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Margaret Crawford

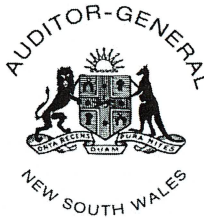
Received by

Rachel Buist

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Resolved to publish Yes / No

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The Hon. Dominic Perrottet, MP
Premier
GPO Box 5341
SYDNEY NSW 2001

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3 March 2022

Dear Premier

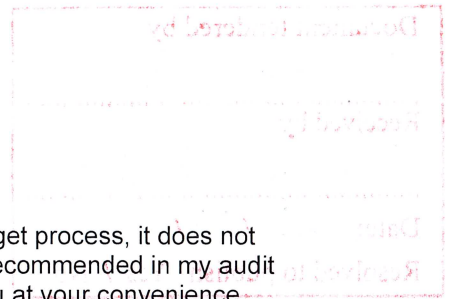
Thank you for your letter of 14 February 2022, seeking views on proposed reform of the funding arrangements for integrity agencies. Given the importance of this matter to the Parliament, I would like my response to be treated as being on the public record and not in-confidence.

I am pleased that the proposal would improve transparency to agencies and the Parliament about the basis for, and outcome of budget decisions. I also welcome recognition of the unique functions performed by the integrity agencies and their statutory framework and that this needs to be better understood by government officers.

However, the proposal does not resolve the threats to the independent status of integrity agencies that are identified in my audit report titled "The effectiveness of the financial arrangements and management practices in four integrity agencies." A key tenet of this report is that Parliament should play a safeguarding role in the budget process for integrity agencies. This includes a greater role in establishing and overseeing the budget needs of integrity agencies. While your proposal includes provisions for existing parliamentary committees to be advised on budget outcomes, it does not provide an opportunity for committees to advise the Cabinet Expenditure Review Committee on integrity agencies' funding requirements.

In respect of the other elements of your proposal the lack of detail means I am unable to provide any meaningful comment. I would value further information on what is intended so that I can properly assess the implications and any unintended consequences. In particular, the following matters need to be clarified:

- The proposal notes integrity agencies will remain in the Premier and Cabinet cluster but will be removed from usual cluster financial management processes. I would be grateful for information about which financial management processes are referred to, and what functional implications entail from remaining within the cluster. This would help understand the proposed role the senior Department of Premier and Cabinet official would play in considering funding requests.
- I would be grateful for further information on what the proposed 2022-23 're-baselining' process will entail.
- The proposal advises that Government will agree to not impose any post-Appropriation Act efficiency dividends on integrity agencies. Consistent with the proposal to increase transparency to agencies and the Parliament about the basis for budget decisions, I would be grateful for clarification as to whether integrity agencies would still be included in broader budget control measures that are sometimes applied to other agencies.



In summary, while your proposal improves transparency of the current budget process, it does not provide the additional safeguards to the independence of integrity bodies recommended in my audit report. I would be happy to further discuss the findings of my audit with you at your convenience.

Please do not hesitate to contact me directly on 0417 797 221 or contact my Executive Officer, Vanessa Gill on vanessa.gill@audit.nsw.gov.au or 9275 7315 if you would like to organise a suitable time to meet.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Margaret Crawford', is written over a horizontal line.

Margaret Crawford
Auditor-General for New South Wales

cc. The Hon Mark Speakman SC MP, Attorney General
cc. Mr Michael Coutts-Trotter, Secretary, Department of Premier and Cabinet