

2014-93306

COPY

31 MAR 2014

Ms Ronda Miller
Clerk of the Legislative Assembly
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Ms Miller *Ronda*,

**Government Response to Public Accounts Committee Report 11/55
Efficiency and Effectiveness of the Audit Office of NSW**

The Government welcomes the Public Accounts Committee (PAC) Report *Efficiency and Effectiveness of the Audit Office of New South Wales*.

The Audit Office plays a vital role in helping Parliament to hold the Government accountable for its use of public resources. Accordingly, the Government is pleased that the PAC made positive findings concerning the efficiency and effectiveness of the Audit Office and also made recommendations for further improvements. The Government's response to each of the Report's ten recommendations is attached.

The Report includes two recommendations about giving the Auditor-General power to "follow the dollar" into private contractors, non-government organisations and local government. The Government is currently considering its response to these recommendations.

I thank the PAC for its Report.

Yours sincerely



Barry O'Farrell MP
Premier

updated per Seely/Dzper
discussion
26/3/14

A

Government Response to Public Accounts Committee Report 11/55

Efficiency and Effectiveness of the Audit Office of NSW

RECOMMENDATION 1

The Committee recommends that the Audit Office consider including a breakdown of its audit fee in its Client Service Plan for financial audit engagements.

Government response:

The PAC addressed this recommendation to the Audit Office.

The Government supports this recommendation because it will facilitate discussion between the Audit Office and its clients concerning the efficiency and effectiveness of its financial audits.

RECOMMENDATION 2

The Committee recommends that the *Public Finance and Audit Act 1983* be amended to specifically include compliance audits within the mandate of the Auditor-General.

Government response:

As noted in the PAC's Report, the Auditor-General already performs compliance audits at the request of the Treasurer pursuant to section 27B(3)(c) of the *Public Finance and Audit Act 1983*. In addition, the Government is currently considering a 2011 Lambert Report proposal to give the Auditor-General the power to initiate compliance audits.

RECOMMENDATION 3

The Committee recommends that the Audit Office publish on its website a rolling 12 month indicative performance audit plan. The plan should be updated on at least a quarterly basis.

Government response:

The PAC addressed this recommendation to the Audit Office.

The Government understands that the Audit Office intends to post its performance audit plan on the Audit office website from March 2014.

RECOMMENDATION 4

The Committee recommends that any expansion of the legislative mandate of the Auditor-General should be adequately resourced.

Government response:

The Government will use normal processes to consider resourcing of the Audit Office. This would usually take into account any net changes to the duties or requirements of an office or agency, as well as the general fiscal constraints on Government. Expansions to the Auditor-General's mandate would be a factor in determining resources for the Audit Office.

RECOMMENDATION 5

The Committee recommends that the *Public Finance and Audit Act 1983* be amended to enable the Auditor-General to 'follow the dollar' by being able to directly audit functions performed by entities, including private contractors and other non-government organisations, on behalf of the State in the delivery of government programs.

Government response:

The Government is currently considering its response to this recommendation.

RECOMMENDATION 6

The Committee recommends that the Auditor-General outsource at least 30 per cent of the financial audits of universities. However, the Committee considers that this percentage should not be legally binding.

Government response:

The Government believes that contestability can contribute to promoting improved performance and efficiency in the delivery of public services. The Government encourages agencies including the Audit Office to pursue such an approach as far as possible where it delivers quality and value consistent with the objectives, responsibilities and statutory requirements of the Audit Office.

RECOMMENDATION 7

The Committee recommends that the Auditor-General consult with the Vice-Chancellors' Committee and other key stakeholders, to develop a balanced strategy to address both the Auditor-General's and Universities' concerns around auditing the sector.

Government response:

The PAC addressed this recommendation to the Audit Office.

The Government supports the PAC's recommendation for the Auditor-General to consult with the Vice-Chancellors' Committee and other key stakeholders. These consultations will assist the Auditor-General and universities to address the concerns of each around the auditing of the university sector.

RECOMMENDATION 8

The Committee recommends that the Auditor-General continue to provide an overview of the university sector in his financial audit reports to Parliament.

Government response:

The PAC addressed this recommendation to the Audit Office.

The Government agrees that the Audit Office should continue to provide such an overview as long as the Audit Office audits NSW Universities. See also recommendation 9.

RECOMMENDATION 9

The Committee recommends that the Government raise, with its State and Federal counterparts, the issue of the centralising the audit of the university sector, by requiring the Australian National Audit Office to take responsibility for the audits of Australian universities.

Government response:

In December 2013, the Acting Secretary of NSW Treasury referred this PAC recommendation to the Commonwealth Department of Prime Minister and Cabinet (DPMC). In response, the Secretary of DPMC suggested that officials from the Commonwealth Department of Education, the Australian National Audit Office and NSW Treasury “assess what would need to be done to transfer NSW university financial reporting and audit responsibilities to the Commonwealth”. NSW Treasury officers will contact the Commonwealth Department of Education and the Australian National Audit Office concerning that suggestion shortly.

RECOMMENDATION 10

The Committee recommends that the *Public Finance and Audit Act 1983* be amended to enable the Auditor-General to ‘follow the dollar’ by being able to directly audit functions performed by local government entities on behalf of the State in the delivery of government programs.

Government response:

The Government is currently considering its response to this recommendation.