

Ginninderra Rotary Club

**The Role of the Auditor-General
and the Australian National Audit
Office**

21 February 2006

Ian McPhee
Auditor-General for Australia



GINNINDERRA ROTARY CLUB
The Role of the Auditor-General and the
Australian National Audit Office (ANAO)

Ian McPhee, Auditor-General for Australia
21 February 2006

Thanks to Ian Foster for the invitation to inform you about the role of the Auditor-General and the Australian National Audit Office.

It's a particular pleasure to be here, as my father has been heavily involved in Rotary for a long period of time. He was President of two different clubs in Queensland and District Governor of District 255 covering Central Queensland/North Queensland/Darwin and Alice Springs in 1974-1975, and is still involved in Rotary after 43 years.

Interestingly, in the same year (1974-75) the then Auditor-General, Vic Skermer, was also a District Governor.

Tonight I will give you a brief outline of:

- my responsibilities as Auditor-General and the importance of the role in the context of our Parliamentary system;
- the legislative powers I have to undertake the role;
- the type of audits and reports the ANAO undertakes.

Responsibilities

- The Auditor-General is '*an independent officer*' of the Parliament, reflecting the special relationship between the Auditor-General and Parliament.
- I am required to undertake the audits of the financial statements of all Commonwealth controlled entities (some 260 entities);
- I may also undertake performance audits which consider the efficiency and economy issues related to Commonwealth organisations and Commonwealth programmes. This is an addition to the audit mandate in 1979.
- We produce about 55 performance audit reports a year. Traditionally our performance audits have had a higher profile than our financial statement audits, but more recently financial issues have been attracting Parliamentary and Government interest and attention; particularly related to the Defence Department.

- My mandate to undertake performance audits is broad, but not absolute. Exclusions include:
 - the Parliament, its members and its committees;
 - staff employed under the Members of Parliament (Staff) Act 1984;
 - judicial actions of the Courts;
 - the processes directly related to government policy undertaken by members of the Government and their personal staff.
- The ANAO has a staff of approximately 300 and a budget of some \$64m.

Legislative Powers and Protection

- The independence of the Auditor-General is protected by legislation – the *Auditor-General Act 1997*.
 - appointment requires the support of the Government and the Parliament (the Joint Committee of Public Accounts and Audit);
 - a 10 year, non renewable, appointment;
 - removal only if agreed by each House of Parliament in the same session, on the grounds of behaviour or physical or mental incapacity.
 - the Auditor-General may not be directed by Ministers or Parliament as to audits to be undertaken, but may be requested;
 - the Auditor-General has wide powers of access to people and papers in undertaking audit responsibilities;
- The Auditor-General is also the head of the Australian National Audit Office and has a range of obligations under the Public Service Act.

Nature of the Work of the ANAO

- Financial statement audits of Government Business Enterprises (GBEs), statutory authorities, government agencies, eg: Telstra, Australia Post, CSIRO, National Gallery, Centrelink, all departments, etc [*the ANAO is subject to separate audit by the Independent Auditor of the ANAO*].
- Our performance audits cover a wide range of topics, including issues such as:
 - integrity of electronic records in Centrelink;
 - green procurement by government departments;
 - a range of major Defence procurements;
 - forms design;
 - implementation of Job Network Employment Services Contract;
 - IT outsourcing.
- Our reports are subject to examination by the Joint Committee of Public Accounts and Audit (JCPAA) and other Committees of the Parliament.

- Our work assists:
 - Australian Government agencies to improve their performance;
 - informs the Government and Parliament of the performance of Australian Government entities;
 - assists the Parliament in holding the Executive Government to account.
- We also produce a series of Better Practice Guides to bring together our experience, and industry experience, on a range of topics such as public sector governance, contract management, and grants administration.
- In addition, we have recently commenced a newsletter '*AuditFocus*', designed to distil key messages from recent audits for busy public sector executives.
- We also survey Members of Parliament and client agencies in relation to our work.

Concluding Remarks

The position of Auditor-General was established by the 4th Act of the Commonwealth Parliament.

The legislation has been revised since then but the protection of the independence of the Auditor-General has remained.

Our work is important to inform the Government, and particularly the Parliament, on the state of public administration. We also accept that we have a responsibility to improve public administration, and the recommendations arising from our work, our Better Practice Guides, and our newsletters, are designed to do this.

Thank you.