

**Submission
No 11**

INQUIRY INTO PUBLIC FUNDING OF ELECTION CAMPAIGNS

Organisation: Audit Office of New South Wales

Name: Mr Peter Achterstraat

Position: Auditor-General

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THE AUDIT OFFICE
OF NEW SOUTH WALES

CONTACT NAME 9275 7108
TELEPHONE
OUR REFERENCE A005941
YOUR REFERENCE

Mr Robert Furolo MP
Chairperson
Joint Standing Committee on Electoral Matters
Parliament House
Macquarie Street
SYDNEY NSW 2000

22 January 2010

Dear Mr Furolo

Inquiry into public funding of election campaigns

Thank you for inviting me to make a submission to the Committee's Inquiry. The inquiry is an important opportunity to improve the transparency of election spending.

There are a few matters I wish to bring to the Committee's attention.

The primary role of the Audit Office is to conduct financial audits of public sector agencies and report to Parliament on how public funds are spent.

In relation to this Inquiry, each year staff from the Audit Office check whether payments made by the Election Funding Authority for election expenses comply with the requirements of the *Election Funding and Disclosures Act 1981*. Expenses include the costs of contesting elections for the Legislative Council and the Legislative Assembly. The total payments in 2006-07 and 2007-08 to registered political parties in relation to the 2007 State General Election were around \$7.5 million.

An auditor must avoid situations that may impair, or appear to impair his or her independence. The code of ethics for professional accountants (APES 110), requires an auditor to avoid reviewing their own work or giving an opinion on matters where they have had some involvement in the judgement.

Accordingly, I do not think it is appropriate for the Auditor-General, or delegate, to be involved in setting limits or making judgements that may impair my independence or preclude future audits.

In regard to the Committee's Term of Reference j, governments may legitimately use public funds to inform the public of their obligations, rights and entitlements and to explain policies. However, the important role played by government advertising can be undermined by any suggestion that it serves party political interests.

In regard to publicly funded government advertising, I have completed two performance audits. My first report in 2007 looked at the potential misuse of government advertising for party political purposes and recommended that the Government's advertising guidelines be revised to prevent this from happening. In response, the Government published new Government Advertising Guidelines in 2008 (a copy of my 2007 report is attached).

More recently, in December 2009 I released my second report on Government Advertising (copy attached).

Following this latest review, I recommended the process be further improved by appointing a person completely independent of Government to the peer review team examining public awareness campaigns that cover whole of Government initiatives. I also recommended that more campaigns be subject to peer review.

The role of the independent member would be to represent the views of the community on government advertising and reduce the risk of publicly funded advertising being used inappropriately.

It is my strong view that the independent member should not be the current Auditor-General as this would limit their ability to subsequently audit decisions and give an opinion on compliance with the Guidelines, the *Public Finance and Audit Act 1983* and the *Appropriation Act*.

I would be happy to appear before the Committee to answer any questions regarding my submission.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Achterstraat". The signature is written in a cursive style with a horizontal line through the middle of the name.

Peter Achterstraat
Auditor-General