

On 15 November 2023, the OAG hosted its seventh Audit Committee Chair Forum. OAG Senior Director, Information Systems and Performance Audit Kamran Aslam shared findings from our information system audits. Assistant Auditor General Financial Audit Grant Robinson provided an update of the 2022-23 financial audit season and the state of the sector.

Key points of the presentations are provided below.

Cyber security & Information system audits

The elevated context of cyber security in recent events caused by high-profile cyber attacks on major companies illustrated the evolving threat landscape, along with cyber security being a business risk.

Since 2009, the Auditor General has reported results of General Computer Controls (GCC) audits and provides guidance for the sector. The current GCC methodology includes:

- gaining a better understanding of an entity's IT environment
- increased focus on cloud vendor assurance activities undertaken by entities
- updates to the Capability Maturity Model (CMM).

The 10 focus areas of our CMM encompasses Essential Eight controls, which are the mitigation strategies developed by Australian Government's Australian Signals Directorate.

Sector trends

From our GCC audits, the sector generally manages the following areas well:

- physical security
- manage IT operations
- change management
- risk management.

However, the sector needs to improve in the following areas:

- information security framework/governance
- human resource security
- manage access
- endpoint security
- network security
- manage continuity.



Essential Eight audit of State government entities

The WA Government Cyber Security Policy requires State government entities to implement the Essential Eight controls to Maturity Level One by 31 December 2024. State government entities can be overly optimistic in their self-assessments and may be over-reporting their maturity levels to Office of Digital Government (DGov). One of the reasons for over-reporting can be entities not testing the controls before filling out the self-assessment spreadsheet. If an audit committee wants to carry out an independent assessment, we recommend engaging a DGov-preferred third party.

Further guidance

OAG has a number of [better practice guides](#) that are published, or in development. Entities are encouraged to access [Security Basics for Protecting Critical Infrastructure from Cyber Threats](#) and we'll be releasing the better practice principles for identity and access management soon.

OAG update – financial audit results

State government

Our audit opinions are integral to providing assurance that public resources are being well managed and qualified opinions are a serious matter. So far for the 2023 audit cycle, we have issued 88% of opinions within 90 days, a significant improvement over 69% in 2022 and we recognise and appreciate the increased efforts of entities to make this happen.

Being audit ready is key to commencing an effective and efficient audit. However, we saw a drop in entities being audit-ready within 20 days of their financial year end, at 55%.

There was a marginal improvement in the number of entities ready within 38 days but we hope to see a greater improvement next year.

Local government

The 2023 audit cycle is in progress, with audits due by 31 December and results will be reported in March 2024. For the 2022 audit cycle, for the first time, we recognised and reported on the top local government entities achieving best practice. These entities demonstrated their commitment to timely and quality financial reporting to their communities. In particular, we acknowledge the number of regional entities who have made this inaugural list, given the extent of resource and labour constraints that can disproportionately affect our regions. We are aware this has encouraged sharing of good practices and some competition, so it will be interesting to see who makes the top 20 for 2023!

The sector saw an increase from three qualified opinions in 2021 to 10 qualified opinions for 2022. These material inaccuracies or limitations in financial report can mislead readers. Alongside an increase in qualified opinions, we reported 880 financial control weaknesses – a significant increase from 739 in the previous year. Further, there were 265 (30%) control weaknesses at 63 entities that were unresolved from the prior year – an increase from 17%.

The control weaknesses mostly related to expenditure, financial management, payroll and human resources.

Focus areas for the sector

Entities need to:

- continue to build and improve capability within their own finance teams
- take ownership and responsibility for addressing audit findings in a timely way, as many control weakness are opportunities for error or fraud
- be audit-ready, with high quality financial statements and supporting information to reduce audit timeframes and costs.

Next steps

Moving forward, the OAG will instill a hard line approach to ensure timeliness and efficiency in audit completion, and minimise audit costs.

To support the sector, we have issued better practice guides for audit readiness and preparation of financial statements – we encourage entities to access the [guidance and resources](#).



Our next forum is scheduled for April/May 2024.