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Australian National
Audit Office

14 June 2013

Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear M

Thank you for the invitation for me to appear before the Joint Committee of Public Accounts and Audit as part of its annual hearing with the Commissioner of Taxation on 26 June 2013.

Please find enclosed my opening statement for incorporation in the committee's meeting papers. My statement briefly outlines observations from recent scrutiny of the Australian Taxation Office and outlines my office's approach to developing next year's program of performance audits.

Yours sincerely

Ian McPhee PSM
Auditor-General

Encl.

Opening comments by Mr Ian McPhee PSM, Auditor-General

JCPAA biannual hearing with the Commissioner of Taxation

Wednesday 26 June 2013, Canberra

Thank you Chair.

The ANAO and ATO continue to have a good working relationship. With the ATO being such a significant Australian Government agency, we have a continuing presence there and that provides the basis for effective engagement and communication.

I and senior staff met the Commissioner and key staff last month to discuss audit priorities and the relationship between our offices. My officers continue to work with the second commissioners and their staff on any audit issues.

The findings from our audits conducted since the previous hearing have continued to reflect sound governance arrangements, generally good processes and high levels of compliance with the financial framework. Where we have identified scope for improvement, the ATO has been responsive to our suggestions and worked constructively to improve the standard of its administration.

As part of our audit of the ATO's 2012–13 financial statements scheduled for completion in September 2013, my office is examining the adequacy of controls over the preparation of the statements. The audit is progressing well, with few issues identified to date regarding the ATO's financial control environment. This reflects the ATO's concerted efforts to address

audit findings, which are reported to Parliament, in relation to the preparation of its financial statements. In this regard, the number of significant and moderate risk issues identified has declined from 19 issues in June 2005 to the point in mid-2013 where there are no outstanding matters.

Since the previous hearing in September 2012, we have completed five performance audits and one assurance review involving the ATO's administration of taxation systems, including on aspects of data integrity, debt relief, property management and the preparation of key performance indicators (KPIs). A particular focus has been to reflect JCPAA and parliamentary interest in the standard of reporting against the Australian Government Performance Measurement and Reporting Framework. Against the background of the new powers under the *Auditor-General Act 1997*, a pilot project audited a selection of KPIs of three volunteer agencies, including the ATO, as a basis for implementing a future program of audits of entities' KPIs, and to develop a suitable audit methodology. The pilot project found that it is time for greater attention, investment and resourcing to be given to the quality and integrity of KPIs used by public sector entities, including by the ATO, to better inform decisions about the performance of government programs and entities. This requires a stronger and sustained focus by entities to enhance KPIs, and entity leadership will be critical to success. In this regard, the ATO's leadership has continued the commitment to improving KPIs through their agreement to work with us again on the KPI pilot, in 2013–14.

In line with the Committee's recommendation following the September 2011 hearing my office continues to involve the other external scrutiny agencies in our strategic planning process, which we have recently completed, and where appropriate share information on individual audits. Our respective work programs reflect this engagement. In this regard, I am also mindful of the undertaking I made at the September 2012 hearing about considering an audit of the Superannuation Guarantee scheme. This topic has been included in our 2013–14

Audit Work Program and, dependent on the availability of resources, is likely to commence early in the new financial year. We also have flagged a number of other potential topics in the program, and have audits underway of the management of complaints and of compliance among highly wealthy individuals.