

Joint Committee of Public Accounts and Audit
Annual Scrutiny Bodies Hearing—26 June 2013

Opening Statement by the Auditor-General

1. Chair, members of the Committee, each year the Australian National Audit Office (ANAO) undertakes the audits of the financial statements of all Commonwealth controlled entities and a range of agency-specific and cross-agency performance audits and assurance reviews as part of its annual work program. These audits and reviews examine a wide range of issues relating to financial management and reporting, and the economy, efficiency or effectiveness of program management. ANAO reports assist the Parliament in its role of holding the Executive to account, as well as informing the Parliament and public about the financial management and administration of key programs and services. Audit reports also act as a stimulus for better public administration.

2. Our audit reports convey the diversity of Australian Government programs and services and in many ways are complimentary about the standard of public administration. However, our reports have also highlighted recurring shortcomings. An analysis of our reports for this and last financial year show the following soft areas in administration:
 - the development and implementation of meaningful key performance indicators to measure program effectiveness, including for programs implemented through Council of Australian Governments (COAG) arrangements;
 - the nature, scope and extent of external reporting on program performance;
 - the effective management of risk including risk identification and monitoring; and

- a lack of close adherence to the Australian Government’s grants policy framework including record keeping in relation to grants assessment processes and the adequacy of advice to Ministers in relation to funding decisions.
3. In responding to the evolving nature of government service delivery, the ANAO has trialled new ways of undertaking performance audits. For example, last year the ANAO completed a concurrent audit of the Implementation of the National Partnership Agreement on Homelessness. In undertaking this audit the ANAO, worked with six of the state and territory Auditors-General who were undertaking similar audits in their jurisdictions.¹ The state and territory audit offices agreed a common audit objective and complementary timelines. The ANAO considered the findings of the available reports of the state and territory Auditors-General in preparing its report. This approach enabled a fuller assessment to be made of the administration of the program and issues affecting service delivery by the state and territory governments.
 4. In addition, following amendments to the *Auditor-General Act 1997* to allow for audits of Commonwealth partners in particular circumstances, the ANAO commenced an audit of the funding of the Mersey Community Hospital in Tasmania, at the request of this Committee. The audit involves both the Australian Government Department of Health and Ageing and the Tasmanian Department of Health and Human Services. The audit is expected to be tabled in the Parliament later this year.

¹ Audits of the National Partnership Agreement on Homelessness have been undertaken in the Australian Capital Territory, the Northern Territory, Queensland, Victoria, Tasmania and Western Australia. As of 14 June 2013, the Auditors-General of Western Australia, Victoria, Queensland, Tasmania and the Northern Territory had tabled their reports in the relevant state and territory Parliaments.

5. During 2012-13 the ANAO also gave greater attention to the implementation by agencies of audit recommendations made in ANAO and agency internal audit reports. Our initial observations from this area are that, while agencies agree to implement the recommendations made, following through to achieve full and timely implementation remains a challenge. Agencies systems to monitor and report on the status of recommendations are generally sufficiently developed, although monitoring and reporting does not guarantee effective implementation. Agencies have responded positively to our two reports by indicating they will:

- strengthen their procedures for assessing the relevance of recommendations from ANAO cross-agency audits;
- establish or strengthen existing implementation approaches, including documenting timelines, responsibilities and accountabilities for the implementation of recommendations; and
- enhance reporting on the status of audit recommendations.

6. Overall, my Office remains well supported by its existing legislative mandate. However, like most agencies, we are closely monitoring the budget allocations in the forward years, and will keep the Committee abreast of issues arising in this context.

7. Thank you and I am happy to respond to any questions the Committee may have.

Mr Ian McPhee
Auditor-General