

Approach to contracting Audit Service Providers to undertake financial statement audits

The *Audit Act 2008* permits the Auditor-General to appoint a suitable person or organisation to carry out all or a part of an audit. By contracting audit service providers (ASPs) to undertake financial statement audits we can:

- better respond to the risks and needs of our audit clients
- access specialist skills or knowledge
- balance our internal workload
- benchmark the efficiency of audits we complete
- improve our audit approach through knowledge transfer and the adoption of innovative ideas
- better meet statutory timeframes in which to complete audits.

To facilitate the efficient engagement of ASPs we established a Panel of ASPs following a public tender process. This enables us to make direct appointments from the Panel without quotation or tender, or undertake selective quotations from the Panel as appropriate. There may be circumstances where we also procure services from providers not on our panel using established government procurement processes.

Our contracting considerations

Matters we consider in deciding to contract out part or all of an audit include:

Views and needs of the client

Audit client needs or concerns that would stop us from contracting out the audit.

Costs to the client

Whether additional audit costs incurred outweigh the benefits derived from engaging an ASP.

Our capacity and resources

Identified shortfalls in capacity or resources to undertake all audits required to be completed under the *Audit Act 2008* may require us to contract part of an audit, all of an audit or a number of audits.

Financial and technical complexity

Matters involving financial or technical complexity where additional specialist knowledge or expertise is required.

Continuity of audit teams

Balancing our audit resource requirements with the desire for audit clients to have continuity of audit staff undertaking their audits.

Audit rotation requirements

Compliance with our maximum five year audit rotation policy, irrespective of an auditor's role, to minimise familiarity and other threats to independence.

Independence threats

Known and potential independence threats, such as conflicts of interest.

Capacity of ASPs

The ability of an ASP to undertake all or part of an audit in accordance with our requirements.

Market considerations

Our desire to provide all ASPs on our Panel with an opportunity to undertake contracted audit services in line with the capacity and resources of each ASP.

Balancing our budget

Our ability to engage ASPs within our budgetary constraints.