



Australian Government

Department of Infrastructure, Transport, Regional Development and Local Government

DEPUTY SECRETARY

File Reference:

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Secretary
Joint Committee of Public Accounts and Audit
House of Representatives
Parliament House
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Dear Committee Secretary

INQUIRY INTO THE AUDITOR-GENERAL ACT 1997

This submission, in response to a letter of invitation from the Inquiry Secretary dated 10 March 2009, addresses the following paragraphs in the inquiry terms of reference:

- b) any amendments necessary to clarify the ANAO's rights and obligations in relation to conducting audits and reviews; and
- e) the Auditor-General's capacity to examine the financial and performance outcomes from Commonwealth investments in the private sector and Commonwealth grants made to State and local governments.


The Auditor General Act gives wide ranging power to the Auditor General to conduct financial and performance audits. Audit recommendations aim to increase accountability and ensure best practice processes in the Australian Government. The benefit of the Auditor General's role is respected and valued by the Government and Public Service. However, there are areas of improvement which could be considered and these are detailed below.

- The broad ranging powers of the Act give little guidance as to the discretion that should be used in their application. Consideration could be given to providing stronger guidance to the Auditor General as to the strength and extent of recommendations.
- An audit needs to be conducted with consideration to proportionality, weighing up of the associated risks and the administrative burden additional 'checks and balances' may create, especially in the context of Section 44 and Regulation 9 of the FMA Act requirements for the effective and efficient use of public money. ANAO reviews need to consider proposed recommendations

in the context of the overall efficient and effective delivery of programs with a clearly articulated balance between accountability and efficiency. Consideration could be given to requiring the ANAO to provide a statement that the accountability benefits of any recommendation clearly outweigh the costs of their implementation.

- Performance auditing could be more realistic in terms of the extent of information the ANAO seeks to gather, and needs to take into account the full range of policy objectives the government of the day was seeking to address. Recommendations need to be considered in the context of the prerogatives of government to create and implement policy and to enable governments to deliver programs that meet economic, social and national imperatives that may be time critical.
- A performance audit by its current nature 'looks backwards'. However, we are in a global environment which is undergoing significant and rapid change. Over the past eighteen months there has been a significant shift in Government policy affecting this Department with increasing expectations about project delivery and timeframes. This may create tensions between the need for accountability and transparency, and the equally important need to deliver programs within a constrained budgetary environment and meeting the necessity for rapid implementation. This calls into question whether this type of performance audit, and recommendations for future administration, is still as applicable in this new environment. Perhaps collaborative 'forward looking' performance audits should become accepted practice, commencing at the time new programs are established, for example when planning is being undertaken for project selection, funding arrangements and program evaluation.
- Consideration could also be given to how performance audits can better reflect the strategic challenges and expert understanding required in administering programs in a complex sector, e.g. the construction industry. Relevant sector experience and expert knowledge could be a key attribute of a performance audit team, particularly in identifying how such a program can be structured to meet a wide range of competing challenges.
- Finally, a collaborative approach between agencies and the ANAO is essential to ensure mutually desirable outcomes and this approach should be fostered throughout the audit process.

Yours sincerely



Andrew Tongue

22 April 2009