



**Assurance Framework**

**Victorian**

**Disaster Recovery Funding Arrangements**

**Last updated June 2024**

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# Executive Summary

## Introduction

Victoria's Natural Disaster Financial Assistance (NDFA) scheme is available to local councils, Catchment Management Authorities (CMAs) and state agencies (Delivery Agencies), to relieve some of the financial burden that may be experienced following a natural disaster, in accordance with the Australian Government’s Disaster Recovery Funding Arrangements (DRFA).

The DRFA is intended to support relief and recovery measures delivered by the states and territories. In Victoria and under the DRFA, eligible reconstruction works are to be jointly funded by the Australian and Victorian Governments.

## Background

Emergency Recovery Victoria (ERV) within the Department of Justice and Community Safety provides a DRFA Management System (System) to estimated essential public asset reconstruction costs which involves providing the guidelines and tools to enable Delivery Agencies to successfully estimate costs.

There is a need to provide reasonable assurance to the Australian Government in order for the State of Victoria (the State) to obtain financial assistance for essential public asset reconstruction works. This Assurance Framework (the Framework) provides a starting point for the State to understand and execute their assurance requirements under the DRFA and make a successful claim containing estimated reconstruction costs.

This Framework, whilst developed for the purposes of the DRFA should be read in conjunction with the State’s broader financial control requirements. The controls listed in the Framework are complementary to the existing financial control environment of the State, which include but are not limited to:

* The *Financial Management Act 1994*;
* The Standing Directions of the Minister for Finance 2016 (2016 Directions), which set the standard for financial management by Victorian Government agencies from 1 July 2016 onwards; and
* The legal basis for councils, which is established under the *Constitution Act 1975* and the *Local Government Act 1989*. Each local council is responsible for implementing many diverse programs, policies and regulations set by the Victoria and Australian governments. Under the *Local Government Act 1989*, councils are required to establish an audit committee as an advisory committee to the council. Audit committees are considered to be fundamental to good corporate governance and are responsible for:
* Issues relevant to the integrity of the council's financial reporting;
* Monitoring risk management systems, internal control framework, compliance and internal audit activities; and
* Liaising between external auditors, internal auditors and management.

## Objectives and Scope of the Framework

The objectives of the Framework are to:

* Provide a common understanding of the DRFA assurance requirements;
* Describe the State’s approach to meeting the DRFA control objectives; and
* Guide the State in executing the necessary assurance activities.

This Framework applies to provide assurance under the Standard on Assurance Engagements (ASAE3150) over the estimated reconstruction costs established for reconstruction works undertaken on essential public assets following damage from an eligible disaster event activated under Category B of the DRFA. The State is required to conduct this annual assurance engagement, where estimated reconstruction costs have been established in any given financial year. This assurance engagement must be conducted by the state appointed auditor in accordance with ASAE3150.

This Framework does not apply to expenditure that is not an estimated reconstruction cost, such as:

* Emergency works for essential public assets;
* Immediate reconstruction works for essential public assets;
* Funding of counter disaster operations for the protection of the general public; and
* Expenditure on eligible measures.

Claims for State expenditure of this nature must be audited separately by a State appointed auditor. The claims must further be audited in accordance with the requirements of ASA 800 Special Consideration-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks. An ASA 800 report must be provided in the final claim pack for the Australian Government as per Section 10.3 of the DRFA.

## Framework Principles

Whilst ERV has overall responsibility to manage the System, it is the collective responsibility of the Delivering Agencies and Assessing Authorities that are critical to the adequacy and effective functioning of the Framework. The principles underpinning the framework include:

* Accountability and oversight – All stakeholders are clear on their assurance ***roles and responsibilities***(as articulated in section 3) and the part that they play in ensuring the State is able to make a valid claim to the Australian Government;
* Transparency – The way in which estimated costs are determined and how public money is being spent to effectively remediate damaged public assets is clear and appropriate; and
* Consistency – The process, requirements and expectations when determining estimated reconstruction costs are applied reliably and consistently.

ERV reserves the right at any stage to conduct checks and /or audits at Delivering Agencies or Assessing Authorities to increase the level of confidence over the application of the Framework.

## Components of the Framework

The Framework contains the following sections:

Control Objectives and Related Controls

The key controls the State should expect to implement in order to meet the DRFA control objectives for estimated reconstruction costs

Implementing this Framework

Elements necessary in order to effectively and sustainably implement this Framework.

Audit Guidelines

Factors that state appointed auditor must consider when conducting the assurance engagement under DRFA requirements.

Roles and Responsibilities

Roles and responsibilities for key parties in relation to the State’s assurance engagement requirements for estimated reconstruction costs.

# Control Objectives and Related Controls

Under the DRFA, the State is required to develop and implement a DRFA Management System (the System). The System is the processes and controls in place in Victoria to meet the DRFA control objectives where estimated reconstruction costs have been established in a given financial year and applies for the entire period

**The Excel Table in Appendix identifies the key controls the State should expect to implement in order to meet the DRFA control objectives. The green text in the excel table represents edits made from the previous version.**

# Roles and Responsibilities

Below is an overview of roles and responsibilities for key parties in relation to the State’s assurance engagement requirements for estimated reconstruction costs:

**Delivery Agencies & Assessing Authorities**

**State appointed auditor**

* Perform annual assurance engagements in accordance with ASAE3150 in each financial year that estimated reconstruction costs have been established
* Communicate important matters, such as control design deficiencies or deviations in operating effectiveness

**ERV**

* Prepare a description of the DRFA Management System for Victoria
* Apply relevant controls as designed in the Framework throughout the cost estimation processes to achieve control objectives
* Maintain accurate audit evidence for seven years from the end of each financial year in which expenditure is claimed
* Perform self-assessments to understand strength of current control environment and address weakness areas
* Implement the Framework and ensure it remains appropriate and relevant
* Apply relevant controls as designed in the Framework throughout the cost estimation processes to achieve control objectives
* Maintain accurate audit evidence for seven years from the end of each financial year in which expenditure is claimed

# Audit Guidelines

The objectives of the annual assurance engagement performed by state appointed auditor in accordance with ASAE3150 are:

1. To obtain reasonable assurance about whether, in all material respects, based on the defined control objectives, throughout the period:
   1. The State’s controls within the System were suitably designed to achieve the identified control objectives;
   2. The State’s description of the System controls fairly represents the System; and
   3. The controls operated effectively as designed.
2. To express a reasonable assurance conclusion through a written report on the matters above and a basis for the conclusion reached.

Below are the factors that state appointed auditor needs to consider when conducting the annual assurance engagement under DRFA requirements.

## Planning the Assurance Engagement

To ensure an assurance engagement of the Victoria DRFA Management System is conducted adequately and effectively, state appointed auditor should consider the following aspects when planning the engagement.

### Materiality

The state appointed auditor will be required to consider materiality when determining the nature, timing and extent of procedures to be performed. This will include:

* + Identifying material controls that are fundamental to the achievement of the control objective;
  + Reassessing the materiality of the controls if the basis on which the materiality was determined has changed; and
  + Considering materiality and impact of accumulated deficiencies in the design, inaccuracies in the description of the System, deficiencies in implementation, or deviations in operating effectiveness of controls as designed.

The state appointed auditor will also be required to consider materiality when considering the effect on reporting.

### Delivery Agencies

Although the assurance engagement is with ERV (as the agency on behalf of the State), it is acknowledged that a number of controls implemented to achieve the control objectives may be managed by other State or local government agencies (third party organisations). These third parties are deemed Delivery Agencies for the purposes of this Framework.

If ERV is able to satisfy the control objectives without reliance on Delivery Agencies then the *‘carve-out method’* may be used as defined by ASAE3150. That is, the scope of state appointed auditor’s assurance engagement may exclude the controls of Delivery Agencies. However, the scope of the assurance engagement must include controls implemented by ERV to monitor the effectiveness of controls operating at Delivery Agencies, which form part of the System, where applicable.

Where ERV is reliant on Delivery Agencies to satisfy the control objectives then *‘inclusive method’* must be used as defined by ASAE3150. That is, it is expected the controls identified against the control objectives include both ERV controls and the relevant controls of Delivery Agencies relied upon to achieve the control objectives.

### Internal Audit Function

When planning the assurance engagement, the state appointed auditor will need to determine whether an internal audit function exists at the Delivery Agency or ERV level and assess:

* + its impact on the controls and control objectives in scope within the System; and
  + its effect on state appointed auditor’s audit procedures to be performed.

If the work of the internal audit function is going to be used, then the state appointed auditor should evaluate it as required by ASAE 3000.29.

The use of internal auditors to provide direct assistance to state appointed auditor is prohibited but reliance can be placed on the work of the internal audit function to modify the nature or timing, or reduce the extent, of assurance procedures to be performed by the state appointed auditor.

## Performing the Assurance Engagement

### Assessing Design of Controls

The state appointed auditor should determine which of the controls are necessary to achieve the control objectives under the DRFA, whether those controls are presented in the System description and assess whether those controls were suitably designed. This determination should include:

* + identifying the risks that may impact on the achievement of the control objectives;
  + evaluating whether the controls as designed would be sufficient to mitigate those risks when operating effectively, in all material respects; and
  + for engagements over a period, evaluating whether any changes to control design during the period would be sufficient to mitigate those risks, in all material respects.

In assessing the suitability of the design of controls, the state appointed auditor should:

* + make enquiries of Delivery Agencies and ERV regarding how the controls are designed to operate;
  + examine the design specifications or documentation; and
  + obtain an understanding of the control environment and consider other components of control excluded in the scope of the assurance engagement, which may affect the design of controls included in the scope of the assurance engagement.

### Assessing System Description

The state appointed auditor should obtain and read the System description provided by ERV and evaluate whether aspects of the description included in the scope of the engagement are fairly presented.

In addition, the state appointed auditor must determine whether the System has been described as designed and implemented through other procedures in combination with enquiries. Other procedures shall include inspection of records and other documentation evidencing the manner in which the System was designed and observation of the controls which have been implemented.

### Assessing Implementation of Controls

The state appointed auditor must obtain sufficient and appropriate evidence that the controls identified as necessary to achieve the DRFA control objectives were implemented as designed.

The assurance procedures to test implementation of controls should include enquiry of Delivery Agencies and ERV, and observation and/or inspection of records and other documentation, regarding the manner in which the controls were implemented.

Procedures may include determining:

* + how any new or changes to existing Systems were tested, installed and delivered to users;
  + who was allocated responsibility for operation, maintenance and monitoring of controls;
  + the adequacy of System documentation, such as policies, manuals and instructions;
  + the adequacy of equipment, IT hardware, physical security and other infrastructure to enable the controls to operate effectively;
  + the sufficiency and suitability of human, physical and IT resources to maintain, operate, support and monitor controls implemented; and
  + the existence of backup and contingency plans for control exceptions or breakdown.

### Assessing Operating Effectiveness of Controls

When reporting on operating effectiveness over the period, the state appointed auditor must test those controls that have been identified as necessary to achieve the DFRA control objectives, and assess their operating effectiveness throughout the period.

The nature, timing and extent of tests of operating effectiveness, should include:

* + discussion with personnel and observation of the System in operation for deviations from the specified design;
  + examination and follow up of the application of controls, on a sample basis to provide sufficient appropriate evidence on which to base an opinion; and
  + evaluation of results from any exception reporting, monitoring or other management controls to reduce the extent of direct testing of the operation of the control.

The state appointed auditor will be required to apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted. Specifically, when determining the extent of tests of controls, the state appointed auditor should consider the characteristics of the population to be tested, such as the nature of controls and the frequency of their application (i.e. monthly, daily, a number of times per day). Tests of operating effectiveness should be performed over a period of time that is adequate to determine that the control procedures are operating effectively.

### Sampling

When the state appointed auditor uses sampling to select controls for testing operating effectiveness over a period, they should:

* + consider the purpose of the test and the characteristics of the controls from which the sample will be selected from when designing the sample;
  + determine a sample size sufficient to reduce sampling risk to an acceptably low level; and
  + select items for the sample in such a way that the entire sample population has a chance of selection, and the sample is representative of the population.

## Assurance Reporting

On completion of an assurance engagement, the state appointed auditor is required to issue a report under the requirements of ASAE3150, to provide context and a conclusion for the work undertaken.

The Assurance Report is required to be submitted to the Australian Government by ERV no later than 31 March from the end of the relevant financial year (that is, for the assurance engagement of controls for the period 1 July 2018 – 30 June 2019, the report is due no later than 31 March 2020).

Refer to Appendix 6.2 for an example of the assurance engagement report.

## Management Reporting

In addition to the assurance engagement report, the state appointed auditor is required to consider whether, pursuant to the terms of the assurance engagement and other engagement circumstances, any matter has come to its attention that is to be communicated with ERV as per the requirements of ASAE3150. This may include, but is not limited to:

* identified control design deficiencies;
* deficiencies in implementation or deviations in operating effectiveness;
* identified fraud or information that indicates that a fraud may exist; or
* any other matter deemed of such importance by the state appointed auditor that communication is required with ERV.

All reporting required under ASAE3150 and issued to the State must also be provided to the Australian Government by the State, subject to relevant State legislative provisions.

# Implementation of the Framework

This Framework will be effective from 1 November 2018 and should be implemented progressively by:

* Establishing and executing a communication and implementation strategy for the Framework;
* Developing further guidance notes that provide further detail on specific elements of the Framework;
* Undertaking on-going monitoring activities and evaluations to ensure the Framework is fit for purpose, achievable and relevant;
* Develop a ERV self-assessment program that allows ERV to monitor the strength of the control environment and how well adopted the related controls have been to meet the DRFA assurance requirements.

# Appendices

## DRFA System Description Example

**ERV’s Assertion**

The accompanying description has been prepared by the ERV in relation to the Services that it provided in relation to the State’s Disaster Recovery Funding Arrangements Management System (System). ERV confirms that:

1. The accompanying Description fairly presents the Services throughout the period [insert the applicable period]. The criteria used in making this statement were that the accompanying Description:
   1. Presents how the system was designed and implemented, including:

* The types of Services provided
* The geographic, operational or functional boundaries of the System
* The system of control objectives and related controls
* Controls at third party organisations
* Changes to the System or to controls during the period covered by the Description are described adequately
* The period of operation.
  1. Does not omit or distort information relevant to the scope of the System being described.

1. The controls related to the control objectives stated in the accompanying Description were suitably designed and operated effectively throughout [insert the applicable period]. The criteria used in making this statement were that:
2. The risks that threatened achievement of the control objectives stated in the Description were identified
3. The identified controls would, if operated as described, provide reasonable assurance that those risks did not prevent the stated control objectives from being achieved
4. The controls were consistently applied as designed, including that manual controls were applied by individuals who have the appropriate competence and authority, throughout the period [insert the applicable period].

[Signed for on behalf of ERV]

**Description of Disaster Recovery Funding Arrangements Management System Services**

**Services Provided**

ERV provides a Disaster Recovery Funding Arrangements Management System (System) for estimated reconstruction costs which involves providing the guidelines and tools to enable Delivery Agencies to successfully estimate costs associated with the restoration of essential public assets. The System was introduced on 1 November 2018, the same date as when the Commonwealth Government’s Disaster Recovery Funding Arrangements (DRFA) came into effect. Since the System has come into effect no further enhancements have been made to the control environment [this statement needs to be confirmed] and the System described below was in place for this specified period [any changes in the control environment from the prior period must be disclosed].

**Disaster Recovery Funding Arrangements Management System**

The System description detailed below fairly presents the services provided by ERV for the period [insert applicable period]. ERV has developed a suite of guidelines, process maps and a cost estimation tool that supports the System. The System is underpinned by an Assurance Framework that applies to all estimated reconstruction costs established for reconstruction works undertaken on essential public assets following damage from an eligible disaster event under measures activated under Category B of the DRFA.

The objectives of the Framework are to:

* Provide a common understanding of the DRFA assurance requirements
* Describe the State’s approach to meeting the DRFA control objectives
* Guide the State in executing the necessary assurance activities.

The Framework is underpinned by the following principles:

* Accountability and oversight – All stakeholders are clear on their assurance roles and responsibilities and the part that they play in ensuring the State is able to make a valid claim to the Australian Government
* Transparency – The way in which estimated costs are determined and how public money is being spent to effectively remediate damaged essential public assets is clear and appropriate
* Consistency – The process, requirements and expectations when determining estimated reconstruction costs are applied reliably and consistently.

During the above mentioned period, ERV used the Automated Claims Management System (ACMS) [confirm the technology system in use] system to manage the claims submitted by Delivery Agencies. Delivery Agencies are defined as a State or Local Government agency responsible for delivering emergency or reconstruction works to restore an essential public asset post-disaster event. The roles of Delivery Agencies are described in more detail under the ‘Controls at Third Party Organisation’ section below.

During this period the following organisations where deemed to be Delivery Agencies as per the definition:

* [insert all Delivery Agencies]
* [insert all Delivery Agencies]

Part of ERV’s control environment are the Assessing Authorities. The Assessing Authorities assesses claims for the reconstruction of essential public assets on behalf of ERV.

During this period the following organisations where deemed to be Assessing Authorities as per the definition:

* [insert all Assessing Authorities]
* [insert all Assessing Authorities]

**Controls at Third Party Organisations**

ERV relies on third party organisations, defined as Delivery Agencies, for delivering emergency or reconstruction works to restore an essential public asset post-disaster event. The Delivery Agencies identified above had the following responsibilities as part of the Assurance Framework during this period:

* Applying relevant controls as designed in the Assurance Framework throughout the cost estimation processes to achieve control objectives
* Maintaining accurate audit evidence for seven years from the end of each financial year in which expenditure is claimed.

ERV is also supported by the mentioned Assessing Authorities in monitoring the operating effectiveness of controls at the mentioned Delivery Agencies. This applied to all control objective listed in the DRFA with the exception of:

* N1 - The state determines eligibility of a natural disaster or terrorist act
* N2 - The Commonwealth is notified of an eligible disaster within three (3) months of the
* natural disaster occurring; or
* from the date of the Minister’s or department’s letter to the state that an act has been determined to be a terrorist act.
* C8 - Estimated reconstruction costs as determined in accordance with these arrangements for the reconstruction of essential public assets submitted in the claim pack are reconciled to each reconstruction project.
* [also list other relevant controls as appropriate].

ERV also completed its own independent monitoring over the operating effectiveness of controls at the Delivery Agencies [the list below is suggestive only, and needs to reflect whether ERV required any additional assurance over the Delivery Agencies’ activities]. This included:

* The reconstruction cost of the project for [list Delivery Agency] exceeded the ERV threshold, and the Delivery Agency was required to engage their Internal Audit function to provide an opinion on whether appropriate procurement policies have been applied. Copies of the applicable internal audit reports were reviewed by ERV and no material non-compliance matters where noted.
* ERV in the case of [list Delivery Agency] requested an independent audit by [list auditors] in order to gain additional assurance over the Delivery Agency’s procurement processes and practices. Copies of the applicable audit reports were reviewed by ERV and no material non-compliance matters where noted.

**Description of Control Objectives and Related Controls**

Refer to the DRFA Assurance Framework excel document that details the control objective/activity and related controls implemented by the ERV.

The Excel Table in Appendix identifies the key controls the State should expect to implement in order to meet the DRFA control objectives. The green text in the excel table represents edits made from the previous version.

## Example ASAE3150 Assurance Engagement Report

### Below is a draft template example of an ASAE3150 Assurance Engagement Report to be included in the claim pack to the Australian Government.

### Scope

We, <independent assurance practitioner>, have undertaken a reasonable assurance engagement on the design of controls within <State agency>’s Disaster Recovery Funding Arrangements Management System (System) for estimated reconstruction costs (the controls), comprising <identify System by distinguishing features, boundaries and control components>, throughout the period <1 July 20xx> to <30 June 20xx> relevant to <list overall control objectives>/the following control objectives:

* <list or reference the control objectives>
* <State agency>’s description of its System at pages <bb-cc> (the description), and
* the operating effectiveness of those controls.

### <State agency>’s Responsibilities

<State agency> is responsible for:

1. the services within the Disaster Recovery Funding Arrangements Management System for estimated reconstruction costs
2. identifying the relevant control objectives, as outlined in the Disaster Recovery Funding Arrangements
3. identifying the risks that threaten achievement of the control objectives
4. designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives
5. preparing the description and Statement at page <aa>, including the completeness, accuracy and method of presentation of the description and Statement, and
6. operating those controls effectively as designed throughout the period.

### Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, <State appointed auditor> maintains a comprehensive System of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Assurance Practitioner’s Responsibilities

Our responsibility is to express an opinion on <State agency>’ Statement regarding the suitability of the design of controls to achieve the control objectives, the presentation of <State agency>’s description of the System and the operating effectiveness of <State agency>’s controls within the System, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives, the description is fairly presented and the controls operated effectively throughout the period.

An assurance engagement to report on the design, description and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives, the completeness, accuracy and method of presentation of the description of the System and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed, the description is not fairly presented or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives stated in the description.

An assurance engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that we have assured are designed to operate, has not been assured and no opinion is expressed as to its design or operating effectiveness. An assurance engagement on the operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

### Opinion

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects:

1. the controls were suitably designed to achieve the control objectives identified throughout the period <1 July 20xx> to <30 June 20xx>
2. the description fairly presents the Disaster Recovery Funding Arrangements Management System for estimated reconstruction cost as designed, throughout the period <1 July 20xx> to <30 June 20xx>, and
3. the controls, necessary to achieve the control objectives, operated effectively as designed, throughout the period from <1 July 20xx> to <30 June 20xx>.

<As a long-form report, include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

* Terms of the engagement.
* Criteria being used, such as the specific control objectives and controls designed to achieve each objective.
* Descriptions of the tests of controls that were performed.
* Findings relating to the tests of controls that were performed or particular aspects of the engagement.
* Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.
* Disclosure of materiality levels.
* Recommendations for improvements to controls.>

# Document information

## Document details

| Criteria | Details |
| --- | --- |
| TRIM ID: |  |
| Document title: | Victorian DRFA Assurance Framework |
| Document owner: | Emergency Management Victoria, Department of Justice and Community Safety |

## Version control

| Version | Date | Description | Author |
| --- | --- | --- | --- |
| V1.0 | 12 10 18 | Issued for IDC Review |  |
| V2.0 | 24 10 18 | Final Issue for approval |  |
| V2.1 | 26.10.18 | Minor updates to Final Issue |  |
| V2.2 | 30.10.18 | Working Document |  |
| V2.3 | 14.11.18 | Updated section 6 to include Systems Description |  |
| V2.4 | 10.01.19 | Updated for comments from Commonwealth and updated glossary |  |
| V2.5 | 31.10.19 | Replace DTF with ERV. Update form reference |  |
| V2.6 | 20.10.20 | Captured in the Assessor Validation Process Form (as a assessor control and control agency control) |  |
|  |  | Removed section 2 table from the body of the document and captured as an Appendix document in Excel |  |
| V2.7 | 01.04.22 | Control N2.1 clarified that Delivery Agency notification forms received beyond 1 month however under 3 months will be considered  Background section removed historical information of the function previously undertaken by DTF  Other minor edits |  |
| V2.8 | 28.02.23 | ‘EMV’ replaced with ‘ERV’  Control objectives and related control table removed from the document and is now referenced to excel document containing the information. |  |
| V2.9 | 6.06.24 | Replaced term ‘VAGO’ with ‘State Appointed Auditor’ and EM Group with ERV. |  |

## Document approval

| Name | Title | Organisation |
| --- | --- | --- |
|  |  |  |
|  |  |  |

## Reference material

| Referenced Forms and Guidelines | TRIM ID/Location |
| --- | --- |
| Victorian DRFA Guideline 1 - Claims and Eligibility for Essential Public Assets |  |
| Victorian DRFA Claim Form VF-D-DEC - Claim Lodgement Declaration |  |
| Victorian DRFA Claim Form VF-B-RW – Reconstruction Works |  |
| Victorian DRFA Claim Form VF-B2-CW - Completed Works |  |
| Victorian DRFA Guideline 2 - Damage Assessment for Essential Public Assets |  |
| Victorian DRFA Guideline 3 - Cost Estimation for Essential Public Assets |  |

| Bibliography | Author | TRIM ID/Location |
| --- | --- | --- |
| Disaster Recovery Funding Arrangements 2018 | The Australian Government |  |

## Acronyms

| Acronyms | | Description | |
| --- | --- | --- | --- |
| DRFA | Disaster Recovery Funding Arrangements | |
| ERV | Emergency Recovery Victoria | |
| EPA | Essential Public Asset | |
| ITR | Independent Technical Review | |
| REPA | Reconstruction of Essential Public Assets | |
| State appointed auditor | Firm engaged by Victoria to undertake the audit of the DRFA acquittal. | |

## Glossary of Terms

| Terms | Description |
| --- | --- |
| Administering Authority | The Administering Authority for the DRFA in Victoria is Emergency Recovery Victoria (ERV), the Department of Justice and Community Safety. ERV serves as the single point of contact with the Australian Government and oversees the implementation of the DRFA across state agencies and local council. |
| Allowable time limits | Prescribed timeframes under the DRFA including, but not limited to, the following activities:   * Notification of the Australian Government of a disaster event * Completion of emergency works and non-REPA reconstruction works * Provision of evidence of damage to the State for an eligible disaster event * Approval of cost estimates related to a disaster event   Period to incur REPA expenses |
| ASAE3150 | ASAE3150 Assurance Engagements on Controls, issued by the Auditing and Assurance Standards Board |
| ASA 800 | Auditing Standard ASA 800 Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks, issued by the Auditing and Assurance Standards Board. |
| Assessing Authority | The Assessing Authority assesses claims for the reconstruction of essential public assets on behalf of ERV. The Assessing Authority will depend on the Delivery Agency that has undertaken the works. |
| Borrow pit | A borrow pit is an area where material (usually soil, gravel or sand) has been excavated for use at another location |
| Claim pack | The financial reporting pack provided by the Australian Government to the State each year. |
| Contingency | The allowance reflecting the reconstruction project risk profile, complexity, investment lifecycle, benchmarks and past performance for similar projects. |
| Administering Agency | The agency who is responsible to undertaking the control activity to mitigate the risk to ensure that the control objective(s) can be met. |
| Control objectives | The control objectives established within these arrangements, as required under ASAE3150. |
| Cost estimation | The process of developing the *estimated reconstruction cost* for the *reconstruction* of *essential public assets* by building up the component elements including:   * scoping and defining the works required for *reconstruction* of the *essential public asset* * applying relevant assumptions and exclusions, and * using available historical data of actual costs (that is, benchmark pricing) and/or supplier quotes to estimate the cost of *reconstruction* works. |
| Counter disaster operations | Activities undertaken by the state in response to the occurrence of a disaster event to protect a community from the impacts of the disaster event |
| Day Labour | The use of a Delivery Agency’s own plant, equipment or resources to reconstruct an asset. The key components of day labour are plant, labour and materials. |
| Disaster event activation | Under the DRFA, for an event to be activated, the following conditions must be satisfied:   * Meets the definition of a natural disaster or terrorist event and eligible disaster; and   Has impacted an eligible undertaking. |
| Disaster Recovery Funding Arrangements Management System | The processes and controls implemented by *state agency* and third party organisations (where applicable) in relation to an *estimated reconstruction cost*, as defined by these *arrangements*. |
| Delivery agency | A State of Local Government agency responsible for delivering emergency or reconstruction works to restore an asset post-disaster event |
| Direct costs | Costs directly associated with the reconstruction of an eligible essential public asset, commonly referred to as construction costs. |
| Eligible disaster | A *natural disaster* or *terrorist act* for which:   * a coordinated multi-agency response was required, and * *state expenditure* exceeds the *small disaster criterion*. |
| Eligible measure | A relief or recovery assistance measure specified in these arrangements, or a cost to the state under clause 8.1 of these arrangements. |
| Eligible undertaking | A body that:   * is one of the following:   + a department or other agency of a *state* government, or   + established by or under *state* legislation for public purposes (for example, a local government), and * in the operation of the asset provides services free of charge or at a rate that is 50 per cent or less of the cost to provide those services. |
| Emergency works | Urgent activities necessary following an *eligible disaster* to temporarily restore an *essential public asset* to enable it to operate/be operated at an acceptable level of efficiency to support the immediate recovery of a community, and take place:   * prior to the *state* commencing *essential public asset reconstruction works* in accordance with these *arrangements*, or * prior to or at the same time as *immediate reconstruction works* and where no *essential public asset reconstruction works* are required. |
| Escalation | The allowance for expected changes in capital costs throughout the project lifecycle. |
| Essential public asset | An asset which *must* be a *transport* or *public infrastructure* asset of an *eligible undertaking* which, the *state* considers and the *department* agrees, is an integral part of a *state’s* infrastructure and normal functioning of a community. |
| Essential public asset function framework | The *Essential Public Asset Function Framework* as defined by these *arrangements* (refer to clause 6.3). |
| Essential public asset reconstruction works | *Reconstruction* works on an *essential public asset* directly damaged by an *eligible disaster* for which an *estimated reconstruction cost* has been developed. |
| Estimated reconstruction costs | The estimated cost of *reconstruction* of an *essential public asset* damaged by an *eligible disaster* and calculated in accordance with these *arrangements*. |
| Extensions to allowable time limits | Extensions to prescribed timeframes under special/ extenuating circumstances to maintain eligibility of a claim under the DRFA |
| First principles estimation | The process of assigning plant, labour and material rates to a given work activity or standard treatment. |
| Immediate reconstruction works | Immediate *reconstruction* activities following an *eligible disaster* to fully *reconstruct* an *essential public asset,* and where no *essential public asset reconstruction works* are required. |
| Ineligible works | Works that are not eligible for claiming under the DRFA arrangements |
| Indirect costs | Costs indirectly related to the reconstruction of an eligible essential public asset, including overheads, project management, procurement and engineering assessment costs. |
| Independent Technical Review | A review of estimated reconstruction costs in accordance with the DRFA |
| Market response | The process of developing estimated reconstruction cost for reconstruction of essential public assets by tender or competitive bidding. |
| Monitoring agency | The agency who is responsible for monitoring that the control activity has been undertaken to successfully meet the control objective(s). |
| Natural disasters | According to the DRFA, a natural disaster is one, or a combination of the following rapid onset events: Bushfire, earthquake, flood, storm, cyclone, storm surge, landslide, tsunami, meteorite strike or tornado. |
| Pre-disaster condition | Condition of an eligible asset prior to the occurrence of the disaster event |
| Post-disaster condition | Condition of an eligible asset in the aftermath of a disaster event occurring |
| Pre-disaster asset function | Under the DRFA, the Australian Government will provide funding equivalent to reconstruct an essential public asset to its pre-disaster function. Therefore, the pre-disaster function must be determined to establish the proposed treatment and subsequent estimated reconstruction cost. It is important to note that pre-disaster condition of the asset is still an important factor, and evidence of the assets condition prior to the disaster event is required as part of the funding claims process. |
| Project | For the purpose of defining a project, a project shall be considered one of the following:   * a single asset * up to 10 individual assets with estimated costs of ≤$50,000 each (totalling no more than $500,000). |
| Public infrastructure | An asset that is an integral part of a *state’s* infrastructure and is associated with health, education, justice or welfare. |
| Reconstruction | The restoration or replacement of an *essential public asset.* |
| Re-damaged essential public asset | An essential public asset is re-damaged if it suffers additional damage from a subsequent eligible disaster which occurs after the development of an estimated reconstruction cost for the preceding eligible disaster. |
| Reasonable assurance engagement | An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner’s conclusion. The assurance practitioner’s conclusion is expressed in a form that conveys the assurance practitioner’s opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria |
| Responsible agency | The agency who is responsible for undertaking the activity as prescribed under the DRFA. |
| Small disaster criterion | For the purposes of these arrangements, the amount of $240,000 or an amount as published by the department. |
| Special Circumstances | Where the estimated reconstruction cost is lower than the actual cost of a project as a result of special circumstances, and the variance does not meet the criteria for an Independent Technical Review, delivery agencies can adjust the estimated reconstruction cost to reflect the variance. The Delivery Agency must provide evidence to the Assessing Authority to demonstrate the special circumstances encountered, including why the special circumstances could not reasonably have been foreseen. |
| Standard treatment(s) | Common or typical reconstruction/ repair procedures undertaken in response to damage sustained from natural disasters |
| The System (Disaster Recovery Funding Arrangements Management System) | The processes and controls implemented by a *state agency* and third party organisations (i.e. delivery agencies where applicable) in relation to an estimated reconstruction cost, as defined by the DRFA. |
| Terrorist act | An action or a series of actions committed in Australia which the relevant Australian Government Minister has determined is a terrorist act for the purposes of an eligible disaster under these arrangements. Without limiting the matters to which the Minister may have regard in determining whether the action or series of actions is a terrorist act, the Minister may have regard to:   * the definition of a terrorist act under section 100.1 of the Criminal Code Act 1995, and   if available, the advice of other Australian Government agencies. In the event of one or more acts, the Minister may determine two or more related acts to be a single terrorist act. |