

Our assurance services

This fact sheet provides information about the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

Levels of assurance

It is commonly understood and explicitly acknowledged in the auditing and assurance standards that the cost and practicality of achieving absolute assurance is generally not feasible. This means that in all our engagements there is always a risk that our conclusions could be wrong.

The level of assurance that we are able to provide, which is a measure of the confidence we have in our conclusions, depends on the source, quality and quantity of evidence we obtain.

We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.

Reasonable assurance

We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to express an opinion or draw a conclusion against an audit objective with a high level of assurance. We call these **audit engagements**.

Section 10 of the *Audit Act 1994* requires us to undertake financial audits. Section 14 gives us the power to undertake **performance audits**.

Limited assurance

We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements **assurance reviews** and typically express our opinions in negative terms. For example, that nothing has come to our attention to indicate there is a problem.

Section 19 of the *Audit Act 1994* requires us to undertake an annual assurance review of the state's estimated financial statements. Section 20 gives us the power to undertake **performance assurance reviews**.

Types of engagements

We also distinguish our work program based on who engages us and who sets the audit objectives, scope and the criteria we use to evaluate performance.

Our performance audit and review program consists of **direct engagements** and our financial audit and review program consists of **attest engagements**.

For both types of engagements, the people who govern a public sector entity are responsible for its performance—they are the **responsible party**.

Direct engagements

For direct engagements, including our performance audits and performance assurance reviews, Parliament is the entity that engages and funds us to undertake the work. They are the 'engaging party'.

While we consult with Parliament through the Public Accounts and Estimates Committee (PAEC) about direct engagements, we cannot be compelled to examine a particular matter or issue.

We also determine the audit objective and scope and select the criteria we will use to evaluate the topic.

We report the results of direct engagements to Parliament.

Attest engagements

For attest engagements, the public sector entity that prepares the financial information is the engaging party and pays for the audit. The responsible party for each entity certifies (or attests) that the entity's financial report is prepared properly and is reliable.

Public entities' financial reporting frameworks are set by law while our audit objectives, scope and criteria are set by the Australian Auditing Standards, which we are required to comply with under the *Audit Act 1994*.

We provide our audit opinion on each attest engagement to the responsible party.

Our assurance services (cont.)

Assurance engagements overview

Type of engagement	Performance (direct)	Financial (attest)
<p>Audit</p>	<p>Performance audits assess if agencies are meeting their aims effectively, using their resources economically and efficiently and/or complying with legislation.</p> <p>Performance audits can cover all or part of an agency's activities or the activities of a number of agencies. As such, they typically focus on system-level issues.</p> <p>For performance audits, we must prepare an audit specification and consult with the PAEC and proposed agencies first.</p> <p>We report on the results of these audits to the Parliament.</p>	<p>Financial audits provide independent assurance to Parliament and the public that the information contained in a public sector entity's financial report is reliable, relevant, presented fairly and in accordance with the Australian Accounting Standards and other relevant legislation.</p> <p>We provide our audit opinion to the audited agency for them to attach to their financial and performance reports, and include in their annual reports, which they table in Parliament.</p>
<p>Assurance review</p>	<p>While performance reviews may also assess economy, efficiency and effectiveness, they are more likely to focus on waste, probity and compliance.</p> <p>They typically have a narrow scope and examine a discrete activity or set of transactions. As such, they usually focus on a single issue of significant public interest.</p> <p>We only need to advise PAEC when we commence a performance review.</p> <p>We report on the results of these reviews to the Parliament.</p>	<p>Financial reviews provide limited assurance that no material modifications need to be made to an entity's financial report for it to conform with the Australian Accounting Standards and other relevant legislation.</p> <p>Each year, we conduct an assurance review of the estimated financial statements contained in the state Budget.</p> <p>We provide our review opinion to the Treasurer to include in the budget papers.</p>