



Ref – A004569

Mr Robert Oakeshott MP
The Chair
Joint Committee Public Accounts and Audit (JCPAA)
Department of the House of Representatives
PO Box 6021, Parliament House
ACT 2600

22 May 2013

Dear Mr Oakeshott

Governance and oversight principles in a changing policy environment

You requested advice of ACAG in relation to governance and oversight principles for new mechanisms that deliver programs across federal and state borders (your Committee Secretary's, David Brunoro's, email of 17th April 2013 to Steve Chapman of ANAO, refers).

In offering any advice, we recognise that the responsibility for governance (including accountability) arrangements on these mechanisms rest with the Commonwealth, State and Territory governments involved.

We share your view, conveyed in Mr Brunoro's email, that ... "without clear oversight as early as possible in the process [of establishing new intergovernmental bodies and partnership agreements], then new dangers emerge in reduction or loss of accountability, transparency and good administration".

In our experience, the potential loss of accountability is greatest where entities or agreements are established outside the standard management framework applying to most government organisations. "Accountability gaps" (and sometimes "accountability overlaps") can occur where there is/are:

- limited requirements for the preparation and/or provision of annual reports to Parliaments;
- absence of authority for Commonwealth and/or State and Territory Auditors-General to conduct financial and performance audits and thus not provide a link through the audit function to respective Parliaments;
- lack of detail on the form, extent and timetable for any auditing and assurance to be provided;
- some provision for accountability to Ministers, but not necessarily an acknowledgement of the need to account to Parliaments through their committee processes, such as Senate estimates or their equivalents, and at times a reluctance to appear before committees when requested to do so; and
- failure to apply standard financial and/or performance reporting requirements consistently throughout agreements.

Taken together, these 'accountability gaps' serve to distance such entities or agreements (which are often, but not exclusively, intergovernmental in character) from oversight bodies, including the Parliament and Auditors-General.

To guard against such dangers, we suggest that a common set of accountability principles could be adopted, along the following lines:

The governance arrangements expressed in an agreement or covering an entity should clearly articulate at the outset:

- *the specific objectives and outcomes to be achieved and by when*
- *the roles and responsibilities of the parties and/or entities*
- *how value for money is defined for those objectives and outcomes and how it is to be measured and reported, by when and by whom*
- *the accountability measures to be used, actions to be taken to ensure compliance with the agreement and the outcomes of non-compliance and/or non-performance*
- *annual (public and Parliamentary) reporting of funds received, expended and of outputs delivered, against budgets and targets; and*
- *triennial (public and Parliamentary) reporting of objectives and outcomes achieved and the value for money in doing so.*

The accountability framework included in the governance arrangements for each agreement or entity should have:

- *oversight, audit and reporting responsibilities at Commonwealth and State and Territory level clearly defined and timetabled*
- *the benefit of prior consultation with the oversight or audit bodies responsible at Commonwealth and State Territory level.*

If partnerships, agreements or entities seek co-ordinated audit arrangements between jurisdictions, the following principles should apply to agreements and enabling legislation:

- *participating public sector audit bodies to have legislative capacity to undertake co-ordination and collaboration activities*
- *the independence of each participating public sector audit body to be acknowledged.*

ACAG has appreciated the opportunity to provide some broad advice and comment regarding suggested governance and accounting principles for funding/financing arrangements entered into between the Commonwealth, State and Territory jurisdictions.

Yours sincerely

Peter Achterstraat
Auditor-General NSW
Convenor