

Auditor-General for Australia

Supplementary Submission No. 3.8



22 January 2010

Ms Sharon Grierson MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Ms Grierson

I am writing to provide the Committee with advice of developments concerning the transfer of the responsibilities of the Office of Evaluation and Audit (Indigenous Programs) (OEA) to the Australian National Audit Office (ANAO), in the context of the Committee's current review of the *Auditor-General Act 1997* (the A-G Act).

The staff of the former OEA were formally transferred to the ANAO with effect from 14 December 2009 and funding for the balance of 2009-10 has also been transferred to the ANAO. We have been informed that at the time a revised Administrative Arrangements Order is made, reference to the OEA function being the responsibility of the Department of Finance and Deregulation (Finance) will be deleted.

The former Director of OEA, Dr Andrew Pope, resigned his statutory office following the OEA transfer, and is now an SES officer in the ANAO.

In regard to audit coverage of Indigenous programs, we propose to continue with the audits identified in the OEA 2009-12 program for commencement in 2009-10. These audits are scheduled to be tabled in the 2010-11 financial year under our existing performance audit arrangements. Four of these audits were in progress at the time of the transfer of OEA to the ANAO.

Beyond that, the audits of Indigenous programs are being addressed in the context of developing our 2010-11 program. I propose that these audits will continue to be an important element of our performance audit program and a separate work group within the Performance Audit Services Group has been established with responsibility for undertaking these audits.

One of the matters that is relevant in regard to future audit coverage of Indigenous programs is the fact that there are currently over 200 Indigenous programs administered by a number of portfolios, with approximately 150 of these programs involving expenditure of \$5 million or less. In the context of our 2010-11 program, we will be reviewing our approach to the audit of Indigenous programs, including options to incorporate an Indigenous focus into other performance audit activity, where appropriate.

In accordance with established arrangements, I will consult the Committee separately during the preparation of our 2010-11 work program to ensure that the Committee's views concerning audit coverage of Indigenous programs are taken into account in finalising the program.

In terms of the legislative position, we have been informed that the Government proposes to repeal Part 4B of the *Aboriginal and Torres Strait Islander Act 2005* at a convenient opportunity. With the transfer of OEA functions to the ANAO, this legislation is now effectively redundant, and all audits of Indigenous programs by the ANAO are now undertaken under the provisions of the A-G Act.

The two main functions of OEA, as set out in Part 4B of the *Aboriginal and Torres Strait Islander Act*, were to:

- evaluate or audit relevant programs administered by Australian Government bodies; and
- evaluate or audit the activities of any individual or organisation that has received funding under any relevant program, at the request, or with the consent, of the Minister.

The existing performance audit powers in the A-G Act will enable the first, and primary, function to continue to be undertaken, noting that the evaluation function can be accommodated within the ANAO's performance audit function.


However, as the A-G Act does not include the power to audit non-government individuals or organisations that have received government funding, the second function referred to above is unable to be undertaken. The existing access provisions of the A-G Act would, nevertheless, allow the ANAO access to records and information held by such individuals or organisations in the context of an audit of an Australian Government body.

To enable the ANAO to perform both of the functions of the former OEA, an appropriate amendment of the A-G Act would be required. However, given the mandate of the ANAO, it would be more appropriate for such a provision to apply more broadly. In this context, it is relevant to note that the general issue of extending the Auditor-General's mandate to enable audits to be undertaken of recipients of Commonwealth funding in certain circumstances was raised in my submission of 9 October 2009 as the option that would have the greatest potential impact.

Should the Committee consider it appropriate that the A-G Act be amended to include the power to conduct audits of non-government recipients of Commonwealth funding in respect of Indigenous programs only, we have also been informed that the application of the *Racial Discrimination Act 1995* is an issue that would need to be resolved.

We look forward to discussing these matters with the Committee at its next hearing scheduled for 8 February 2010.

Yours sincerely


Ian McPhee
Auditor-General