

House of Representatives
Occasional Seminar Series

**Some Perspectives on the Audit
Relationship with Parliament**

17 September 2002

Pat Barrett
Auditor-General for Australia



INTRODUCTION

The Australian National Audit Office (ANAO) is pivotal to the system of checks and balances that support democratic government in Australia. Public reports from an independent Auditor-General ensure that the Parliament, and beyond it the Australian citizenry, have a degree of assurance in relation to the proper administration of Commonwealth resources.

The ANAO has a dual role in terms of reporting on the financial management and overall performance of the public sector. Our first aim is to provide independent assurance. This is the more traditional ‘watchdog’ audit role. Our second role is to examine administrative performance, including suggesting improvements to public administration. Increasingly, it is this second, advisory, role that is most important for a public sector which, in the proper pursuit of greater efficiency and effectiveness, is challenged by diverse governance issues which are growing in complexity.

A responsive relationship with the Parliament is integral to the ANAO’s ability to continue to deliver products that add value in the contemporary public sector environment. The notion of getting the mix right to provide adequate assurance and suggest improvements in administration highlights the symbiotic nature of our relationship with the Parliament. The success of the relationship depends on its ability to support, and reinforce, frank and open dialogue on trends challenging public sector accountability in the Commonwealth context.

For example, recent corporate collapses in the private sector are again leading to calls for strengthened internal and external control and scrutiny. Although not driven by the same imperatives, the public sector governance environment is also changing. Citizens have higher expectations of government and the public service and demand more effective, efficient and economical levels of service. Public sector managers are responding to the demands of their particular operating environments by developing tailored approaches; streamlining and adapting traditional ways of providing services, particularly through technological advances; and by taking advantage of partnerships and similar alliances that blend the public and private sectors.

It is incumbent on Parliament and the ANAO to have a good understanding of the new public sector business environment, so that together we can respond/contribute proactively to change. Ongoing guidance, or at least any perspectives from the Government and Parliament in any redefinition of the boundaries of the changing public sector environment are crucial. In this latter respect, the increasing involvement of the private sector in the delivery of public services is challenging traditional notions of accountability, an issue that is central to good governance.

This afternoon, I will introduce these topics by:

- first, summarising the role and responsibilities of the ANAO; and
- second, describing the various practical ways in which the ANAO assists the Parliament and its committees.

I. THE AUSTRALIAN NATIONAL AUDIT OFFICE

Role and Responsibilities

In the context of the Commonwealth, the Office of an independent Auditor-General is an essential element of our system of democratic government. The Auditor-General provides vital assurance as to the transparency and accountability of public sector operations, as well as providing guidance and leadership in relation to some basic elements of good governance. This is particularly important for a public sector characterised by continuous change.

Independent financial and performance audits give the public confidence in both the public service and our system of government. As the Secretary of the Department of Prime Minister and Cabinet noted in an address marking the centenary of the APS, an ethical and accountable approach to public sector leadership requires ‘*a strong system of checks and balances, including a powerful Australian National Audit Office*’¹

Legislation

The Auditor-General Act 1997 (the Act) provides a robust supportive legislative framework for the Office of the Auditor-General and the ANAO in reporting to Parliament. The Act establishes the Auditor-General as an ‘independent officer of the Parliament’ – a title that symbolises the Auditor-General’s independence and unique relationship with the Parliament. The Act also outlines the mandate and powers of the Auditor-General and the functions of the ANAO, as the external auditor of Commonwealth public sector agencies and entities.

The Auditor-General’s mandate extends to all Commonwealth agencies, authorities, companies and subsidiaries, with the exception of performance audits of Government Business Enterprises (GBEs). Performance audits of wholly owned GBEs may only be undertaken at the request of the responsible Minister, the Finance Minister or the Joint Committee of Public Accounts and Audit (JCPAA). The JCPAA recently reviewed the Act to reinforce the important notion of independence and to enhance the ANAO’s capacity to perform efficiently and effectively.²

The Act is founded on the important notion of audit independence. It has generally been recognised as better practice audit legislation. Consequently, while the ANAO is part of the changed contemporary auditing landscape currently challenging both public and private sector auditors, we are also set apart from it due to our statutory independence. This is one of our major strengths which enhances our reputation and effectiveness.

Contribution to public sector accountability

The office of the Auditor-General of the Commonwealth of Australia dates back to the beginning of Federation, being created by the Commonwealth Parliament in 1901. As discussed above, the Auditor-General has a broad mandate, currently enshrined in the Auditor-General Act 1997, to audit the financial statements of all Commonwealth entities, and subject to some qualifications, to undertake performance audits of those same entities.

The Auditor-General, with the assistance of the ANAO, provides an independent review of the performance and accountability of Commonwealth public sector in its use of public resources. Through the delivery of an integrated range of high quality audit products that are timely, cost effective and consistent with public sector values, the ANAO aims to meet the needs and expectations of the Parliament, the Executive and audit clients and to add value to public sector performance and accountability. As with other public sector organisations, we expect to be judged both by our results and the manner in which we achieve those results.

The ANAO provides independent assurance on the financial statements and financial administration of Commonwealth public sector agencies and entities to the Parliament, the Executive, Boards, Chief Executive Officers (CEOs) and the general public. We also aim to improve public sector administration and accountability by adding value through an effective program of performance audits and related products including Better Practice Guides. As well, communication of our activities and their outcomes through representation at a range of Parliamentary Committees, agency audit committees and Boards of government authorities and companies, is a growing element of our value adding activities.

We seek opportunities to contribute to the development of the accountability framework, particularly better practice and professional standards (including international harmonisation) in public sector accounting and auditing, through professional and other audit bodies in Australia and overseas. While we promote the notion of common standards for consistency, ease of use and interpretation of financial information, we also focus attention on the particular accountability and other imperatives of the public sector which may need to be specifically recognized in the standards processes.

Audit independence

Corresponding with public sector changes, the role of the Auditor-General and the place of auditing in democratic government have also changed. While the accountability imperative remains constant, the role of the ANAO has evolved to take account of, and respond positively to, the public sector reform agenda. In today's environment, our role includes providing independent assurance on the overall performance, as well as the accountability, of the public sector in delivering the government's programs and services and implementing effectively a wide range of public sector reforms. I cannot overstate the importance of the independence of the Auditor-General in this respect.

As the public and private sectors converge; as the business environment becomes inherently riskier; and as concerns for public accountability heighten; it is vital that Auditors-General have all the professional and functional freedom required to fulfill, fearlessly and independently, the role demanded of them by Parliament. In turn, this places a commensurate challenge on Auditors-General to perform.

The debate over audit independence is not new, although it has attained an increased popular profile in the wake of the recent collapses of Enron in the United States and HIH in Australia. Audit bodies and the accounting profession worldwide have been

actively engaged in clarifying and reinforcing independence for many years. However, recent events have put the debate onto a different plane with higher level expectations being generated.

While the ANAO takes a professional interest in this ongoing debate, it is also set apart from it by virtue of its statutory and functional independence. Nevertheless, there is also an operational imperative with the ANAO outsourcing a not insignificant proportion of its audit work to private sector accounting firms. As well, with the increasing use of such firms by the public sector for internal audit, we are often dependent on their work in coming to an audit opinion on organisations' control environments and financial statements. However, it is incumbent on external auditors to satisfy themselves about the quality of that work. Mutual confidence and commitment cements an important partnering relationship.

As discussed earlier in this presentation, the independence of the Commonwealth Auditor-General is a key feature of our democratic system of government. Three elements are crucial to reinforcing the independence of the Office: the powerful Auditor-General Act 1997; direct financial appropriation as part of the Budget process; and the ability of the Auditor-General to develop and set professional standards for his/her Office.

Parliamentary Privilege

One important element supporting the Auditor-General's ability to report without fear or favour, is the application of Parliamentary privilege to performance and financial statement audit reports tabled in the Parliament. This privilege can operate to protect the Auditor-General and ANAO staff from being held liable for statements contained in audit reports. This in turn allows the Auditor-General to report freely, openly and responsibly on matters examined in the course of audits. Recently, however, there has been some concern as to whether draft reports and working papers leading to official public reports are similarly covered by Parliamentary privilege. The JCPAA examined this issue in the course of its recent review of the Act. The Committee recognised that:

The provision of Parliamentary privilege is an essential element in protecting the office of the Auditor-General so that it may provide a fearless account of the activities of executive government.³

Legal advice provided to the ANAO suggests that, until a court decides to the contrary, it is proper for the Auditor-General to proceed on the basis that Parliamentary privilege does apply to draft reports and working papers. The JCPAA accepted this approach. However, the JCPAA considered that the Privileges Committees of both the Senate and the House of Representatives should examine this complex issue to provide greater clarity.

The ANAO notes that this is a particularly important issue given the increasing involvement of the private sector in public administration. We are sensitive to concerns of commercial confidentiality, which could lead to reputation and market problems if not handled well in public reports, as well as possible legal action. However, such concerns need to be looked at in a broader context, as I will discuss later.

The problem extends beyond the Commonwealth and to the States and Territories. For example, on this point, it should be noted that a recent ACT Supreme Court ruling may have significant implications for legal liability arising from working papers or draft reports prepared in the process of producing public documents. The ACT Supreme Court found, in its review of the board of inquiry into disability services (the Gallop inquiry), that Parliamentary privilege does not retrospectively protect the preparation of a document by, or for, the Government (even if the document is subsequently tabled in Parliament) if the report has been tabled for a purpose other than that for which it was originally intended.⁴

II. HOW THE ANAO ASSISTS PARLIAMENT

The Parliament is our primary client. Our interaction with both individual parliamentarians and Committees gives us the opportunity to ensure that our financial and performance audit products and services are tailored to Parliament's needs. Our relationship with the Parliament is crucial to our ability to maintain the quality and reliability of our reports, and consequently for our performance.

ANAO's Resources

It is the Parliament that makes the ultimate decision on the ANAO's resources. This is important for signaling the independence of the Auditor-General by removing the issue of fee dependence between auditor and auditee in the Commonwealth Public Sector.⁵ All ANAO products are fully costed and transparent as an important part of our accountability to Parliament.

JCPAA

A key feature of the legislation supporting the ANAO's independence is the role of the JCPAA in approving appointments of both a proposed Auditor-General and the ANAO's Independent Auditor; in advising on planned ANAO audit activity; and in recommending the budget for the ANAO to the Parliament and the Government each year. The JCPAA is also a conduit for the communication of Parliamentary leadership and guidance in relation to matters challenging public sector administration. While the ANAO seeks to build strong relationships with all members of Parliament through a variety of forums, including Parliamentary Committees, it is the JCPAA that has a special role in relation to the ongoing activities of the Auditor-General.

The special relationship between the JCPAA and the ANAO is also what sets us apart, in several important areas, from other independent agencies charged with the regulation, or review, of public sector activities. As noted earlier, the ANAO's role and effectiveness are reinforced by robust legislation. It is not dependent on any individual Minister for authority or funding approval, which means that the Auditor-General has the ultimate responsibility for setting the scope of his or her activities. Finally, by contrast with the Chief Executive Officers (CEOs) of other independent government agencies, the Auditor-General is appointed with the direct involvement of the JCPAA, as noted above, rather than solely by the Executive and/or a particular Minister. This also ensures that the position is seen as not being subject to political influence, given its direct line of responsibility to the Parliament, rather than to a particular Minister or the Government.

The JCPAA has the power to report to Parliament on the use of public moneys by Commonwealth organisations with respect to any matters concerning their accountability, lawfulness, efficiency and effectiveness. The JCPAA examines ANAO reports on a quarterly basis to assess the significance of matters raised and the adequacy of responses from audited agencies. This is an important level of scrutiny both of the audited agencies and of the ANAO's activities and findings. Each year our goal is to have JCPAA support for all of our reports tabled in Parliament. We aim to have at least 90 per cent of our recommendations supported by the JCPAA and other Parliamentary Committees.

The JCPAA may conduct public hearings on matters raised in ANAO reports at which agencies are required to attend and give evidence. The Committee's findings and recommendations are set out in reports that are tabled in both Houses of Parliament. This enhances the level of assurance provided to the Australian public and can lead to important administrative or even, in some cases, policy change. The latter is, of course, not the focus of audit attention.

Relationship with the Parliament

As noted earlier in this paper, the ANAO regards its primary client as the Parliament. Indeed, it could be argued that, given our proximity to the day-to-day operations of the Australian Public Service (APS), we are Parliament's 'eyes and ears' on Commonwealth administration, particularly in a devolved environment. We take this responsibility seriously, as the support of the Parliament for the work of the ANAO is vital. The ANAO could not continue to be effective without Parliament supporting our audit work program, the bulk of our recommendations, and assisting us in determining appropriate accountability standards for the APS.

Relationship management is important to us. Indeed, such is the strategic importance of meeting our clients' needs, it comprises the first of our four key results areas. Our objective is to satisfy the needs and expectations of the Parliament, the Executive Government and our audit clients in relation to performance assurance and accountability. We aim to do this by, among other things, enhancing our dialogue and relationship with all members of Parliament, particularly the JCPAA and other Parliamentary Committees, so that they are well informed about our activities and so that we, in turn, can provide them with timely and constructive assistance.

Our Business Plan and Product Plan set our performance indicators for the tasks of meeting Parliament's needs. The indicators are:

- parliament acknowledges the value of the ANAO contribution;
- level of satisfaction with timeliness and relevance of reports in assisting Parliamentarians to make informed decisions;
- percentage of audit recommendations supported by the JCPAA and other Parliamentary Committees; and
- audit work program accommodates the requirements of Parliament.

Senior executives at the ANAO have individual targets for time spent in Parliamentary liaison. As well, the Office as a whole has performance targets linked to the

satisfaction of Parliament.

Briefings and Secondments

As part of its regular business, the ANAO provides briefings to Ministers, Shadow Ministers, Parliamentary Committees and their staff on audit reports tabled in the Parliament.

ANAO officers provide significant assistance to Parliamentary committees charged with reviewing matters relevant to ANAO audit reports. Audit managers and senior executives also attend audit committee meetings within those agencies for which they are responsible. These are important media for the exchange of information and ideas, assisting us in ensuring relevance, and fine-tuning, of our work over time.

A regular part of our liaison with Parliament is to brief incoming Ministers on ANAO activities relevant to their portfolios. We followed up those briefings in December of last year by providing Ministers and all Members and Senators with copies of the new Corporate Profile booklet, and a copy of the centenary history of the ANAO, entitled *From Accounting to Accountability*.

In July last, we wrote to each new Member and Senator explaining the work of the ANAO and offering short briefings at their convenience. A significant number accepted the invitations. Subsequently, senior staff briefed them on the role of the ANAO. Those meetings on an individual basis with newly elected representatives were useful opportunities for our staff to inform the latter about our work, and to hear their views on how audit could assist them. Those new Members and Senators with whom we spoke appreciated the opportunity to hear from ANAO personnel first hand. We trust that it gave them a greater understanding of our role and audit approach. In turn, our staff welcomed their views on auditing and accountability to Parliament.

A number of ANAO staff are seconded each year to assist committees with more complex inquiries over longer periods of time. An example is how we have seconded an ANAO officer to the current JCPAA inquiry into the review of independent auditing by registered company auditors. The inquiry, amongst other things, is exploring the extent to which it may be necessary to enhance the accountability of auditors. The seconded officer is analyzing evidence presented to the Committee, and assisting with preparation of the Committee's report.

On occasion, ANAO officers also brief staff of the Department of the Parliamentary Library on tabled reports. This in acknowledgement of the role that Library personnel perform in preparing briefs for Members and Senators from Government and Opposition.

Selecting Topics for Audit

The ANAO liaises on a regular and ongoing basis in regard to the Parliament's views on the ANAO's annual schedule of activities. The most important of these, in terms of setting strategy for the Office over successive financial years, is the development of the ANAO's Audit Work Program.

The Audit Work Program is developed against the background of the Commonwealth Public Sector environment, including the business risks that are likely to impact on that sector during the period under review. These risks are taken into account in identifying themes to be addressed in developing the annual performance audit work program and in evaluating and assessing potential financial statement issues to be addressed during the course of financial statement audits.

In addition to business risks, audit activity is planned with regard to the following:

- financial materiality;
- program significance;
- audit impact (ie., likely gain from the audit);
- visibility of the program as reflected in its national importance and/or political sensitivity; and
- lack of recent audit coverage and internal and external review of the program.

Our range of products, particularly the performance and financial statement audit products, aims to provide assurance that the risks facing the Commonwealth Public Sector and good management of its finances and programs are being adequately addressed through a holistic and integrated audit approach. It is not a case of one size fits all. The diversity, range of complexity and seemingly endless changes across the APS demand different audit approaches and treatments. We endeavour to develop our audit frameworks to reflect the circumstances of each agency and entity, while taking account of across-agency issues and requirements, such as shared outputs and outcomes.

In planning our audit approach, we also have regard to the need to respond to emerging issues of interest to the Parliament. For 2002-2003, these include:

- Human Resource Management, including Workforce Planning;
- Financial Management and Reporting;
- Performance Management and Measurement;
- Procurement and Contract Management;
- Application of Information Technology and Resources; and
- Service Delivery.

In terms of getting the 'right mix' for the contemporary environment, my Office has fine-tuned its focus on products that add value by bringing together lessons learnt across the public sector. An increasing number of our audits encompass a number of agencies, often reflecting shared interests, approaches and, sometimes, partnerships. In particular, our benchmarking studies and Better Practice Guides (BPGs) have been well received by program managers interested in learning from the experiences of others. BPGs serve a dual purpose: they provide a unique analysis of trends affecting the public service as a whole; and they provide a very valuable source of audit criteria for future work in related fields. BPGs aim to improve public administration by ensuring that better practices employed in individual organisations in Australia and overseas are promulgated to the whole of the public sector.

Depending on the subject and nature of information collected during an audit, BPGs may be produced in conjunction with a performance audit or a business support process audit. Alternatively, a BPG might be prepared as a result of a perceived need

to provide guidance material in a particular area of public administration. Recent BPGs produced cover a wide range of topics including: grant administration; contract management; planning for the workforce of the future; internet delivery decision-making; AMODEL non-commercial authority financial statements; life cycle costing; rehabilitation issues; and developing policy advice.

In relation to benchmarking studies, our products currently comprise functional reviews of the major corporate support areas. The overall results of these reviews are published generically and tabled in the Parliament. At the audit client level, a customised report is provided to all entities participating in the benchmarking study. Our most recent benchmarking studies have covered the following areas: managing people for business outcomes, the implementation and production costs of financial management information systems; the finance function; and the internal audit function.

I earlier noted that the *Auditor-General Act 1997* outlines the mandate and powers of the Auditor-General, as the external financial statement auditor of Commonwealth public sector organisations. The Auditor-General's mandate for financial statement audits extends to all Commonwealth agencies, authorities, companies and subsidiaries.

Financial Statement audits are carried out in accordance with the Auditor-General's Auditing Standards, professional auditing, accounting and ethical standards issued on behalf of The Institute of Chartered Accountants and CPA Australia, and the ANAO's policies and procedures.

There is obviously little discretion about undertaking financial statement audits. However, performance audit topics are generally selected on two grounds: the capacity of an audit to add the greatest value in terms of improved accountability, economy, efficiency and administrative effectiveness; and the desire to ensure appropriate coverage of entity operations within available audit resources. An important part of this planning process is the early engagement of stakeholders including agency heads and the Parliament, through the JCPAA, to ensure that the work program is optimally targeted.

Early each calendar year, the ANAO provides the JCPAA with the draft Audit Work Plan for the following financial year. The JCPAA considers the draft Audit Work Plan, and provides the draft to other Committees for comment. Those Committees provide their suggestions to the JCPAA. On receipt of their comments, the JCPAA is responsible for bringing together issues of Parliamentary interest for consideration in the ANAO's planning processes. The JCPAA's involvement increases the likelihood that the ANAO's annual audit planning covers the 'right' ground from a Parliamentary perspective.

The Audit Work Program is made available to all Parliamentarians and agencies⁶ at the start of each financial year.

As you are aware, the results of all audits are tabled in Parliament. Additionally, we table two Audit Activity Reports each year in Parliament, which provide a summary of audit outcomes for the previous six months⁷. All such documents are included on our web site. These are part of our policy of 'no surprises'.

Requests for Audits

Recent years have seen an increasing tendency for direct requests to be made by Ministers for audits of particular programs or issues. While this represents a useful measure of our ongoing relevance and credibility, it also has the potential to challenge the issue of the Auditor-General's independence. The Office must ensure that, where direct requests for audits are accepted, such audits are in the public interest. Direct requests for audits are also considered in light of the planned audit work program and potential resource implications. That program is developed annually against the background of the APS environment, including the business risks that are likely to impact on the APS during the period under review. These risks are taken into account in identifying themes, such as contract management, to be addressed in the work program. The intention is to provide Parliament with an assurance, over time, of the performance of all public sector agencies.

Challenges to transparency

A key element of public sector accountability is openness or transparency. With the greater involvement of the private sector, concerns have been expressed about commercial considerations, particularly in maintaining competitive advantage. The ANAO has found that value for money results from public-private sector partnerships can be particularly difficult to demonstrate where commercial-in-confidence provisions of contracts apply. With the increased convergence of the public and private sectors, demonstrating transparency, accountability and the ethical use of resources has the potential to become clouded unless the Commonwealth takes a proactive and consistent stance to the scrutiny of contracts involving public funds. As one commentator noted:

*while [Commercial-in-Confidence] may be good for business, it is inimical to the fragile processes of participatory democracy.*⁸

In general, the roles and responsibilities of both public and private sector partners in relation to Commercial-in-Confidence issues require clarification. All parties involved in service delivery must clearly understand their accountability requirements and their ultimate responsibility to the Parliament. The ANAO has undertaken a number of audits in this area to date in response to Parliament's concerns. One report, entitled *The use of confidentiality provisions in Commonwealth contracts*⁹, found that there was a lack of consolidated government-wide guidance available to agencies on the use of confidentiality provisions in contracts. The audit found a number of weaknesses in the ways in which agencies generally deal with the confidentiality provisions in contracts. There was a lack of clarity in terms of the specific information that should be regarded as commercial-in-confidence in contracts, and agencies were addressing commercial-in-confidence issues in a less than rigorous, or risk-managed, way. This was threatening accountability and frustrating Parliamentary Committees and other forums of review¹⁰. The ANAO made a number of recommendations in the report aimed at enhancing the management of commercial-in-confidence issues in contracts.

The commercial-in-confidence issue was revisited by the ANAO in its first audit of the implementation of a Senate Order of 20 June 2001¹¹ that required all agencies covered by the *Financial Management and Accountability Act 1997* to list contracts over \$100,000 in value on the internet. The Order requires that agencies indicate, amongst

other things, whether contracts contain provisions requiring the parties to maintain confidentiality of any of their provisions or whether the parties regard any provisions of the contracts as confidential. The ANAO found that, overall, there was a positive response to the Senate Order. There were also positive indications that a number of agencies were developing, progressively, more detailed guidance to assist staff in determining aspects of contracts that might need to be protected as confidential. This is a step in the right direction, although agencies still have some way to go in applying guidance in a manner expected by Parliament. Nevertheless, the onus is now clearly on those wishing to maintain confidentiality to justify that position. Put another way, it has been suggested that business, commercial or financial information should generally be available in the public domain:

*unless it can be demonstrated that to disclose it would be to prejudice the competitive position of the private contractor in question.*¹²

Resolution of this issue is just one of the problems facing agencies negotiating the converging governance landscape. Commercial-in-confidence issues have challenged both agencies, and their auditors, in terms of our ability to provide assurance as to the efficient and effective administration of public resources. This was well illustrated in the Senate Finance and Public Administration References Committee inquiry and reports into the Government's Information Technology Outsourcing Initiative.¹³ The Committee observed, for example, that:

*Placing limitations on the free flow of information has the effect of bypassing parliament; reducing public scrutiny of important government decisions or programs; denying citizens access to information about programs affecting them; and restricting citizens' access to remedies in the event of poor service delivery.*¹⁴

Aside from commercial-in-confidence issues, in recent years the ANAO has grappled with the issue of access to the records of third party contractors involved in public sector service delivery. The JCPAA has stated that standard access clauses should be included in all government contracts unless there are strong reasons not to¹⁵. The ANAO and the Department of Finance and Administration developed a set of standard access clauses, which the Minister for Finance and Administration approved as part of the revised Procurement Guidelines issued in September 2001¹⁶.

A related issue is that of Cabinet confidentiality and collective responsibility for administrative decisions. In its audit of the Federation Fund program¹⁷, the ANAO found that reasons for Ministers selecting, or not selecting, particular Federation Fund projects were generally not available. Successive governments have supported the conventions of Cabinet confidentiality and collective responsibility by the practice of not disclosing the deliberations of, or reasons for, decisions by Cabinet and its committees.

The lack of documentation surrounding the Ministerial appraisal process and the lack of information on reasons for decisions highlights a tension between the standards expected for public administration and the normal Cabinet conventions. In the case of the Federation Fund, this precluded the ANAO from forming an opinion as to whether the proposals selected by the Government were likely to represent best value for

money in terms of the program objectives. This is a tension for Government and the Parliament to resolve. As public sector auditors, we will be guided by the accountability standards that Parliament indicates are appropriate.

Accessibility

The ANAO aims to keep Parliament and the APS up to date on its ongoing audit activity – from the audit work program planning process right through to assistance to Committees of Inquiry established after publication. As well as working with Parliament and agencies on specific issues under review, we aim to be accessible to all stakeholders through a variety of forums.

The ANAO website¹⁸ has recently been enhanced to provide improved functionality and content. The website has links to all of our publications including audit reports, better practice guides and speeches. It includes a list of audits in progress, a tabling schedule, information on tenders and contracts, recruitment details, and links to our national and international colleagues. The website incorporates information on relevant contacts for each of the business units, and a request form for further information.

In addition, the ANAO is pleased to provide briefings on particular issues or audit reports by request. This is an important way for us to enhance understanding of the complexities of the changing public sector environment, and also to secure direct advice from Parliament and other stakeholders in terms of any redefinition of acceptable accountability frameworks for the twenty-first century.

Our ultimate aim is to be accessible to Parliament and the APS to enhance the reach and significance of our work and to maintain our relevance and credibility.

We welcome early contact from agencies faced with new or challenging administrative issues. While we are vigilant in terms of maintaining our independence, our access to a range of comparative experiences both in Australia and overseas can often assist our audit work and reports. Finally, we aim to continue strong working relationships developed in the course of audits by remaining available to program managers beyond the formal audit conclusion. Agencies are increasingly maintaining contact as they implement ANAO recommendations and beyond, which is an important way for our officers to assess the ongoing utility of their work. In that way, the ANAO assists individual agencies while continuing to serve the Parliament.

Demonstrating accountability to Parliament

Annual Report

The ANAO's annual report is the most public and comprehensive mechanism for demonstrating accountability to the Parliament. We aim to include an analysis of our achievements to date, as well as challenges outstanding for the future. In this way, we provide Parliament with a comprehensive overview of our performance over the preceding financial year and an indication of areas of interest for the future.

The Annual Report includes an assessment of the Office's achievements against its annual scorecard. The scorecard incorporates the ANAO performance indicators set

out in its Portfolio Budget Statements. Performance measures relate to three Output groups: performance audit services, information support services and assurance audit services. These link back to the ANAO's twin Outcomes: improvement in public administration and assurance. The scorecard includes both quantitative and qualitative measures and is intended to provide interested parties with an understanding of the link between the ANAO's products and their resulting impacts. It is then possible to assess how cost-effectively the ANAO is delivering its products and to what extent the ANAO is achieving its agreed outcomes. This provides Parliament with assurance that we have the right systems in place to produce reliable reports.

Each year, our Annual Report includes results of quality assurance processes, including peer review and benchmarking activities. It also includes commentary on the key strategic issues targeted by the ANAO for the next 12 months. This commentary, together with the publication of the results of our audits every six months in the activity reports, allows us to contribute to contemporary debate on a broad range of issues facing the APS. Importantly, it provides a focus for ongoing discussion with the Parliament in relation to setting organisational and audit strategies for the future.

Budget Documentation

As noted earlier, the JCPAA recommends the budget for the ANAO to the Parliament and the Government each year. As part of its accountability, the ANAO submits a comprehensive budget document to the JCPAA explaining the basis of its budget estimates and its associated performance. The JCPAA discusses the document in detail in a private meeting with the Auditor-General and other senior audit executives. The document forms the basis of the ANAO's 'Agency Budget Statements' submitted as part of the portfolio budget statements for the Prime Minister and Cabinet portfolio. This is also an important part of the Office's accountability to Parliament, including its suite of outcome and output measures. The ANAO is subject to scrutiny in the Senate Estimates processes in the same way as other agencies.

Independent Auditor

The Independent Auditor of the ANAO carries out both the audit of the ANAO's financial statements and selected performance audits of the ANAO. The Act (Section 43) requires the Independent Auditor to have regard to the audit priorities of the Parliament as determined by the JCPAA, in the conduct of performance activities. Performance audits conducted over the years range from an overall assessment of the economy, efficiency and effectiveness of the Office,^{19,20} our human resource management,²¹ benchmarking of our performance,²² our strategic planning framework²³, our planning and resource allocation processes²⁴ and our audit management processes.²⁵

As noted earlier, the JCPAA has a role in the appointment of the Independent Auditor of the ANAO. The latter's reports are tabled in Parliament, reinforcing the Office's high level of accountability for performance of its role.

Client surveys

In addition, as well as the regular contact that we have with the JCPAA and other

Parliamentary Committees, the ANAO conducts face-to-face surveys of parliamentarians. These surveys are conducted periodically to ensure that we are hitting the mark in terms of our product mix. This ensures that we will continue to be able to respond to the challenges of the future, and that we have a shared understanding of appropriate standards of accountability to lead and guide agencies into the future.

The last survey was conducted between October 1999 and March 2000. The survey results indicated that 81 per cent of respondents were satisfied with ANAO services; and no one indicated that they were dissatisfied with ANAO services.

We are planning a new survey to take place in the next few months. Its objectives will be to:

- obtain constructive feedback on the ANAO's performance in meeting the needs and expectations of Parliamentarians and Parliamentary committees;
- obtain feedback from the JCPAA, our principal contact, on aspects of our management in the delivery of audit products and services;
- identify measures that could be implemented to enhance the ANAO's relationship with the Parliament and enhance the quality of audit products; and
- increase awareness within Parliament on the ANAO's product range and services, and, if necessary, make recommendations on how to improve client awareness and education of ANAO products and services.

A self-completion questionnaire has been developed in line with the previous survey, giving consideration to our changing environment with an emphasis on the following key areas:

- the role of the ANAO;
- the effectiveness of the ANAO in its direct dealings with Parliamentarians;
- the quality, usefulness and level of awareness of the range of ANAO products and services;
- the effectiveness of the assistance provided by the ANAO to Parliamentary committees; and
- the overall satisfaction with ANAO services to Parliamentarians.

To supplement the self-completion questionnaire, we will seek face-to-face interviews with all Ministers, Shadow Ministers and other senior Members and Senators. All JCPAA Members will be offered face-to-face interviews. The purposes of these face-to-face interviews will be to:

- obtain more in-depth information on how ANAO products could be tailored to meet the needs of Parliamentarians;
- more fully understand Parliamentary perceptions of the appropriate role and image of the ANAO; and
- introduce Parliamentarians to senior ANAO officers who handle issues relating to their general portfolio interests.

Copies of the draft questionnaires are included as attachments (A and B) to this paper.

III. CONCLUDING REMARKS

My colleague, the Controller and Auditor-General of New Zealand, recently observed that Parliament and the general public will be confident the Audit Office has done a good job when public entities:

- *are delivering what they have been asked to;*
- *have operated lawfully and honestly, and have not been wasteful;*
- *have fairly reported their performance; and*
- *know that, if this is not the case, we will tell them*²⁶.

As well, government and public entities:

- *will effect improvements in public sector performance and accountability in areas where we have advised that there is potential for improvement*²⁷.

These words of my New Zealand colleague similarly describe our imperatives in Australia. As with other agencies, we will be judged by the results we achieve. It is our responsibility to ensure that we provide an appropriate basis for such an assessment. Our performance in these and other respects will indicate how well we continue to serve the Parliament and our other stakeholders.

The ANAO's statutory independence, combined with our public sector involvement and knowledge, places us in a unique position. It is imperative that the Office builds on these strengths in setting out agenda for the future. While that agenda will continue the assurance and advisory roles, the ANAO will also need to ensure that we remain responsive to the emerging requirements of the Parliament and the Government, as well as of our client agencies. The ANAO continues to monitor trends in the public sector and we set our responses accordingly to ensure that our approach and coverage remains relevant and value adding.

All our reports, guides, papers and other information about the ANAO and its reports to Parliament are listed on our web site, including contact names and details for further information. We welcome both access and inquiries from the Parliament about us and what we do. Our emphasis is on improving relationships and increasing responsiveness. It is not enough to simply report to Parliament. As with other public sector activities, it is what happens as a result of our work that adds value to public administration. The Parliament and in particular the JCPAA, are very effective in that respect. The ANAO will continue to play its part in assisting those bodies to carry out that important role.

NOTES AND REFERENCES

¹ Moore-Wilton, M. 2001. *The Australian Public Service – 100 Years of Change*, Address to the IPAA Centenary of the APS Conference, Canberra, 19 June.

² JCPAA, 2001. *Review of the Auditor-General Act 1997*, Report No. 386, Canberra, August.

³ Ibid. p.16.

⁴ Evans, H. 2002. *The Limits of Parliamentary Privilege*, The Public Sector Informant, May, p.8.

⁵ All agency audits are charged on a notional basis reflecting the full cost of undertaking, and reporting on, each individual audit. While audit fees are charged for all audits of statutory authorities and government companies, these fee receipts are paid directly to consolidated revenue. The ANAO's costs are directly funded by Parliamentary appropriation.

⁶ ANAO, 2002, *Audit Work Program 2002-2003*, July, Canberra.

⁷ An example is ANAO, 2002, *Audit Activity Report: July to December 2001*, Report No 31, Canberra, February.

⁸ de Maria, W 2001, *Commercial-in-Confidence: An Obituary to Transparency?*, Australian Journal of Public Administration, vol. 60, no. 4, p. 93.

⁹ See ANAO, 2001, *The use of confidentiality provisions in Commonwealth contracts*, Report No.38, Canberra, 24 May.

¹⁰ See, for example, Senate Finance and Public Administration References Committee in William de Maria, 2001, *Commercial-in-Confidence: An Obituary to Transparency?*, Australian Journal of Public Administration, vol. 60, no. 4, pp. 103-104.

¹¹ ANAO, 2002, *Senate Order of 20th June 2001 (February 2002)*, Report No.33, Canberra, 25 February.

¹² Zifcak, Spencer 2001. *Contractualism, Democracy and Ethics*. Australian Journal of Public Administration Vol 60 No 2. June, p.90.

¹³ Senate Finance and Public Administration References Committee 2001. *Re-booting the IT Agenda in the Australian Public Service*. Final Report on the Government's Information Technology Outsourcing Initiative, Canberra, August. See especially Chapter 8 pp.156-159. (Two interim Reports were also tabled: *Accountability in a Commercial Environment: Emerging Issues*, April 2001, and *Accountability Issues: Two Case Studies*, June 2001.)

¹⁴ Ibid., pp 159-160

¹⁵ Joint Committee of Public Accounts and Audit 2001, *Review of the Auditor-General Act 1997*, Report No.386, Canberra, August, p. 33.

¹⁶ The clauses are available on the ANAO's website, <http://www.anao.gov.au> See also Department of Finance and Administration 2002, *Commonwealth Procurement Guidelines – Best Practice Guidance*, Canberra, February, p.3.

¹⁷ ANAO, 2001, *Administration of the Federation Fund Programme*, Report No. 11, Canberra, 19 September.

¹⁸ <http://www.anao.gov.au>

¹⁹ Sharpe, Michael 1990. *Report of the Independent Auditor on an Efficiency Audit of the Australian National Audit Office in accordance with the Audit Act 1901*. AGPS, Canberra, 16 October.

²⁰ Sharpe, Michael 1992. *Report of the Independent Auditor on an Efficiency Audit of the Australian National Audit Office in accordance with the Audit Act 1901*. AGPS, Canberra, 18 September.

²¹ Boymal, David G, 1996. *Performance Audit of Human Resource Management in the Australian National Audit Office*. AGPS, Canberra, 30 October.

²² Boymal, David G, 1997. *Review of Benchmarking in the Australian National Audit Office*, AGPS, Canberra, December.

²³ Coleman, Michael 2000. *Report on Results of a Performance Audit of the Strategic Planning Framework of the Australian National Audit Office*. Commonwealth of Australia, Canberra, 3 April.

²⁴ Coleman, Michael 2000. *Report on the Results of a Performance Audit of the Planning and Resource Allocation Processes in the Australian National Audit Office*. Commonwealth of Australia, Canberra, 22 December.

²⁵ Coleman, Michael 2001. *Report on the Results of a Performance Audit of the ANAO Audit Management Processes*. Commonwealth of Australian Canberra, 18 October.

²⁶ The Controller and Auditor-General of New Zealand, 2002. *Annual Plan 2002-2003*, Wellington, 23 April, p.15.

²⁷ *Ibid.*, p.15.