

## Changes to the *Audit Act 1994*: 'Follow-the-dollar' performance audits

In May 2016, the Victorian Parliament passed legislation that amends the *Audit Act 1994* to provide the Auditor-General with the capacity to consider the performance of contractors delivering government services under contract. These reforms are a significant step towards a stronger integrity and accountability system for Victoria.

This information sheet is designed to provide public sector authorities and associated entities with an overview of how VAGO will conduct those performance audits that use 'follow-the-dollar' powers.

### **What are 'follow-the-dollar' performance audits?**

They are performance audits of public sector authorities that enable the Auditor-General to consider the effectiveness, economy and efficiency of services or functions performed by 'associated entities' delivering services or functions for or on behalf of a public sector authority or the State. Performance audits are conducted in line with Australian Auditing and Assurance Standards and the *Audit Act 1994*. More information on the performance audit process is available at [http://www.audit.vic.gov.au/about\\_us/the\\_audit\\_process/performance\\_audit\\_practice\\_sta.aspx](http://www.audit.vic.gov.au/about_us/the_audit_process/performance_audit_practice_sta.aspx)

### **Who are 'associated entities'?**

'Associated entities' is the term used in the legislation to refer to providers of services and functions for an authority or the State. They can be contractors, sub-contractors, joint ventures, trustees, delegates or agents. Associated entities can be private sector or not for profit organisations.

### **How will associated entities know if they will be included in a performance audit?**

Similar to current arrangements with public sector authorities, associated entities will receive advance notice of any involvement in a performance audit, both informally – through discussion with the responsible authority and early meetings – and formally – through initiation letters, specifications and plans. VAGO will discuss the inclusion of associated entities with the responsible authorities in the first instance.

### **What types of information can the Auditor-General access?**

Similar to current arrangements with public sector authorities, VAGO will continue to have the power to access all information – including confidential information – relevant to an audit. These are statutory powers

### **How will VAGO try to minimise the impact on associated entities?**

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

### **What are the rights and responsibilities of associated entities involved in a performance audit?**

Under the Act, associated entities will have the same rights as public sector authorities to review and comment on proposed reports to Parliament. These comments will be published in the final report. In addition to our statutory requirements, VAGO audit teams adopt a professional 'no surprises' approach throughout the audit, and consult on confidential drafts of emerging findings at key milestones.

The Auditor-General must apply a 'public interest' test to information where reporting is likely to cause serious disadvantage.

Associated entities are bound by confidentiality provisions not to disclose or make improper use of audit information provided through a performance audit, and penalties apply. Associated entities may wish to seek legal advice about these obligations.

### **Can the Auditor-General direct recommendations to contracted providers?**

No. Unlike public sector authorities, associated entities will not receive recommendations from the Auditor-General. Reports on performance audits may describe the performance of the function being audited, including the way it is delivered by the associated entity.