

## Victorian Auditor-General's Office

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Des Pearson, Auditor-General

# Parliament's Auditor – Roles and Perspectives

**KPMG 12.30 – 2pm**  
**28 October 2011**

## Overview

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1. Mandate and functions of Auditor-General
2. Public sector audits & private sector services
3. Positive audit relationships
4. Reflecting on audits – key themes from 2010-11
5. Looking forward – 2011-12 Annual Plan
  - Financial audit areas of focus
6. Discussion and questions

## Role of Auditor-General

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Our Purpose: *Providing assurance to Parliament on the accountability and performance of the Victorian public sector*

- Auditing in the public interest since 1851
- Constitutional safeguard to serve interests of Parliament
- A key link in the accountability process
- No executive authority to enforce recommendations

Independent officer of Parliament

- Not subject to direction: *“complete discretion”*
- Accountable to Parliament via PAEC
- Parliament is our **client**: report to Parliament, scope reflects priorities of Parliament (not audited agencies)

## What audit services do we provide?

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### Financial audit – ‘how much’

- Report on the State’s estimated financial statements and Annual Financial Report
- ~570 audits each year
- Around 70% (by number) undertaken by providers from private sector
- Summary of results reported to Parliament – by sector

### Performance audit – ‘how well’

- Determine whether an authority is achieving its objectives and operating economically, efficiently and effectively in compliance with relevant Acts
- Not to question the merits of policy objectives
- Wide powers of access and examination
- 30+ per year
- Each one reported to Parliament

## VAGO audits –different from private sector services

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### Financial audits

Same standards and professional requirements, but:

- VAGO brings public interest dimension
- VAGO reports to Parliament on results → w-o-g perspective

### Performance audits

Not the same as consultants' reviews or internal audits

- Scope determined by A-G – not 'agreed' with audited agency
- VAGO reports to Parliament on results → all reports are public
- VAGO must follow Australian audit standards
- High standards of evidence
- Statutory natural justice requirements

## Role of audited agencies

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Robust independent external audit does NOT remove the primary responsibility for agencies to:

- Manage operations efficiently and effectively
- Maintain and monitor robust control systems
- Continuous improvement
- Monitor and report on performance
- Manage risk
- Prepare for and cooperate with audits

## Positive audit relationships

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### Positive audit relationships are important:

- Make process more effective and encourages culture of improvement
- Doesn't mean clients always agree – but differences are managed professionally

### What has VAGO done to encourage better relationships?

- Engaging earlier and more frequently during audits
- Engaging more broadly outside audits

### What has been the result?

- Mostly positive - improving timeliness of audits, positive responses from most client surveys.
- However – some relationships resist consultative approaches ....e.g
  - *Access to information being challenged*
  - *New issues raised late in the audit process*
  - *Adversarial behaviour from staff*

## Positive audit relationships

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What can agencies do to encourage effective relationships?

- Prepare early for audit – 4 years notice in the Annual Plan
- Provide timely and unrestricted access to information – *Audit Act* can compel access if needed
- Liaise regularly and brief upwards – keep leadership advised as issues arise.
- Carefully review draft reports – raise issues when opportunity is provided.
- Encourage awareness of the Auditor-General's role and mandate – independence, information gathering powers and relationship to Parliament.

## Themes from audit reports: 2010-11

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1. Managing performance of outsourced services
2. Regulation, compliance and oversight
3. Using evidence to support decision-making and planning
4. Reporting meaningfully on performance
5. Managing risks from joined-up initiatives
6. Probity in procurement
7. Security of systems and information

## VAGO Annual Plan

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Annual Plan 2011-12 tabled 24 May 2011:

- Selected performance audits for 2011-12
- Areas of performance audit interest 2011-12 to 2014-15
- Areas of focus for financial audit 2011-12 to 2014-15

Comprehensive sector consultation:

- Robust and transparent topic selection framework –strategically aligned to whole-of-government policy objectives
- Select topics using risk and materiality (both social and financial)
- Includes required resources, outputs and performance measures
- Changes may occur – as priorities, risk and materiality shift and issues emerge

## Financial audit areas of focus for 2011-12

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As well as financial statements, financial audits examine the use of public resources and matters of probity and financial prudence

- Procurement (local government, hospitals)
- Grants administration (departments)
- International student revenue (tertiary education)
- Outsourcing (water entities)
- Asset management (local government)
- Leave management (departments)
- Capital projects (tertiary education)
- Asset valuation (water entities)
- Internal audit (local government)
- ICT security (departments, hospitals, tertiary education)
- ICT change management (departments)
- Declarations of interest (water entities)

# Questions?



## More information

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All our tabled audits and information on upcoming audits is available at [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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