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

Contact name: Margaret Crawford

Our ref: D2208931

27 May 2022

Dear Premier

I refer to the Attorney General's letter to me of 9 May 2022, regarding the Government response to my report entitled *The effectiveness of the financial arrangements and management practices in four integrity agencies*.

On 3 March 2022 I responded to your request for input into the proposed reform of the integrity agency funding arrangements, advising that your proposal did not resolve the threats to the independent status of integrity agencies identified in my report. I advised that a key tenet of my report is that Parliament should play a safeguarding role in the budget process for integrity agencies, and that informing relevant committees of the outcome of funding decisions does not fulfill this intent.

This issue remains unaddressed in the Government's new funding arrangements for integrity agencies. The changes do not expand Parliament's role in the budget process and do not effectively reduce the threats to the independence of integrity agencies that arise from Executive Government determining their funding.

The Government response to the Public Accountability Committee's report on the *Budget process for independent oversight bodies and the Parliament of New South Wales* states that the new model is 'consistent with the principles recommended by the Auditor-General.' I would like to reiterate that the response is inconsistent with the key tenet of my report.

I understand the next step in implementing the new arrangements will involve consultation on a Treasurer's Direction. Prior to this occurring, I would appreciate a response to the requests for clarification raised in my previous letter regarding the following aspects of the proposal:

- the functional implications of remaining within the DPC cluster and the role and purpose of a senior DPC official in funding arrangements, if integrity agencies are otherwise removed from cluster financial arrangements
- the process and inputs for re-baselining of integrity agency budgets
- whether pre-appropriation budget control measures will be applied to integrity agency budgets, even though post-appropriation efficiency dividends will not.

Please do not hesitate to contact me directly on _____ or contact my Executive Officer, _____ on _____ or _____ to make any necessary arrangements regarding consultation.

Yours sincerely

Margaret Crawford
Auditor-General for New South Wales

cc. Mark Speakman, Attorney General
Michael Coutts-Trotter, Secretary, Premier and Cabinet
Greg Piper, Chair, Public Accounts Committee