



Health

INQ13/7

Mr Jonathan O'Dea MP
Chair of the Public Accounts Committee
Legislative Assembly
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

Dear Mr O'Dea

Re: Inquiry Into Efficiency and Effectiveness of the Audit Office of NSW

Thank you for your letter concerning the above Inquiry and the eight questions on notice enclosed in relation to NSW Health's management of funded non-government organisations.

I am pleased to enclose responses to the questions on notice for the consideration of the Inquiry.

Thank you for bringing your queries to my attention. Should you wish to obtain further information, please contact Ms Katherine Burchfield, Director, Integrated Care Branch on (02) 9391 9472 or at Katherine.Burchfield@moh.health.nsw.gov.au.

Yours sincerely

Dr Mary Foley
Director General

9-8-13

NSW Ministry of Health

ABN 92 697 899 630

73 Miller St North Sydney NSW 2060
Locked Mail Bag 961 North Sydney NSW 2059
Tel. (02) 9391 9000 Fax. (02) 9391 9101
Website. www.health.nsw.gov.au

RESPONSE TO THE LEGISLATIVE ASSEMBLY'S PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO THE EFFICIENCY AND EFFECTIVENESS OF THE AUDIT OFFICE

This is NSW Health's response to the Questions on Notice in relation to the current Inquiry into the efficiency and effectiveness of the Audit Office of NSW.

1. What is your understanding of current audit and reporting requirements for organisations receiving government funding?

Response

NSW Health's Ministerially approved Non-Government Organisation (NGO) Program has a policy document "Operational Guidelines Non-Government Organisation Grant Program" that sets out the rules and conditions of the Program.

In relation to financial reporting and audit requirements, there is considerable rigour placed on NGOs as detailed within the Operational Guidelines, including:

- NGOs receiving recurrent funding for projects are required to submit a full set of audited financial statements, at least annually.
- NGOs receiving non recurrent funding for one off projects are also required to submit an acquittance in an approved format as provided within the Operational Guidelines.
- Financial reporting is to comply with Australian Accounting Standards issued by the Accounting Bodies as defined in AUS104.
- Auditing of financial reports is to comply with Australian Auditing Standards and Auditing Guidance Statements as defined in AUS102.
- Where financial reporting requirements are not met, grant payments are suspended and consistent defaulting will result in defunding in accordance with the Operational Guidelines.
- Organisations are required to provide NSW Health with income and expenditure statements for each NSW Health funded project/service. These statements are to be certified by two members of the Organisation's Board of Management (or equivalent).
- Where the Organisation is required, under the law, to prepare audited financial statements in addition to the project based income and expenditure statements, the Organisation is required to provide NSW Health with copies of the audited financial statements. These statements will be at the level of the Organisation as a whole.
- The Associations Incorporation Act 2009 and Associations Incorporations Regulation 2010 as well as the Corporations Amendment (Corporate Reporting Reform) Bill 2010 details the thresholds where audited financial statements are required.
- If an audited financial statement is required, it must be accompanied by an audit certificate signed by an auditor who is a member of a professional accounting or auditing body that meets Australian Auditing Standards. The auditor must be independent of the Organisation and not have any financial interest in the Organisation.

- The annual financial statements required from the Organisation are to be forwarded to NSW Health within 3 months of the end of the Organisation's financial year.
- NSW Health, with the approval of the Minister for Health, has the right to withdraw funding without notice and/or to conduct a review/investigation of the project where it considers there may have been mismanagement of the project, misappropriation of grant funds, other breach of the Funding and Performance Agreement and/or the NGO has become bankrupt or insolvent, is wound up, or enters into a scheme of arrangement with its creditors.

2. Do you believe the current audit requirements are sufficient to ensure transparency and accountability?

Response

Yes. The current requirements of NSW Health's Ministerially approved NGO Program requires NGOs to have their financial statements audited by an independent external auditor.

3. Are you aware that in some jurisdictions, auditors-general have 'follow the money powers' to audit expenditure of government money by non-government organisations?

Response

Yes.

4. What advantages do you think such powers provide in terms of ensuring accountability for expenditure of government funds?

Response

"Follow the money" powers may allow clear accountability for the expenditure of government funds.

5. What would be the impacts on non-government organisations if 'follow the money' powers were introduced?

Response

"Follow the money" powers, in addition to the existing rigorous requirements for financial accountability, may be seen as a greater impost on Non Government Providers. There may be extra compliance costs where the Non Government Providers are audited. Considering the financial status of many providers, this risk could weaken the willingness to do business.

6. If 'follow the money' powers were to be introduced do you think there should be a threshold such as the size of the organisation or dollar amount? If so, what do you think would be appropriate?

No.

7. If follow the money powers are not extended to the Auditor-General, in what other ways could accountability and transparency for expenditure of government monies be improved?

Response

The financial and auditing reporting requirements applying to NGOs receiving funding from NSW Health enable a form of “follow the money” power to be applied by NSW Health and its auditors.

8. Are you aware of the Auditor-General's performance audit functions? Do you see benefit in extending this function to organisations in receipt of government moneys?

Response

Yes. The Auditor-General regularly undertakes performance audits within NSW Health.

NSW Health would see the performance management mechanisms established through contestable contracts with NGOs as a more effective and cost effective mechanism for assessing and managing NGO performance than an Auditor-General's performance audit.