

Changes to the *Audit Act 1994*

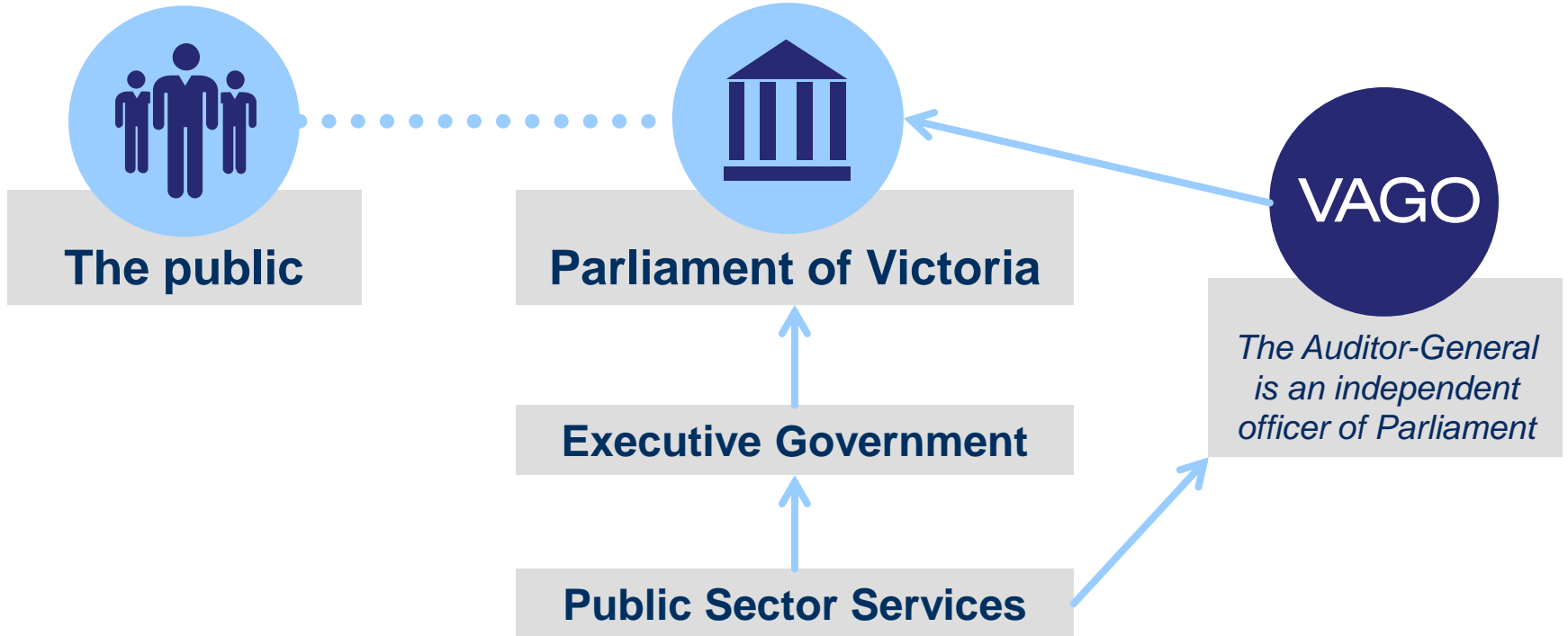


New 'follow-the-dollar' powers for VAGO performance audits to collect information and report on performance of services delivered on behalf of the public sector

Why?

Increasing proportion of public services delivered via contract...were 'off radar' for public sector audit

Role of the Auditor-General



Our audit practice

Financial audits



Ask 'How much?'

Opinions on approx. 560 agency financial reports each year + AFR

Around 70% undertaken by external providers from the private sector

** No follow-the-dollar powers*

Performance audits



Ask 'How well?'

Approx. 30 per year

6–9 months duration

Assess economy, efficiency, effectiveness—legislative mandate

Wide powers of access and examination

What are 'follow-the-dollar' audits?

Performance audits of services or functions provided by 'associated entities'

- **for/on behalf** of public sector
- using **public funds**

Scope

Can only audit your public sector activity (not your whole organisation)

Process

- Same as all PAs except
- discretion to consult on audit specification
 - recommendations **only** to public sector

What are 'associated entities' ?

Any person or body that

- Provides services/performs functions on behalf of an authority/State for which an authority/State is responsible
- Using/receiving public funds

Includes

- Contractors and sub contractors
- Third party contractors (chain of contracts)
- Joint ventures, trustees, delegates or agents

Why use follow-the-dollar powers?

The authority remains accountable for the public sector activity

Triggers to scope AEs into an audit might include:

- Weaknesses in control framework over contracted activity
- Evidence must be sourced directly from AE (e.g. observation, testing) or AE needs to verify
- AE may wish to be included (e.g. procedural fairness)

However...choice to use FTD remains at discretion of the A-G

Rights and responsibilities

VAGO must provide AEs with advance notice of involvement in a performance audit (via audit 'specifications')

VAGO has rights to access audit information from an AE, overriding other obligations for confidentiality.

AEs must keep information confidential during the audit

AEs can review and comment on proposed reports to Parliament – comments will be published in the final report

VAGO reports must apply a 'public interest test' to any confidential information that may damage AEs

Key messages

Follow-the-dollar audits provide accountability to Parliament and community for government services delivered through contracts

VAGO's primary focus will remain the public sector authorities – it is unlikely that most contractors/suppliers to Government will be affected

VAGO will try to avoid duplicating requests for information that associated entities have already provided to government

FTD audits are limited to activity that is the responsibility of the public sector – not audits of the whole of the firm

The *Audit Act 1994* provides safeguards to offer associated entities procedural fairness and preserve confidentiality of your information

More information

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More detail on the changes:

<http://www.audit.vic.gov.au/pdf/Changes-to-the-Audit-Act.pdf>