

On 5 April 2023, the OAG hosted its sixth Audit Committee Chair Forum. Emily Roper, Director General of the Department of the Premier and Cabinet (DPC) discussed the role of the Office of Digital Government and priorities and directions regarding cyber security. Auditor General Caroline Spencer provided an overview of the 2021-22 audit season, as well as suggested areas of focus for audit committees.

Key points of the presentations are provided below.

Cyber security update from DPC

Emily Roper discussed how cyber security threats are amongst the most challenging risks to mitigate in any government setting. This is significant given all sectors are currently facing a human resourcing crunch and finding the delicate balance between resource allocation and risk mitigation.

Financially, the impact of cyber security is substantial (increasing by 15% per annum, to be at \$10.5 trillion USD annually by 2025), but also the loss of confidence in governments is also highly significant. In response, DPC's Office of the Digital Government's Cyber Security Unit is supporting the sector to uplift their capability to achieve the minimum standards set out in the *WA Government Cyber Security Policy 2021*. Internal audit programs are critical to maintain robust cyber security defences and need to support the implementation of the minimum standards. Each entity must report on the implementation of these standards annually to the Cyber Security Unit.

OAG update

State government

Our audit opinions are integral to providing assurance that public resources are being well managed and qualified opinions are a serious matter. In the 2021-22 financial year, we qualified 24 State sector entities on 43 discrete matters. This is another record year of qualifications, up from 31 discrete matters at 17 entities in 2020-21.

In 2022, only 57% of entities were audit ready within 20 days of their financial year end. There were nearly one fifth of entities still not audit ready 38 days after year-end. Even at the height of the pandemic in 2019-20 there were 11% of entities not ready within the same time. Being audit ready is key to commencing an effective and efficient audit. We will be prioritising the schedule of our 2023 audits based on readiness from 2022.

Local government

We accelerated the finalisation of our local government (LG) financial audits due to over one quarter of the LG opinions still outstanding on 31 March 2023 (90 days after the legislated completion date). A letter was provided to these entities advising that for the OAG to uphold our reporting responsibilities, all outstanding LG financial audit opinions will be issued within a few weeks. Exit meetings will occur as normal, but audit committee and general council meetings may not have OAG representation. The accelerated finalization may result in increased modified opinions but will demonstrate a truer picture of the sector and also provide transparency to stakeholders, including ratepayers. We will also encourage LG entities to move forward and commence preparations for next years audit.



Focus areas for audit committees

Improving audit readiness

To help address the timeliness issues noted above, entities should start planning for their annual audits before the year-end. On our website we have better practice guidance for audit committees, guidance on financial statement preparation and toolkits. We are developing another better practice guide on financial audit submissions.

A big change coming this audit season, is that we will be enforcing that financial statements are provided to us already signed off by the accountable authority, in accordance with *Australian Auditing Standards ASA 580¹ (written representations)*. We expect this may mean entities may want audit committees' oversight of financial statements before they are provided to us. It is hoped that this will reduce the amount of time each audit takes and reduce the potential for increasing audit fees unexpectedly. This will be better for the sector, better for stakeholders and ultimately, better for the community.

Focusing on getting back to business as usual

We have passed through the chaos of the pandemic and we must now return our focus to core service delivery. We should be reverting to best practice in our financial controls and no longer accepting the pandemic as an excuse for delayed or poor performance.

Cyber risk

For thirty years the OAG been talking about the importance of cyber-security and our State sector probably has a better handle on information system controls than other jurisdictions but don't let that lower you into complacency.

To provide you with the most relevant information about your information system capability, our general computer control audit of both State and local government entities now assess against ten criteria and our audit reports include thorough recommendations which your entities can adopt.

Our next forum is scheduled for October 2023.

¹ Australian Auditing Standards: [ASA 580 \(December 2018\)](#) | [AUASB Local](#)

