support their contribution to committee effectiveness.

The skills and capabilities needed can vary over time, and will vary depending on the nature of the entity's activities. For example, if the entity is undergoing significant changes to information systems, the accountable authority may wish to consider appointing a member with IT operations or project leadership experience. Alternatively, audit committees can also use specialists or experts to help in the discussion of complex matters.

Leadership and interpersonal skills

Members, and in particular the Chair, need the right leadership and interpersonal skills to make committee meetings effective. Members need to feel confident to respectfully and, where necessary, persistently probe management, and to make useful contributions throughout the meeting. Much has been written on the qualities that make an effective committee member and these are relevant to public sector audit committees, recognising that public sector audit committees do not have decision-making authority or formal governance responsibility.

The committee needs at least three members

There is no specific number of members for a strong effective audit committee. However, audit committees should have at least 3 members². In determining the appropriate number of members, the accountable authority should consider what skills and experience is required based on the nature of the entity and its operations. Too few members may mean the committee does not have the extent of experience and knowledge to make informed decisions, and too many members may hinder robust discussion and debate.

Large complex State entities may choose to consider whether it is appropriate to establish the role of special advisers to the audit committee, within their charter. Senior managers appointed as special advisers participate like other audit committee members, but do not have formal membership status or 'voting' rights. They are there to provide operational context and detail to the committee. This is particularly important for audit committees

² For State entities refer to Treasurer's instruction 1201: 'Internal Audit' guidelines. For local government entities refer to section 7.1A of the *Local Government Act 1995*.

comprising mainly external members. These senior executives gain a valuable professional development opportunity from working closely with the committee, who are often senior governance professionals, and the opportunity to view their organisation from an oversight perspective.

2.3 Enabling robust discussions at audit committee meetings

Robust and respectful discussions between the audit committee, management and auditors are essential to good audit committee outcomes. It is important that the secretariat and CAE spend sufficient time planning audit committee meetings to facilitate these important discussions and achieve required outcomes.

Merely providing data/information versus delivering clear messages

Overwhelming the committee with data or information is unlikely to result in effective meetings and discussions. Information must be meaningful and fit for purpose. The CAE role in the audit committee meeting is more than simply gathering and transmitting information between management and the audit committee. The CAE should apply their professional expertise to deliver clear messages for audit committee deliberations. This is particularly important when the internal audit function is outsourced, as the CAE needs to ensure that the information meets the needs of the entity. Summary papers, which succinctly explain the issue and actions for the audit committee, are a good way to achieve this.

Having the courage to challenge

A good indicator of an effective audit committee is whether management feel that they have been appropriately challenged during audit committee discussions. This requires courage from members to question and probe management when necessary. Members should not take management assertions at face value, they should ask probing questions to ensure that the issue is not more significant than they are led to believe, or to make sure that a management action has actually been performed.

When management attend audit committee meetings, they should be prepared to answer challenging and difficult questions from audit committee members.

“Show me, don’t tell me”

Audit committees will need a level of evidence for assertions made by management, particularly around implementation of audit and review recommendations. They should be prepared to request from management all documentary information that the committee reasonably requires to satisfy themselves that key risks have been appropriately managed. The rigour and openness around evidencing management actions provides the audit committee insight into organisational culture and the commitment to accountability and transparency.

Having open discussions

Due to the advisory nature of the audit committee, they need capacity to discuss other matters which may not be included in the formal agenda. The agenda should allow for open discussion on other matters, as well as closed sessions with the CAE, internal audit teams or Office of the Auditor General (OAG). This will provide an opportunity for members to consider other matters which they would like to discuss and clarify.

2.4 Being aware of all assurance activities

It is vital that the audit committee has a sound understanding of the entity's assurance activities overall, as this provides valuable insights and direction to internal audit for its work program.

Assurance mapping can help to identify all assurance activities to ensure that the proposed internal audit plan focuses on areas where assurance is most needed.

When developing an internal audit plan, the committee should consider the following question:

'Is internal audit providing assurance on high risk activities, and considering where there are gaps in assurance?'

Using the fourth line of defence

Entities that use the fourth line of defence (external assurance) will be in a better position to coordinate their assurance activities. Having a complete picture of other assurance activities performed by the OAG, regulators or oversight committees, can help to identify gaps in assurance or potential risk exposures.

The audit committee should be aware of all external assurance activities, including OAG performance and focus audits and reports by other regulators or committees. Some examples of good practice behaviours we have observed at audit committees include:

- tracking and following-up the implementation of findings from OAG performance audits conducted within the entity
- performing self-assessments using the better practice information included in OAG focus and performance audits, and reporting the results back to the audit committee
- including the OAG audit committee briefing paper as part of meeting papers. This paper provides a regular snapshot of recently completed audits and audits in progress
- having a standing agenda item on fraud which provides a summary of relevant points from recently tabled Corruption and Crime Commission, Public Sector Commission or Parliamentary reports, or recent media coverage on fraud.

Understanding important financial reporting matters

Audit committees have an important role in overseeing financial and performance reporting within the entity. To perform this role effectively, it is critical that the audit committee has at least one member with a sound level of organisational-scale financial literacy.

Audit committee responsibilities for financial and performance reporting include reviewing financial statements and key performance indicators (State government entities) and recommending them for signature by the accountable authority, engaging with the OAG auditors during the financial audit, and reviewing and overseeing key controls related to financial reporting. It is a good idea to incorporate these reviews into the audit committee's annual work plan.

Best practice audit committees typically receive briefings on important matters or issues impacting risks, controls, financial and non-financial reporting. Figure 5 provides an example of how to report important control matters to the audit committee.

In order to review and endorse financial statements, audit committees need complete and accurate information about changes in accounting standards, accounting policies, judgements, estimates and errors.

Reporting a significant control matter to the audit committee

If an entity became aware that there was a significant payroll error or inappropriate use of a purchasing card, even if the amount in question was immaterial in value for the financial statements, such a matter would always be considered material in nature due to it representing a significant control breakdown or fraudulent activity.

In addition to reporting the matter to the Director General or CEO, the chief finance officer (CFO) would discuss the matter with the CAE and initially advise the Chair of the audit committee of the error and the actions taken or proposed to resolve it. The CFO should also raise the matter with the OAG financial audit team.

For the next audit committee meeting, the CFO and CAE should prepare a briefing for the committee on the matter, the likely impact and the actions taken or needed to correct the issue. The audit committee would consider the impact of the matter on risk assessments, external reporting and planned assurance activities. The committee would invite the CFO and representatives from human resources to the meeting to discuss the matter and obtain confidence around actions and improvements.

The committee would follow up to make sure control weaknesses were appropriately addressed and outcomes of any relevant investigations, disciplinary processes or referrals to integrity agencies.

Source: OAG

Figure 5: Advising the audit committee of significant control matters

Sharing information between the lines of defence

Management, in both the first and second lines of defence, frequently organise reviews and audits to assess maturity of their environment and identify business improvement opportunities. It is important that these activities are captured and shared with the CAE to help inform assurance mapping and allow for consolidated reporting of assurance activities to the audit committee.

Visibility by the audit committee on management-initiated reviews helps to understand areas of risk management concern for management, systemic issues requiring improvement, and allows monitoring to ensure that internal auditors are not being used excessively by management and thus impairing their independence.

A central register for management reviews is useful to provide timely and collective information of past and current activities to improve controls and business performance.

2.5 Seeking assurance on organisational culture

Even though the culture of an entity cannot be seen, it is a fundamental part of strong governance (Figure 6).

Forward thinking accountable authorities and audit committees strive to maintain a sound culture within the entity to protect it from breakdowns in controls or fraud.



Source: OAG

Figure 6: Factors that contribute to a healthy organisational culture

Internal audit is in a good position to assess culture

Despite culture being a complex area to audit, internal audit is in a good position to provide assurance to the audit committee on it.

Culture auditing involves evaluating factors that influence behaviour and attitudes (soft controls) and examining hard evidence such as policies and employee surveys. Internal audit can assess culture in many ways. They can perform a specific audit covering culture, embed consideration in all potential internal audits, provide a general observation on culture in all audit reports or use it in root cause analysis for audit findings.

To embed culture into assurance practices, the 3 governance parties should:³

- give internal audit a clear mandate to audit entity culture and include the requirement in the internal audit charter
- set the right tone and demonstrate expected behaviours among others by practicing, measuring and assessing the culture of compliance with policies, procedures and controls
- understand the entity's culture risks including signs of negative leadership styles (autocratic, narcissistic, secretive, hypocritical, deflecting)
- observe culture indicators while performing internal audits
- have candid discussions on culture matters, e.g. being comfortable to talk about 'gut feel' and subjective judgements
- use a mapping tool to understand and assess the entity's culture and identify improvement opportunities. An example of such a tool is The Cultural Web⁴.

Do you know your culture indicators?
They include:

- trust
- openness
- honesty
- values
- behaviours
- leadership
- ethics.

Reporting culture to audit committees

Reporting to the audit committee about culture can be daunting for CAEs. Auditors typically like using hard, objective evidence to support findings. However, auditing organisational

³ *Organisational Culture: Evolving Approaches to Embedding and Assurance*, the Chartered Institute of Internal Auditors UK.

⁴ *The Cultural Web* is a tool used to map the culture of organisation, developed by Gerry Johnson and Kevan Scholes.

culture involves looking at soft indicators based on subjective judgements. To assist with this, internal audit can use metrics to support culture reporting. These are included in Figure 7⁵.

Objective metrics

Employee survey results, complaints, frequency and nature of legal issues, turnover statistics, frequency of repeat audit findings, frequency of large projects failing, timeliness and effectiveness of corrective actions, whistleblowing reports, loss events, compensation claims.

Subjective metrics

Lack of open communication (caused by fear, lack of trust, or information hoarding), excessive focus on short-term results, chronic grumbling by employees, gossip and rumours that lead to repercussions, 'my way or the highway' management approach that inhibits input and healthy debate, competition to get ahead rather than cooperation, lack of accountability from senior management.

Source: Institute of Internal Auditors Australia

Figure 7: Metrics for auditing culture

Audit committees and internal auditors should feel comfortable discussing aspects of culture. These include receptiveness by managers to scrutiny, the extent to which line areas view audit as a continuous improvement opportunity and management's general understanding of accountability and probity obligations in the public sector. Discussions of this nature may be more constructive during the routine closed-door sessions between independent committee members and auditors, without management present.

⁵ The Institute Internal Auditors *Auditing Culture: Observation and Data*, article by James Roth.

Part 3: Principles for better practice audit committees

The following section outlines better practice principles for public sector entity audit committees. These principles are based on the IIA's six key elements of effective audit committees which they use in their maturity model. The requirements for State and local government entities can be different, and entities should adapt these principles accordingly.

1. Membership: Members have the right experience and leadership skills to be trusted independent advisors.	
<p>1.1 Members are independent:</p> <ul style="list-style-type: none"> The audit committee has an independent external Chair. Members are independent from the day-to-day management of the entity. This may not always be possible, but we recommend that the majority of members are independent of management. The Director General, CFO or CEO are not members of the audit committee. However, they may attend meetings as observers or advisors. <p>1.2 The Committee has the right number of members:</p> <ul style="list-style-type: none"> The committee consists of at least 3 members. For entities with boards/councils, the audit committee acts as a sub-committee and is not the entire board/council. We recommend a maximum of 5 members. <p>1.3 Members have the right skills and experience:</p> <ul style="list-style-type: none"> All audit committee members and the CAE are formally appointed by the accountable authority. As a collective group, members have the right skills, experience and knowledge to competently perform their duties. At a minimum, the committee should comprise of members with financial, risk management and relevant industry or public sector experience. The independent Chair should have the right interpersonal and leadership skills to effectively run the committee. An understanding of financial and other reporting requirements is also important. For State entities, the Chair should have membership in a professional accounting body or the IIA, or appropriate financial experience. 	<p>1.4 Membership terms are appropriate:</p> <ul style="list-style-type: none"> Members are appointed for a minimum term of at least 3 years. To ensure that the committee has fresh insight and perspective, we would not recommend exceeding a term of around 6 years. The accountable authority can terminate committee members for poor performance. Appointments are staggered where possible to ensure continuity and clear succession for the audit committee Chair. <p>1.5 Members receive a formal induction:</p> <ul style="list-style-type: none"> The entity has a formal induction process for members that includes an information briefing, site visits (where relevant) and discussions with the CAE and accountable authority, including around the applicable legislative framework, probity, transparency and accountability obligations and expectations. The Chair meets with new members to provide an overview of the committee and outline member expectations. <p>1.6 The committee has access to external auditors:</p> <ul style="list-style-type: none"> The committee requests an external auditor to attend meetings as an observer. <p>1.7 The Committee can seek advice when needed:</p> <ul style="list-style-type: none"> The audit committee charter allows the committee to obtain expert advice when needed. The committee uses existing expertise within the entity to provide briefings on emerging risks, issues or matters which can help improve the member's understanding of the entity.

2. Roles and responsibilities: The roles and responsibilities of the audit committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.

2.1 Roles and responsibilities are clearly documented in the audit committee charter:

- The audit committee charter clearly defines the independence, accountability, role and responsibilities and reporting arrangements for the committee.
- The roles and responsibilities of the committee are consistent with legislated power and duties.
- The internal audit charter aligns with the audit committee charter.

2.2 Audit committee roles and responsibilities allow for comprehensive oversight:

- The charter clearly outlines the committee's responsibility for overseeing governance, risk management, internal controls and compliance.
- The audit committee functions include overseeing activities that help entities achieve their strategic objectives.
- The charter allows the audit committee to consider innovation and improvement ideas.
- The committee's charter allows it to monitor emerging risks and business practices.
- Where controls are managed by another entity under a shared service arrangement, the audit committee has a process to obtain comfort from the service provider that the controls are operating effectively. For example, the service level agreement or memorandum of understanding for the arrangement allows the entity's audit committee to request appropriate assurance from the service provider.
- Arrangements for shared audit committees or internal audit functions are clearly documented in the audit committee charter (if applicable).

2.3 The audit committee charter is appropriately approved and regularly updated:

- The audit committee and accountable authority formally approve the audit committee charter.
- The audit committee review and update the audit committee charter annually.

- The CAE monitors changes in practice (e.g. changes in the Institute of Internal Auditors' Professional Practice Framework (IPPF)) or other legislative or regulatory changes and suggest amendments to the committee as appropriate.

2.4 Audit committee members seek to continuously improve their skills and understanding:

- The CAE provides the committee with regular information on trends and emerging issues relating to governance, risk and compliance.
- Audit committee members endeavour to maintain current and relevant knowledge by seeking additional information where required. For example, requesting information from management about a particular function performed by an entity or by attending staff training on governance matters.

2.5 Members are aware of legislative and regulatory requirements, standards and guidance:

- Members are aware of all regulatory requirements, standards and guidance relevant to the entity. Four important requirements include:
 - State Financial Framework - Financial Administration Bookcase, including Treasurer's instruction 1201: 'Internal Audit' for State government entities
 - *Local Government Act 1995* and associated regulations
 - Requirements of effective internal audit functions as prescribed by the IPPF
 - Entity-specific legislation and regulatory compliance obligations. This can be found in the entity's annual report.

2.6 The committee does not make management decisions:

- The Audit Committee does not, and cannot, get involved in the day-to-day decision making by the entity. The committee can provide advice on important matters, but the responsibility for approving decisions must rest with the accountable authority or the CEO.

3. Professional practices: The audit committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.	
<p>3.1 Conflicts of interest are considered and managed:</p> <ul style="list-style-type: none"> • Potential new members are required to declare any actual or perceived conflicts of interest. • Processes for declaring and managing conflicts of interest are included in the audit committee charter and the service agreement (where relevant) for audit committee members. • Members declare any conflicts of interest at the start of each meeting. <p>3.2 Meetings are regularly scheduled and include private sessions with important stakeholders:</p> <ul style="list-style-type: none"> • The audit committee meets at least four times a year, with capacity to meet at other times when necessary to perform a function (such as reviewing the financial statements and key performance indicators). • The CAE regularly meets with the audit committee privately to discuss issues, management attitudes and risks. • During the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present. This provides a frank and open opportunity for the auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of. • The audit committee schedules private meetings with the accountable authority from time to time. 	<p>3.3 Key activities are scheduled in a forward work plan:</p> <ul style="list-style-type: none"> • Key activities of the audit committee are planned and scheduled in a forward work plan. • CAEs monitor the forward work plan to determine what information and support the audit committee might need. <p>3.4 Members attend all meetings where possible:</p> <ul style="list-style-type: none"> • Meetings are scheduled in advance to facilitate 100% attendance of audit committee members. <p>3.5 Members share responsibility and act independently:</p> <ul style="list-style-type: none"> • Audit committee members function as a collective advisory group and share responsibilities equally. • All members maintain their independent stance at all times, even if they are not independent of management.

4. Performance and accountability: The audit committee is aligned with the entity's strategic outcomes and is accountable for its performance.	
<p>4.1 The audit committee has mechanisms to assess its performance:</p> <ul style="list-style-type: none"> The charter outlines expectations of the audit committee and includes processes to monitor and measure performance. These can include an annual self-assessment and regular independent reviews of the audit committee. <p>4.2 Meeting minutes are prepared and distributed to members quickly:</p> <ul style="list-style-type: none"> Meeting minutes are distributed to members within the agreed timeline in the audit committee charter. A 2-week timeframe is commonly used in practice. <p>4.3 Attendance is monitored:</p> <ul style="list-style-type: none"> The CAE or secretariat monitors attendance by audit committee members and implements alternative measures (e.g. virtual meetings) where necessary. The charter clearly outlines the minimum number of members for a quorum. The CAE or secretariat actively monitor whether there will be a quorum and reschedule the meeting if necessary. <p>4.4 Action items are followed-up and addressed promptly:</p> <ul style="list-style-type: none"> Any action items arising from audit committee meetings are recorded and promptly distributed to the responsible officer for actioning. The implementation of action items is monitored and evidenced. The audit committee papers include a standing agenda item on the status of action items. There should be enough information in the papers to allow the audit committee to understand the nature of actions taken to date and the real reasons for any delays. 	<p>4.5 The committee has unrestricted access to the governing body and senior management:</p> <ul style="list-style-type: none"> The audit committee charter allows the audit committee to access the Board, Council, CEO and senior management where necessary to discuss important matters. <p>4.6 Annual self-assessment by members:</p> <ul style="list-style-type: none"> The audit committee performs an annual self-assessment to ensure it is operating effectively. The committee seeks feedback from observers from time-to-time to inform this assessment. <p>4.7 Periodic, independent assessment of committee performance:</p> <ul style="list-style-type: none"> There is an independent assessment of the audit committee periodically (e.g. every 3 to 5 years) in conjunction with the independent assessment of the internal audit function. <p>4.8 The committee models the values and desired culture of the entity:</p> <ul style="list-style-type: none"> The audit committee demonstrates the right tone and culture for the entity. For example, holding management to account for delays in implementing actions is one way to set a good tone within the entity. Committee members adhere to the entity's code of conduct. For example, members keep information confidential and conduct themselves in a professional and respectful manner. <p>4.9 Activities are aligned to the strategic mission of the entity:</p> <ul style="list-style-type: none"> The committee understands the entity's strategic plan and direction and reflects on this when discussing the internal audit plan or risks.

5. Entity relationships: The audit committee is a trusted, independent partner.	
<p>5.1 There are regular meetings to build and maintain effective relationships:</p> <ul style="list-style-type: none"> • The audit committee Chair regularly meets with the accountable authority. • The accountable authority sees the audit committee as a strategic partner and communicates with the Chair openly. • The accountable authority shares important information about issues or risks openly with the audit committee, and meets with the committee at least annually. <p>5.2 The committee obtains information from executive management:</p> <ul style="list-style-type: none"> • The audit committee receives regular briefings from executive management on key matters related to their operations. For example, information on significant projects, long outstanding audit recommendations or emerging risks. • Senior management use the collective experience and wisdom of the audit committee to guide their actions on important matters. 	<p>5.3 The committee uses expert advice where necessary:</p> <ul style="list-style-type: none"> • The audit committee accesses external expert advice when needed to support their deliberations. For example, the audit committee may wish to obtain independent legal advice to help them understand a significant issue raised in an internal audit report. <p>5.4 Entity staff are aware of the audit committee and internal audit:</p> <ul style="list-style-type: none"> • Information on the audit committee's role, functions and responsibilities, as well as the services offered by internal audit, is available on the entity's intranet. • The induction process for senior executives includes a meeting with the CAE and the Chair of the audit committee.

6. Governance and reporting: The audit committee is governed effectively to enable transparent, objective and timely reporting.	
<p>6.1 There are dedicated secretariat resources:</p> <ul style="list-style-type: none"> • The committee has sufficient secretariat support to plan and document meetings. • The CAE oversees the secretariat in preparing agendas, meeting papers and reviewing minutes and discusses these with the Chair for approval. <p>6.2 The committee maintains independence safeguards:</p> <ul style="list-style-type: none"> • The audit committee always acts to protect the independence of the internal audit function and the CAE. <p>6.3 Conflict of interest procedures are adhered to:</p> <ul style="list-style-type: none"> • Members declare all actual, perceived and potential conflicts of interest at the start of each meeting. • Other conflict of interest processes, such as annual declarations, are adhered to and monitored by the audit committee and CAE. 	<p>6.4 Audit recommendations are recorded and monitored:</p> <ul style="list-style-type: none"> • A log of outstanding audit recommendations is prepared for each audit committee meeting. This log should include the recommendations from all internal, financial and performance audits conducted within the entity. • Agreed actions to address the recommendations are clearly articulated and reported accurately to the audit committee in the log. • Internal audit has a framework to review and close-out audit recommendations that suits the entity's needs. This framework should be approved by the audit committee. • Audit committee members monitor the implementation of recommendations and challenge management to ensure that actions are actually implemented. <p>6.5 The accountable authority is adequately briefed:</p> <ul style="list-style-type: none"> • The audit committee, with the assistance of the CAE, provides a briefing to the accountable authority after each meeting on key issues or risks. <p>6.6 The Audit committee regularly reports on its performance:</p> <ul style="list-style-type: none"> • The entity's annual report includes information about the audit committee and outcomes delivered during the period.

Part 4: Guidance for audit committee fees

The appointment of independent audit committee members, who are external to the entity, will raise consideration of whether they are entitled to be reimbursed for their services.

There is some guidance in the *Premier's Circular 2019/07 - State Government Boards and Committees* regarding the payment of fees to committee members. Generally, fees cannot be paid to people who are full time State, Commonwealth and local government employees, Members of Parliament, current and retired judicial officers (except Magistrates) and current non-academic employees of public academic institutions. Entities should be aware of the requirements of this circular, and other legislation and regulations, when determining whether a fee can be paid to an external member.

Guidance for determining fees

Any fees paid to external audit committee members should reflect their role on the committee and associated responsibilities and expertise. For example, the audit committee Chair may need a different level of remuneration to other external members as they perform additional duties, such as having regular discussions with key governance parties, including the CAE and accountable authority.

Some items which entities may wish to reimburse members for include:

- meeting attendance and preparation time (this could be a fixed amount per meeting or an hourly rate)
- travelling expenses
- accommodation expenses.

When determining fees paid to external members, the entity and the member need to clearly agree on the hourly rates, generally with an upper limit of the amount of hours required to perform their duties, or a fixed annual fee, and the extent of reimbursements allowed. Entities should clearly document these arrangements in a services agreement. TI 1201 includes a template services agreement for engaging an independent external Chair. The template includes set terms and conditions relating to payment of fees. While this is not compulsory, entities should consider using it to help develop service agreements.

State entities can use the Common Use Agreement on Audit and Financial Advisory Services as a guide or benchmark for remuneration.

Entities should ensure that they comply with relevant procurement policies or requirements when obtaining external members.

Part 5: Guidance for smaller entities

We recognise that it is difficult for smaller entities, particularly those located in regional or remote locations, to establish audit committees that meet all of the better practice principles outlined in this guide. However, the risks to good governance remain very real in these entities too. This section provides guidance for smaller entities to help them improve the effectiveness of their audit committee.

Financial risk expertise is essential

While the functions of the audit committee are diverse, overseeing financial and performance reporting processes, and their associated internal controls, are incredibly important. Audit committees can help to prevent fraud by:

- understanding and challenging management about the accounting treatments, judgements and estimates used to prepare financial statements
- engaging with the OAG and management about deficiencies in internal controls and the actions needed to remediate these.

To do this effectively, at least one audit committee member needs to have an understanding of financial reporting and accounting standards, and the role of internal and external audit.

When trying to find members with financial reporting experience, smaller entities may wish to consider sharing resources with similarly sized entities. For example, a local government entity could consider the suitability of an accountant from a neighbouring shire as an independent audit committee member, or a suitably experienced person from a larger local government entity could be an audit committee member if they can perform their role remotely.

Smaller size does not mean smaller risk

Smaller entities are often exposed to unique inherent risks such as limited segregation of duties and potential conflicts of interest issues associated with a limited number of suppliers in regional areas. Not managing these risks properly can increase the risk of fraud or error.

The meeting agenda and annual work plan templates, provide additional guidance on the matters which should be considered in audit committee meetings. These templates are included in the toolkit.

Audit committees need to be aware of these risks and ensure that there is independent oversight of the processes to manage them. For example, regular internal audits on procurement which look at the processes for managing conflicts of interest can help provide assurance to the committee. In addition, risk management training for audit committee members can help them understand and assess risks relevant to smaller entities.

Sharing resources may help bridge gaps

Smaller entities, who deliver similar services to the community, may benefit from sharing resources to help build the capability of their internal audit function and audit committee. This could be achieved by using a shared internal audit service. State government entities have the option to consider sharing their audit committee with another entity, provided that committee members have a sound understanding of both entities' operations, culture and goals and devote adequate time to oversee each entity.

Roles and responsibilities must be clearly communicated during induction

The audit committee may include members with varied experience that bring valuable insights to entities. However, there is a chance that members may not have any previous

audit committee experience. This means that having an effective induction process, which clearly explains roles, responsibilities and expectations is vital. Smaller entities may wish to consider additional training or guidance to help them understand their important role.

To assist smaller entities with their induction processes, we have included an induction checklist in the Toolkit.

Getting the most from the fourth line of defence

Smaller entities should use information and guidance from external sources, such as the OAG, parliamentary committees, Public Sector Commission and Corruption and Crime Commission as much as possible to assess their systems of risk management and internal controls. For example, information from OAG audit reports can help entities understand common risks in the sector, and frequently contain better practice guidance which smaller entities can self-assess against.

External auditors can provide valuable perspective

The OAG, and their contracted auditors are independent, and can provide information on whether controls are operating effectively. To facilitate good discussions between the OAG, management and the audit committee, it is essential that all parties discuss issues openly and frankly. For example, local government entities may wish to consider suspending standing orders at audit entrance and exit meetings to allow the audit committee, management and the auditors to have robust discussions.

Seeking independent assurance when one person performs many roles

Smaller entities may have one person (such as the CEO or executive manager of corporate services) responsible for multiple functions such as risk management, compliance and internal audit. This can create a self-review risk, if they are being asked to report on the effectiveness of all of these processes to the audit committee.

Audit committees need to be aware of these risks and put strategies in place to provide a level of independent assurance about these important functions.

Audit recommendations need prompt action

Smaller size entities have fewer staff and this may make it more difficult to resolve audit recommendations quickly. Given the inherent risks associated with smaller entities mentioned above, it is vital that the audit committee insists that control deficiencies, particularly those that could result in the misappropriation of assets, are prioritised and actioned and documented promptly.

Audit committees need good support

Timely and succinct reporting is important to demonstrate that the audit committee is accountable for its governance role. This means that it is important that minutes of meetings and any action items, or requests for further information are actioned and documented promptly.

Part 6: Toolkit

The toolkit contains a number of templates that public sector entities may find useful to help establish and maintain an effective audit committee. The templates help to promote the better practice principles included in the guide and are designed to be easily tailored to meet the entity's specific circumstances.

Entities should take care to modify the tools to reflect their legal or regulatory requirements. For example, local government entities will need to adapt these templates to address the specific requirements of the *Local Government Act 1995* and relevant regulations.

These tools may be updated from time to time. Please check our website for the latest version.

List of tools

- 1 Example audit committee charter
- 2 Audit committee member induction checklist
- 3 Meeting preparation checklist
- 4 Meeting agenda template
- 5 Characteristics of effective meetings
- 6 Annual work plan template
- 7 Audit recommendations progress report template
- 8 Review of the OAG audit reports template

Tool 1 Example audit committee charter

The following example is designed to assist accountable authorities and audit committees develop an audit committee charter that reflects our better practice principles.

Source: OAG using information from the Institute of Internal Auditors Australia and Australian National Audit Office

ENTITY NAME

AUDIT [AND RISK ASSURANCE⁶] COMMITTEE CHARTER

Role

The accountable authority has established the audit committee under [\[Insert the related legislative/regulatory reference\]](#).

The audit committee assists the accountable authority in fulfilling their oversight responsibilities in relation to systems of risk management and internal control, the entity's processes for monitoring compliance with laws and regulations, including the code of conduct, financial and performance reporting and external and internal audit. The audit committee is not responsible for the management of these functions.

The audit committee will engage with management in a constructive and professional manner to perform its oversight responsibilities. The Chair of the audit committee is responsible to, and reports to the accountable authority.

Members of the audit committee are expected to:

- understand the legal and regulatory obligations of the accountable authority for governing the entity
- understand the [department's/statutory authority's/council's](#) governance arrangements that support achievement of the [department's/statutory authority's/council's](#) strategies and objectives
- exercise due care, diligence and skill when performing their duties
- adhere to the entities code of conduct and the code of ethics of any professional body which they are a member of
- help to set the right tone in the entity by demonstrating behaviours which reflect the entity's desired culture
- be aware of contemporary and relevant issues impacting the public sector
- only use information provided to the audit committee to carry out their responsibilities, unless expressly agreed by the accountable authority.

To help support the audit committee's role in overseeing the internal audit function, the Chief Audit Executive will functionally report to the audit committee.

The audit committee will prepare an annual work plan that outlines when it will perform key activities, in consultation with the accountable authority.

⁶ Most public sector entities do not have a separate sub-committee for overseeing risk management in the entity. It is therefore common for the audit committee to take on this role.

Authority

The accountable authority authorises the audit committee, in accordance with this Charter, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the internal auditors, Office of the Auditor General (OAG), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the accountable authority, at audit committee meetings
- obtain legal or other professional advice when necessary to fulfil its role, at the entity's expense, subject to approval by the accountable authority or delegate
- provide advice to the accountable authority on the appointment and replacement of the chief audit executive of the [department/statutory authority/council](#).

The audit committee may undertake other activities as requested by the accountable authority.

Membership

The audit committee comprises [\[insert number/up to\]](#) members of whom [\[insert number/at least\]](#) must be independent, appointed by the accountable authority. The committee will be led by an independent Chair, appointed by the accountable authority. The Chair will be appointed for an initial period of [\[insert number of years\]](#) and may be extended or reappointed for further periods as determined by the accountable authority.

Audit committee members will be appointed for an initial period of [\[insert number of years\]](#) as determined by the accountable authority.

The accountable authority will review the membership of the committee every [\[insert number of years\]](#) to ensure that there is an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience. The accountable authority may choose to re-appoint members based on their ability to contribute to the work of the audit committee. However, the total length of time a member can sit on the committee will not exceed [\[insert number of years\]](#).

The accountable authority may remove an audit committee member at any time before their term expires, or a member may resign.

Audit committee members will collectively have a broad range of skills and experience relevant to the operations of the [department/statutory authority/council](#). At least one member of the audit committee will have accounting or related financial management experience, with an understanding of accounting and auditing requirements in the public sector. To support the skills and experience of committee members, the committee will implement an induction and training program for new members.

The audit committee may invite the accountable authority, chief executive officer, chief financial officer, chief information officer, chief audit executive, or other management representatives to present information and participate in the meeting. An officer from the OAG will be invited to attend audit committee meetings as an observer.

The audit committee will be administratively supported by a secretary who is appointed by management.

Responsibilities

The audit committee will be responsible for the following:

The following part of the model charter provides an extensive list of many functions that the audit committee can perform. It is not intended that entities copy all of the functions in these lists. Instead, the accountable authority should review and modify the functions to suit the entity. It is important that the accountability authority and the audit committee agree on these functions.

Risk management, fraud and internal control

The audit committee oversees the entity's system of risk management and internal controls. Its responsibilities include, but are not limited to:

- providing oversight on significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by senior management and the accountable authority
- considering the impact of [department's/statutory authority's/council's](#) culture on risk management and internal controls
- annually reviewing the [department's/statutory authority's/council's](#) assurance map to ensure that risk and control activities are coordinated, communicated and managed effectively
- annually reviewing the [department's/statutory authority's/council's](#) risk management framework
- monitoring changes in government strategies, the economic and business environment and other trends and factors related to the [department/statutory authority/council's](#) risk profile. This includes meeting periodically with key management, internal auditors, the OAG, and compliance staff, to understand and discuss the impact of these changes or trends on the risk profile
- reviewing whether the [department/statutory authority/council](#) has an effective risk management framework, and, based on knowledge and understanding of the entity's risks, that material business risks are appropriately reflected in the risk profile and reported to the accountable authority
- reviewing and assessing the effectiveness of processes for identifying, managing, treating and mitigating the [department/statutory authority/council's](#) risks and ensuring that remaining risks align with the entity's risk appetite. The committee should prioritise risks involving:
 - significant business risks, including environmental and occupational health and safety risks
 - potential non-compliance with laws, regulations and standards
 - fraud and theft
 - litigation and claims.
- considering the adequacy and effectiveness of internal controls and the risk management framework by:
 - reviewing reports from management, internal audit, consultants, regulators and the OAG

- ensuring risk registers consider risks that may impact whether the entity will achieve its strategic objectives
- reviewing management's response to IT risks, including cyber risks
- monitoring management responses and ensuring timely correction actions are taken by management
- understanding the process of managing insurable risks and assessing whether the [department/statutory authority/council](#) has adequate insurance cover for these risks
- assessing the effectiveness of, and compliance with, the entity's code of conduct
- assessing whether management has controls in place for non-routine types of transactions and/or any potential transactions that might carry an unacceptable degree of risk
- enquiring with management and the OAG regarding their assessment of the risk of material misstatement in the financial report due to fraud
- enquiring with management, internal auditors and the OAG about whether they are aware of any actual, suspected or alleged fraud or corruption affecting the [department/statutory authority/council](#) including the entity's response to the matters
- reviewing the [department/statutory authority/council's](#) processes and systems to detect, capture and respond to fraud risks, including preventative measures
- reviewing the business continuity planning process and be assured that material risks are identified and appropriate business continuity plans, including disaster recovery plans, are in place.
- reviewing summary reports from management on all suspected, alleged and actual frauds, thefts and breaches of laws and ensuring these are reported to the accountable authority and/or relevant authorities
- reviewing summary reports from management on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions
- liaising with other subcommittees on matters relating to risk management, fraud and internal control
- [\[for entities who use a shared service arrangement\]](#) reviewing comfort letters and other assurance reports regarding the effectiveness of controls managed by shared service providers on behalf of the entity.

Internal audit

The audit committee is responsible for guiding and overseeing the activities, resources and structure of the internal audit function. The audit committee's responsibilities include, but are not limited to:

- annually reviewing internal audit's mission, resources and budget and protecting internal audit's independence from management
- reviewing the internal audit structure, composition, skills and experience, service delivery model, independence and access to the [accountable authority/board of directors](#)

- advising the accountable authority on the appointment and replacement of the chief audit executive
- advising the accountable authority on the adequacy of internal audit resources or budget to perform the approved internal audit plan
- ensuring that the internal audit function, through the chief audit executive, has a direct reporting relationship with the audit committee and accountable authority (functional reporting relationship) and has access to all levels of management needed to perform their duties
- monitoring internal audit's participation in non-assurance roles to assess whether it impacts their independence or interferes with the delivery of the internal audit program
- assessing the internal audit plan to ensure that it comprehensively covers material business risks that may threaten the achievement of strategic objectives and allows internal audit to assess culture
- reviewing and recommending the approval of the internal audit plan and work program by the accountable authority
- communicating the audit committee's expectations to the chief audit executive in writing through the internal audit charter
- reviewing the internal audit charter annually for the accountable authority's approval
- reviewing the quality and timeliness of internal audit reports
- considering the implications of internal audit findings on the business, its risks and controls
- monitoring management's implementation of internal audit recommendations
- monitoring the progress of the internal audit plan and work program
- monitoring the quality of internal audit services delivered and compliance with the Institute of Internal Auditors' International Professional Practices Framework
- overseeing the coordination of planned activities between the 4 lines of defence
- reviewing the annual report from the chief audit executive or the internal audit service provider on the overall state of the [department/statutory authority/council's](#) internal controls
- ensuring that internal audit has complete and timely access to all accounts, information, documents and records of the entity as needed to effectively perform their duties. This also includes discussing whether management was cooperative and provided timely responses to internal audit requests
- meeting privately with the chief audit executive at least once per year.

Compliance and ethics

The audit committee oversees the [department/statutory authority/council's](#) processes to ensure compliance with relevant laws and regulations and for promoting a strong governance culture within the entity. This includes, but is not limited to:

- understanding the [department/statutory authority/council's](#) compliance framework including its obligations, the officers responsible for compliance activities and management oversight and review of these processes

- considering the impact of [department/statutory authority/council's](#) culture on compliance processes
- overseeing compliance by reviewing arrangements that monitor the impact of changes in key laws, regulations, internal policies and accounting standards affecting the [department/statutory authority/council's](#) operations
- reviewing management's investigation of non-compliance matters and obtaining assurance from management that appropriate follow-up action was taken
- obtaining updates from management on matters of compliance and ethical matters that may have material impact on the [department/statutory authority/council's](#) financial statements, strategy, operations, health and safety or reputation
- reviewing and monitoring related party transactions and conflicts of interest
- enquiring with management, internal audit and the OAG on their assessment of the compliance culture, the risk of non-compliance, or whether they have any knowledge of any actual, suspected or alleged non-compliance affecting the entity
- overseeing complaints management and whistleblowing policies to ensure that they are recorded and actioned effectively
- reviewing the [department's/statutory authority's/council's](#) processes for communicating, and assessing the effectiveness of, the entity's code of conduct
- meeting with management to discuss regulatory compliance matters the [department/statutory authority/council](#) has considered in the preparation of the financial statements, such as compliance with accounting standards.

Financial and performance reporting

The audit committee oversees the integrity of financial and performance reporting processes within the entity. The committee's responsibilities include:

- reviewing the financial statements and providing advice to the accountable authority about whether they should be signed by the accountable authority. The review includes assessing:
 - whether the financial statements are consistent with the knowledge of the audit committee members
 - whether the financial statements comply with [\[Insert the related legislative/regulatory reference\]](#)
 - whether the financial statements accurately reflects the entity's financial position and performance, and if not, whether additional disclosures are required
 - the appropriateness of accounting policies and disclosures, including changes to accounting policies
 - areas of significant judgement, estimation and significant or non-routine transactions
 - whether appropriate management action has been taken in response to any issues raised by the OAG, including financial statement adjustments or revised disclosures
 - the quality of the entity's processes for preparing the financial statements, including how management has checked that they comply with relevant requirements

- significant issues, errors or discrepancies in the draft financial statements and ensuring members understand the reasons why these occurred
- the representation letter to be provided to the OAG to confirm that the assertions, including any immaterial errors collated during the audit, are appropriate.
- acting as a forum for communication between management and the OAG
- reviewing the entity's process to ensure the financial information included in the annual report is consistent with the audited financial statements
- [For State government entities only] reviewing the entity's systems and procedures for assessing and reporting on the [department's/statutory authority's](#) performance through key performance indicators. This includes determining whether:
 - the key performance indicators are relevant and appropriate to assess the entity's performance and take into account guidance issued by the Department of Treasury
 - the [department/statutory authority](#) has sound processes and controls for measuring and reporting on key performance indicators in its annual report
 - the key performance indicators are consistent with the entity's financial information, including its financial statements, that it proposes to include in its annual report
 - there are reasonable disclosures to explain why there is a significant variation in performance.

External audit

The audit committee is responsible for communicating and liaising with the OAG. This includes understanding the results of financial and performance audits conducted within the entity and overseeing whether recommendations are implemented by management. The committee's responsibilities include, but are not limited to:

- meeting with the OAG to discuss the audit plan (audit entrance meeting) and the results of the financial audit (audit exit meeting)
- discussing with the OAG any significant resolved or unresolved disagreements with management
- monitoring and critiquing management's response to OAG findings and recommendations
- reviewing reports from the OAG including auditor's reports, closing reports and management letters
- reviewing all representation letters signed by management to assess whether the information appears complete and appropriate
- meeting with the OAG at least once per year without management presence. At this meeting, the committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses
- reviewing performance audits conducted at the entity and ensuring that agreed recommendations are implemented
- monitoring the relationship between internal auditors and the OAG

- reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any self-assessment by management
- reviewing the form and content of the proposed auditor's report on the entity's financial and performance report. This may include any proposed modification, emphasis of matter, key audit matters, other matters and uncorrected misstatements in other information.

Other responsibilities

Perform other activities related to the role of this charter as requested by the accountable authority.

Administrative responsibilities

Meetings

The audit committee will meet at least 4 times a year or more frequently as necessary, depending on the size and complexity of the entity.

The Chair is required to call a meeting if asked to do so by the accountable authority. If a meeting is requested by another audit committee member, OAG or chief audit executive, the Chair will decide whether the meeting is necessary.

The Chair will oversee the planning and conduct of meetings including the approval of the agenda and draft minutes, and reporting to the accountable authority.

A quorum will consist of a majority of committee members. Where there is more than 1 external member on the audit committee, a quorum will include at least 1 external member. The quorum must be in place at all times during the meeting.

Secretariat

The accountable authority, in consultation with the audit committee, will formally appoint an officer to provide secretariat services to the committee. The secretariat will provide services as required by the audit committee that includes:

- preparing a meeting agenda for each meeting that is approved by the Chair
- circulating the meeting agenda and supporting papers at least 1 week before the meeting
- preparing minutes of the meetings and circulating them no later than 2 weeks after the meeting
- maintaining final meeting papers and minutes in accordance with the recordkeeping requirements of the [department/statutory authority/council](#).

Independence and conflicts of interest

The audit committee must be independent from management of the [department/statutory authority/council](#). Once a year, audit committee members will provide written declarations of any actual or perceived conflicts of interest to the accountable authority.

External members should consider past employment, consultancy arrangements and related party issues when making these declarations to the accountable authority. In consultation with the Chair, the accountable authority should be satisfied that there are sufficient processes in place to manage any actual, perceived or potential conflicts of interest.

At the start of each audit committee meeting, members are required to declare any personal interests that may apply to specific matters on the meeting agenda. The Chair, in consultation with the accountable authority where appropriate, is responsible for deciding if the members should excuse themselves from the meeting or from the audit committee's consideration of the relevant agenda item(s).

Details of any personal interests declared by the Chair and other audit committee members, and actions taken to manage the conflicts, should be appropriately recorded in the meeting minutes and the [department/statutory authority/council](#) register of conflicts of interest in accordance with its policy.

Audit committee performance assessment arrangements

The Chair of the audit committee, in consultation with the accountable authority, will review the performance of the audit committee annually, together with the annual review of this charter.

The review is performed using the approved assessment tool with appropriate input from the accountable authority, committee members, senior management, chief audit executive, and any other relevant stakeholders.

The Chair will provide advice to the accountable authority on the members' performance, particularly for external members, or members where an extension of tenure is being considered.

The Chair will always consider the costs and benefits of the activities that the audit committee performs.

Reporting

The audit committee will, as often as necessary, and at least once a year, report to the accountable authority on its operations and activities during the year and confirm to the accountable authority that all functions outlined in this charter have been satisfactorily addressed.

The audit committee may at any time, report to the accountable authority on any other matters it deems to be sufficiently important. In addition, any individual audit committee members may request a meeting with the accountable authority at any time.

Review of charter

The audit committee will ensure that this charter complies with relevant legislative and regulatory requirements and will propose amendments when necessary to ensure that it accurately reflects the committee's current role and responsibilities.

The audit committee will review this charter once a year and more frequently if required. The review will include consultation with the accountable authority. Any substantive changes to the charter will be recommended by the audit committee and formally approved by the accountable authority.

Endorsed:

Audit committee Chair

[\[Signature\]](#)

[\[Date\]](#)

Approved:

Accountable Authority

[\[Signature\]](#)

[\[Date\]](#)

Tool 2 Audit committee member induction checklist

This checklist includes a list of activities the Chief Audit Executive can use for inducing new audit committee members.

Source: OAG using information from the Institute of Internal Auditors Australia

Activity	Completed
Authority, composition and meetings	
Meet with all members of executive management.	
Read and understand the audit committee and internal audit charters.	
Read audit committee minutes for the last 3 years.	
External reporting	
Read and understand the entity's summary of significant accounting policies and significant judgements made in preparing the financial statements.	
Read and understand management's summary of processes for monitoring compliance with laws, regulations and other requirements.	
Read and understand the entity's processes for reporting to regulatory or oversight bodies (if any).	
Read and understand the entity's main corporate governance practices reported in its annual report for the last 3 years.	
Read the financial reports and any associated non-financial disclosures for the past 3 years.	
External audit	
Meet with the senior members of the OAG financial audit team.	
Read and understand the OAG's findings and recommendations, and management's response, for the last 3 years. This includes performance audits conducted at the entity.	
Internal audit	
Meet with the Chief Audit Executive (head of internal audit) and key audit team members (in-house, or outsourced firm partners and managers).	
Read and understand internal audit's mission, including its resources and budget structure.	
Read and understand the internal audit plan for the last 3 years.	
Understand the audit committee's expectations of the Chief Audit Executive.	
Read and understand all internal audit's findings and recommendations which remain unresolved.	

Activity	Completed
Read a sample of audit reports prepared by the internal audit area during the last 3 years.	
Read and understand the process the entity has in place for monitoring and assessing the effectiveness of the internal audit function.	
Read and understand the process for coordinating the planned activities of internal audit and the OAG, and risk and compliance management.	
System of internal control and risk management	
Meet with the Chief Risk Officer.	
Read and understand the risk management framework, assurance mapping and strategic plan.	
Meet with the Chief Information Officer to discuss information security processes and controls.	
Read and understand information related to the entity's identified tolerance for risk.	
Read and understand entity processes for identifying and managing material risks including business, financial, legal and compliance risks.	
Read summary reports from management on all suspected, alleged and actual frauds, thefts and material breaches of laws for the last 3 years.	
Compliance and ethics	
Read and understand the entity's processes for managing complaints and whistleblowing.	
Read significant issues, independent investigations and disciplinary action as reported to the accountable authority in the last 3 years.	
Attend a briefing or training on public sector probity and accountability requirements, including ethical considerations.	
Fraud	
Read and understand the entity's fraud prevention and detection framework and monitor suspected, alleged and actual instances of fraud.	
Read any instances of fraud reported during the last 3 years.	
Related-party transactions	
Read and understand processes for related-party transactions.	
Read related-party transaction reporting for the last 3 years.	
Governance framework	
Read and understand the governance framework and charter of the entity's other committees.	
Read and understand the organisational structure.	
Read and understand the entity's delegation schedule/register.	

Tool 3 Meeting preparation checklist

This checklist is to assist the secretariat in planning audit committee meetings. It's important to plan the date for each activity, working backwards from the meeting date, to ensure timely distribution of meeting papers to members and attendees.

Source: Australian National Audit Office

[Entity's name] Audit committee meeting

Meeting preparation checklist

Meeting Date: [insert date]

Audit Committee meeting	Planned Date	Completed Date
Members and observers' attendance confirmed.		
Room and required equipment booked (including 'members only' session).		
Chair and Chief Audit Executive discuss draft agenda based on committee work program and priority risks and issues		
Draft agenda circulated to Chair and members.		
Agenda confirmed with Chair		
Required papers collated. This includes, as appropriate:		
• list of attendees and apologies		
• minutes of previous meeting for review and confirmation		
• updated audit committee action item list with the status of actions arising from the previous meeting minutes		
• relevant information/papers from management		
• reports from internal audit		
• status report on implementation of previous internal and external audit, consultant and regulator report recommendations		
• reports from the OAG		
• compliance audit return (for local government entities)		
• report from the Chief Executive Officer under Regulation 17 of the Local Government (Audit) Regulations 1996 (local government entities)		
• reports prepared under section 7.12A of the <i>Local Government Act 1995</i> (local government entities)		
• other papers/information as reflected in the audit committee annual work plan.		
All papers marked with appropriate security classification.		

Audit Committee meeting	Planned Date	Completed Date
Agenda and papers distributed to members and attendees at least 7 days prior to meeting.		
Draft minutes prepared and circulated to members within 14 days of meeting.		
Revised minutes, reflecting changes made by committee members, sent out for final review.		

Tool 4 Meeting agenda template

This tool provides an example agenda for an audit committee meeting. The agenda should be based on the committee's annual work program, with flexibility for additional emerging risks and issues.

Source: OAG

[Entity's Letterhead]

[Entity's name] Audit Committee Meeting

[Date and time]

[Venue]

Attendees

Name	Role / Position
Committee members:	
1. [List attendees and apologies – include name, state if Chair or secretary and if external or internal member]	
Observers	
2. [List attendees and apologies – include name and position]	
Apologies	
3. [List attendees and apologies – include name and position]	

Agenda	Owner (Insert name)	Action (Noting, Discussion, Approval)
1. Welcome and apologies		
2. Confirmation of minutes		
3. Declaration of conflicts of interest by audit committee members and observers		
4. Issues brought forward from previous meeting		
5. Action items from previous meeting		
6. Reports to be tabled (refer to annual work plan) <ul style="list-style-type: none"> • Risk management • Internal control • Internal audit • Compliance • Financial reporting • Performance reporting • External audit 		

Agenda		Owner (Insert name)	Action (Noting, Discussion, Approval)
	• [name other items].		
7.	Status of recommendations from internal audit, OAG and consultant or regulator reports		
8.	Review of audit committee charter (annual item)		
9.	Assessment of audit committee performance (annual item)		
10.	Review of annual work plan (to identify issues and prepare for next meeting)		
11.	Other business		
12.	Next meeting		
13.	Meeting close		

Tool 5 Characteristics of effective meetings

This tool contains guidance on how to conduct an effective meeting. Audit committees can use this guidance to assess how well the meeting was run.

Source: OAG

Characteristics of an effective meeting include a combination of the following:

Pre-meeting

- the audit committee Chair discusses key issues with the chief audit executive and approves the agenda before it is issued and members agree on key discussion points for each agenda item at the beginning of each meeting ('starring' of key items)
- meeting papers are presented in an agreed form and provided to audit committee members at least 1 week prior to the meeting. Meeting papers may need to be distributed to members earlier when there are complex matters to be discussed or approved
- each member is briefed before each meeting by the audit committee secretariat on major issues
- agenda items clearly indicate what action is required from the audit committee members, such as discussion, noting, endorsement, approval, presentation. This ensures that audit committee members know what is required at the meeting
- the Chair and Chief Audit Executive meet before each meeting to discuss the agenda and any priority issues they wish to discuss with management.

Meeting

- the audit committee meets privately before each meeting to discuss issues without management and other observers present
- meetings facilitate open and robust discussions
- all members are responsible for effective meetings and raising continuous improvement opportunities to the Chair, when identified
- meetings are not used to edit documents received by the committee for approval or endorsement. Minor edits should be provided to the Secretariat before or after the meeting
- at the start of each meeting, members declare any actual, potential or perceived conflicts of interest that they have with any agenda item
- any private meetings (i.e. with internal auditors or the OAG) should be held at the start or end of the meeting
- all audit committee members have read, and engaged with the meeting papers prior to the meeting
- important or contentious agenda items are first on the agenda to ensure that they are addressed in the meeting
- members reflect on what went well, or what needs improvement.

Tool 6 Annual work plan template

The following tool is an example of an annual work plan for audit committees to help schedule activities across the year. A minimum of four meetings per annum is recommended, often with a fifth focussed meeting for the financial statements.

Source: OAG using information from the Australian National Audit Office

[Entity Name] Audit Committee Annual Work Plan 202X- 202X⁷,

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
1. Governance arrangements					
If required by the accountable authority, review the entity's governance arrangements or elements of the arrangements and suggest improvements where appropriate.		X			
Ensure that appropriate mechanisms are in place to review and implement relevant parliamentary committee reports, external reviews and evaluations of the entity, and recommendations arising from these reports and reviews.	X				
2. Risk management					
Review the risk management framework, risk register and fraud and corruption control plans to see that the risks represent and address the current environment and strategic direction of the entity, and meet legislative compliance and better practice principles.	X				
Consider the findings of the entity's occupational work health and safety reviews and enquire of management the arrangements to address these.				X	
Consider emerging risks and current issues arising from major projects.	X	X		X	X
Determine whether the entity has a sound and effective approach for business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically reviewed and tested.					X
Review reports on fraud that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk.	X	X	X	X	X

⁷ The marking of 'X' is an example only.

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
3. System of internal control					
Review management's approach to maintaining an effective system of internal control. This should include internal controls in relation to functions performed by external parties such as shared services providers, contractors and advisers.	X				
Obtain management assurances on the adequacy of internal controls and compliance by staff.		X			
Review advice from work areas e.g. human resources, finance and information technology on incidents where there was a breakdown in internal controls. Consider standing reports from CFO, CIO and HR on key risks, issues and incidents at each meeting except the financial statement meeting.	X				X
Consider how findings in internal audit and OAG audit reports impact on the entity's internal controls.		X	X		
Satisfy itself that management periodically assesses the adequacy of information security arrangements.		X			
Review whether appropriate policies and procedures are in place for the management and exercise of delegations.		X			
Review the assurance map.	X				X
Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.	X				
4. Compliance and ethics					
Review the effectiveness of processes to monitor compliance with relevant laws and regulations.	X				X
5. Internal audit					
Review the proposed internal audit plan for the next financial year, ensuring the coverage is aligned with key risks and recommend approval of the internal audit plan by the accountable authority.		X			
Review progress of the internal audit plan.	X	X		X	X
Review internal audit reports and provide advice to the accountable authority on significant issues identified and actions required.	X	X	X	X	X
Review the implementation status of internal audit recommendations.	X	X	X	X	X

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
Review the <i>Internal Audit Charter</i> to ensure appropriate authority, access and reporting arrangements are in place.	X				
Review the performance of internal audit.				X	
Advise the accountable authority on the adequacy of internal audit resources and budget to carry out responsibilities, including completion of the audit work plan.	X				
Meet privately with the Chief Audit Executive.	X				
Provide advice to the accountable authority on the appointment of internal audit service providers (if applicable).		X			
6. Financial reporting					
Receive advice on changes in accounting standards, legislation, and regulations.	X	X		X	X
Review progress in preparing the financial statements against the preparation plan/timetable.	X	X			
Review briefing from management on significant emerging issues, judgements and estimates impacting the financial statements. Review accounting policy papers on key matters prior to management's provision to OAG.		X			X
Review financial management reports, where required.	X		X		X
Review of financial statements including:			X		
<ul style="list-style-type: none"> consistency with members' understanding and knowledge of the entity 			X		
<ul style="list-style-type: none"> review compliance with accounting standards, <i>Financial Management Act 2006</i>, <i>Treasurer's Instructions</i>, <i>Local Government Act 1995</i> and relevant regulations 			X		
<ul style="list-style-type: none"> review the appropriateness of accounting policies including any significant changes in policies 			X		
<ul style="list-style-type: none"> review areas subject to significant judgement and/or estimates 			X		
<ul style="list-style-type: none"> review significant or non-routine transactions 			X		
<ul style="list-style-type: none"> review the CFO certification in relation to the quality of the financial statements, internal controls and compliance (State government entities) 			X		

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
<ul style="list-style-type: none"> review draft management representation letter 			X		
<ul style="list-style-type: none"> review whether management has addressed issues raised by the OAG including financial statement adjustments or revised disclosures 	X	X	X	X	X
<ul style="list-style-type: none"> discuss the adequacy of the entity's accounting policies and quality of processes for preparing the financial statements with the OAG 			X		
<ul style="list-style-type: none"> draft the advice to the accountable authority recommending the signing of the financial statements and management representation letter. 			X		
Discuss lessons learned from the current year financial statement process and the proposed strategy and timetable for next year.					X
Review the processes for ensuring that financial information included in the annual report is consistent with the audited financial statements.			X		
7. Performance reporting (mainly State government entities)					
Review systems and procedures for developing, measuring and reporting the entity's key performance indicators.		X	X		
Review the key performance indicator results and associated disclosures to ensure they are reasonable, clearly disclosed and consistent with financial and other information about the entity's performance.			X		
Review whether key performance indicators are consistent with members' understanding and knowledge of the entity.					
Ensure that there are adequate documentation and records to support the measurement of key performance indicators.		X	X		
8. External audit (OAG)					
Discuss OAG audit planning summary for financial audits.	X				
Receive OAG updates on issues arising from financial or performance audits.	X	X	X	X	X
Review the OAG interim management letter for the financial audit and assess the appropriateness of management's responses to recommendations.			X		
Discuss OAG exit brief and final management letter for				X	

Functions, responsibilities and associated activities	Mar	Jun	Aug	Sept	Dec
the financial audit and assess the appropriateness of management's responses to recommendations.					
Review the status of implementation of OAG financial and performance audit recommendations.	X	X	X	X	X
Review form and content of the OAG draft audit report.			X		
Satisfy itself that the appropriate mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	X				
Meet annually with OAG without management present.				X	
9. Committee operations					
Provide a report to the accountable authority on audit committee operations and activities.					X
Conduct an assessment of the performance of the audit committee and ensure that the committee complies with its charter.					X
Agree on the annual work plan; and set priority areas for the coming year.	X				
Review the audit committee charter and recommend any substantive changes to the accountable authority.	X				

Tool 7 Audit recommendations progress report template

This template is designed to assist audit committees with monitoring the implementation of recommendations from the OAG, internal audit and external reviews, including consultant and regulator reports. Audit committees should review this report at every audit committee meeting.

Source: OAG

(Name of Entity)

Objective

This report is to provide the audit committee with an update on the progress of actions taken by management to implement audit recommendations. The information is to help the audit committee monitor the timeliness of agreed actions and understand the reasons for any delay.

Source and year (Internal audit/ the OAG / other external reviewer's name)	Report date	Recommendation [record details]	Risk rating	Manager responsible	Original completion date	Revised completion date	Status	Management Comments on action taken

Tool 8 Review of OAG audit reports template

Entities can use the following template to capture information from OAG published audit reports to help self-assess their performance.

Source: OAG

Objective

This table is to inform the audit committee about audit recommendations from the OAG audits that may be relevant and beneficial for the entity to help identify risks and improvement opportunities.

Name of the audit report (include link to the report)	Finding or recommendation	Impact to the entity (describe if this applies to your entity)	Entity's existing policy, framework, procedures that manage the related risk	Action taken (describe the action taken by the entity or if no action required, provide justification)

Auditor General's reports

Report number	2019-20 reports	Date tabled
25	WA's Transition to the NDIS	18 June 2020
24	Opinion on Ministerial Notification	16 June 2020
23	Opinion on Ministerial Notification	29 May 2020
22	Regulation of Asbestos Removal	21 May 2020
21	Audit Results Report – Annual 2019 Financial Audits	12 May 2020
20	Local Government Contract Extensions and Variations and Ministerial Notice Not Required	4 May 2020
19	Control of Monies Held for Specific Purposes	30 April 2020
18	Information Systems Audit Report 2020 – State Government Entities	6 April 2020
17	Controls Over Purchasing Cards	27 March 2020
16	Audit Results Report – Annual 2018-19 Financial Audit of Local Government Entities	11 March 2020
15	Opinion on Ministerial Notification	28 February 2020
14	Opinion on Ministerial Notification	31 January 2020
13	Fee-setting by the Department of Primary Industries and Regional Development and Western Australia Police Force	4 December 2019
12	Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities	14 November 2019
11	Opinion on Ministerial Notification	30 October 2019
10	Working with Children Checks – Follow-up	23 October 2019
9	An Analysis of the Department of Health's Data Relating to State-Managed Adult Mental Health Services from 2013 to 2017	9 October 2019
8	Opinions on Ministerial Notifications	8 October 2019
7	Opinion on Ministerial Notification	26 September 2019
6	Opinions on Ministerial Notifications	18 September 2019
5	Fraud Prevention in Local Government	15 August 2019

Report number	2019-20 reports	Date tabled
4	Access to State-Managed Adult Mental Health Services	14 August 2019
3	Delivering Western Australia's Ambulance Services – Follow-up Audit	31 July 2019
2	Opinion on Ministerial Notification	26 July 2019
1	Opinions on Ministerial Notifications	19 July 2019

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