

**ANAO Responses to Questions on Notice – PM3 Senator Murray, 30 November 2004.**



**Senate F&PA Committee: Senate Order**

**Question one**

*In ANAO Audit Report No. 10 2004-2005, The Senate Order for Departmental and Agency Contracts (Calendar Year 2003 Compliance), the ANAO has reported the results of its examination of ASIO and ASIS contracting arrangements. The findings raised significant accountability concerns. What methods can be put in place to provide ongoing review of the agencies' contracting processes?*

**Response**

As noted by Senator Murray, the ANAO's latest audit of Compliance with the Senator Order for Departmental Agency Contracts included a review of compliance with the Senate Order by both ASIO and ASIS.

Because of the nature of their particular operations, both these organisations are exempt from certain reporting obligations and to date have not listed details of relevant contracts on their respective internet sites for reasons of national security. In relation to audit coverage more generally of both ASIO and ASIS, the annual financial statements of both agencies are subject to audit by the Auditor-General in accordance with the requirements of the Financial Management Accountability Act 1997. In addition, both agencies can be subject to performance audit coverage from time to time under the provisions of the *Auditor-General Act 1997*. The decision to undertake a specific performance audit of an agency or include an agency in a cross agency audit, depends on a number of factors including the materiality of the entity's activities, the extent and results of past audit activity and likely audit impact.

In relation to future audits of agency compliance with the above-mentioned Senate audit, the contracting arrangements for both ASIO and ASIS could be subject to future audit coverage depending on the audit approach that is taken in respect of these audits.

**Question two**

*The report indicates that audits of compliance with the order have now covered approximately 94 per cent of all contracts entered into by agencies and 97 per cent of contracts listed as containing confidentiality provisions. Does the ANAO consider that maximum compliance with the order would be achieved by moving on to audit agencies with smaller numbers of contracts, or would repeat audits of the larger agencies be more beneficial?*

**Response**

To date the ANAO audits of agencies' compliance with the Senate Order has been directed at those agencies which have the largest number of contracts. As a result, the audits have covered a very large percentage of relevant contracts (94 percent) as well

as those containing confidentiality provisions (97 percent). The ANAO sees merit in reviewing compliance with the Senate Order by a number of agencies, which our previous audits indicated a need for improvements in the Senate Order. This will reinforce the value of conducting follow-up audits in circumstances where the original audit(s) indicated areas where improvements were required.