The Auditor-General

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Executive summary

- Following the appointment in June 2015 of Mr Grant Hehir to a ten-year term as the Commonwealth’s Auditor-General, this paper briefly outlines the functions performed by the Auditor-General, the significance of the Auditor-General’s independence, and some possible issues for the new Auditor-General.

- In a Westminster-style governance framework, the Auditor-General assists the Parliament by scrutinising and reporting on the performance and actions of the Executive. To perform the role effectively, an Auditor-General requires independence from the Executive.

- In the Commonwealth of Australia, the office of Auditor-General was created in 1901 by the fourth piece of legislation passed by Parliament, and has existed continuously since then. The Auditor-General Act 1997 (Cth) sets out the main functions and powers of the Auditor-General and, in combination with the Public Accounts and Audit Committee Act 1951 (Cth), ensures that the Parliament has a role in the Auditor-General’s appointment, funding and work program.

- The Auditor-General’s role does not extend to commenting on the merits of government policy, but mainly focuses on financial statement audits, and performance audits that assess the extent to which programs have been implemented efficiently and effectively, and in accordance with legislation and government policy.

- As an Officer of the Parliament, the Auditor-General’s primary relationship with the Parliament is with the Joint Committee of Public Accounts and Audit (JCPAA). The JCPAA has a statutory duty to examine all reports of the Auditor-General that are tabled in Parliament.

- In the short and medium term, the evolution of governance, performance and accountability frameworks under the Public Management Reform Agenda, including those promulgated under the Public Governance, Performance and Accountability Act 2013 (Cth), presents a changing and challenging environment for the Auditor-General, and the organisations audited by the Australian National Audit Office (ANAO).

2. Public Accounts and Audit Committee Act 1951 (Cth).
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Introduction

Immediately after Federation in January 1901, an early priority for the new Commonwealth Government and Parliament was the appointment of an Auditor-General. The *Audit Act 1901* was the fourth piece of legislation passed by the new Parliament, preceded only by the *Acts Interpretation Act 1901* and two Acts relating to Consolidated Revenue. The inaugural Auditor-General was appointed on 1 December 1901. On 11 June 2015, Mr Grant Hehir commenced a ten-year term as only the fifteenth person appointed as the Commonwealth Auditor-General. On the occasion of this relatively infrequent ‘changing of the guard,’ this paper briefly outlines the functions performed by the Auditor-General, the significance of the Auditor-General’s independence, and some possible issues for the new Auditor-General.

The Auditor-General’s functions

In the Westminster model of governance, the Executive is accountable to Parliament for the use of resources and powers conferred by Parliament. An Auditor-General assists the Parliament by scrutinising and reporting on the performance and actions of the Executive.

The *Auditor-General Act 1997* sets out the main functions and powers of the Auditor-General (Part 4), and establishes the Australian National Audit Office (ANAO) to assist in the performance of the Auditor-General’s functions (Part 6). Except where noted, the following information about the Auditor-General’s functions is drawn from the 2013 ANAO publication, *About the Australian National Audit Office*.

Auditing standards

Under section 24 of the *Auditor-General Act 1997*, the Auditor-General sets auditing standards that are to be complied with by persons performing financial statement audits, performance audits, assurance reviews, and audits of Finance Minister’s annual financial statements.

Financial statement audits

Financial statement audits are independent examinations of the financial statements of Australian Government entities, companies and subsidiaries, and the Australian Government as a whole, conducted in accordance with ANAO auditing standards. The results of the examination are presented in an auditor’s report which expresses an opinion on whether the financial statements fairly reflect the results of each entity’s operation and its financial position.

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4. *Audit Act 1901* (Cth).

The much-amended *Audit Act 1901* was eventually replaced by the Auditor-General Act 1997, the *Commonwealth Authorities and Companies Act 1997* (the CAC Act), and the *Financial Management and Accountability Act 1997* (the FMA Act). In combination, these three Acts established the ‘CAC-FMA’ financial and accountability framework for the Commonwealth. On 1 July 2014, the CAC and FMA Acts were replaced by the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act). The new framework under the PGPA Act is being implemented over several years. The Auditor-General’s involvement in this implementation process is discussed in this Research paper.

6. Ibid., p. 16.
8. R Stapenhurst and J Titsworth, ‘Features and functions of supreme audit institutions’, PREMnotes, 59, October 2001, pp. [1-2]. The World Bank has defined supreme audit institutions (SAIs) as national agencies responsible for auditing government revenue and spending. SAIs’ legal mandates and reporting relationships vary, but their primary purpose is to oversee the management of public funds and the quality and credibility of governments’ reported financial data. Nomenclature for SAIs varies; typical designations include Comptroller General, Auditor General, or Comptroller and Auditor General. Auditor-General is the term used in the Australian Commonwealth, states and territories.
12. Australian government entities, companies and subsidiaries are those organisations subject to the governance, performance and accountability framework established by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
Performance audits

Performance audits are independent, objective and systematic assessments of Australian Government entities’, companies’ and subsidiaries’ programs, resources, information systems, performance measures, monitoring systems and legal and policy compliance. Performance audits also examine how well administrative support systems operate. Performance audits may consider:

- economy (minimising cost)
- efficiency (maximising the ratio of outputs to inputs)
- effectiveness (the extent to which intended outcomes were achieved) and
- legislative and policy compliance.

The Joint Committee of Public Accounts and Audit (JCPAA) can request the Auditor-General to conduct a performance audit of a Government Business Enterprise (GBE).  

Most performance audits review a program or activity in a single entity. However, a ‘cross-entity’ audit may review the administration of one program by a number of entities, or the administration of the same activity in a number of entities.

The Auditor-General may undertake audit work following requests from, for example, ministers or other parliamentarians. In a recent innovation, during the fieldwork phase of a performance audit, members of the public can contribute information for consideration by the ANAO.

Performance audits of Commonwealth partners

The ANAO is able to conduct a performance audit of a Commonwealth partner. The Auditor-General Act 1997 provides that:

18B (2) A person or body is a Commonwealth partner if:
(a) the Commonwealth provides money for a particular purpose (the Commonwealth purpose); and
(b) the person or body receives some or all of the money, whether directly or indirectly, because the person or body:
   (i) agrees to use the money in achieving the Commonwealth purpose; or
   (ii) has entered into a contract that relates to the Commonwealth purpose; and
(c) an audit of the person or body could not be conducted under another section of this Division.

A performance audit may be conducted only to the extent that it assesses the operations of the Commonwealth partner in relation to achieving the Commonwealth purpose. Under section 18B(1), where the partner is part of, or is controlled by, a state or territory government, the audit must be requested by the Joint Committee of Public Accounts and Audit (JCPAA) or the responsible Commonwealth minister. Audits of other Commonwealth partners, such as contractors, may be undertaken at any time. The first audit conducted under section 18B

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14. As a guide, three characteristics are considered essential in classifying an organisation as a Government Business Enterprise (GBE): the GBE has a legal existence independent from government and the executive; it is controlled by government; and its principal function is to engage in commercial activities in the private sector. The Government’s relationship to its GBEs is therefore similar to the relationship between a holding company and its subsidiaries. Under the PGPA regime, the following organisations are GBEs: Australian Postal Corporation; Defence Housing Australia; ASC Pty Ltd; Australian Rail Track Corporation Ltd; Moorebank Intermodal Company Ltd; and NB Co Ltd. The argument against a general discretion to undertake performance audits of GBEs is that the pressures of competition and the enforcement of performance targets are an effective substitute for scrutiny by the Auditor-General.

15. The administration of one program by a number of entities was examined in ANAO, Screening of international mail: Department of Agriculture, Australian Customs and Border Protection Service, Audit report, 42, 2013–14, ANAO, Barton, ACT, 2014. The administration of the same activity in a number of entities was examined in ANAO, Fraud control arrangements: across entities, Audit report, 3, 2014–15, ANAO, Barton, ACT, 2014, accessed 29 October 2015.

16. For example, ANAO, Representations to the Department of the Treasury in relation to motor dealer financing assistance: Department of the Treasury, Department of the Prime Minister and Cabinet, Audit report, 1, 2009–10, ANAO, Barton, ACT, 2009, accessed 29 October 2015, which was requested by the then Prime Minister (p. 11).


related to the Mersey Community Hospital in Tasmania.²⁰ Performance audits of Commonwealth partners are sometimes referred to as ‘follow the money’ audits.

**Better practice guides**

Performance audits identify better practices which may then be incorporated into better practice guides (BPGs) on key aspects of public administration.²¹ Some BPGs are updated from time to time to reflect changes in legislation or policy. For example, BPGs on grants administration were published in 1994, 1997, 2002, 2010 and 2013.²²

**Other assurance activities**

The Auditor-General also undertakes other assurance activities, which generally consist of reviews undertaken by agreement with Australian Government entities, companies and subsidiaries, either at the request of the organisation or in response to requests from stakeholders, including ministers and parliamentary committees.

**Major projects in the Defence portfolio**

In 2007‒08, an annual program was established in conjunction with the Defence Materiel Organisation (DMO) to enable the ANAO to review and report to the Parliament on the status of major Defence acquisition projects. The Major Projects Review (MPR) includes information relating to the cost, schedule and capability performance of individual projects as at 30 June each year.²³ The ANAO has noted that projects are included in the MPR on the basis of criteria set out in Major Projects Report Guidelines endorsed by the JCPAA, and:

> [w]hile by its nature, the report is not as in depth as a performance audit, it provides an opportunity to analyse data across a consistent range of projects over time. The benefits of this analysis have been noted by a variety of stakeholders, including Ministers, Parliamentary Committee members, industry and the media.²⁴

On 1 July 2015, the DMO’s core functions and funding transitioned to the Department of Defence.²⁵ This administrative change is likely to necessitate some consultation between the Auditor-General, Defence and the JCPAA in relation to arrangements for the Defence portfolio MPR.

**Performance indicators**

The Auditor-General may also undertake audits of the appropriateness of Australian Government entities’ performance indicators, and the completeness and accuracy of their reporting in entities’ annual reports.²⁶ Two such reports have been published to date.²⁷

**Government advertising**

The Auditor-General undertakes periodic performance audits of the administration of government advertising.²⁸ From 2008 until March 2010, the governance framework for government advertising and information campaigns undertaken by departments and agencies included a role for the Auditor-General. An independent review report on each proposed campaign’s compliance with the government’s advertising guidelines was provided by the Auditor-General to the minister responsible for the agency that would undertake the campaign. The Auditor-General’s review reports under this framework are available on the ANAO website.²⁹

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The Auditor-General
The Auditor-General and government policy

In a speech in 2011 the then Auditor-General, Mr Ian McPhee, observed:

> It is important to observe here that the office does not have a role in commenting on the merits of government policy in its audits but rather is focused on assessing whether government programs have been implemented, efficiently and effectively, in accordance with legislation and government policy. In situations where, as an incidental aspect of an audit, we observe aspects of government policy that would benefit from a review, we have recommended departments consider the position and, as appropriate, provide advice to the responsible minister. For me, this is a responsible position for the office to take in such circumstances.30

The Auditor-General’s independence

To perform the role effectively an Auditor-General requires independence from the Executive—to this end, in Westminster-style jurisdictions, the Auditor-General may be designated as an ‘officer of the parliament.’31 Other key factors for an Auditor-General’s independence are:

- the extent to which the appointment of the Auditor-General can be influenced by the Executive and
- the extent to which the Auditor-General’s budget appropriation is determined by the Executive.32

Officer of the Parliament

Section 8 of the Auditor-General Act 1997 establishes that the Auditor-General is ‘an independent officer of the Parliament’ who has ‘complete discretion’ in the performance or exercise of his or her functions or powers.

8 (4) Subject to this Act and to other laws of the Commonwealth, the Auditor-General has complete discretion in the performance or exercise of his or her functions or powers In particular, the Auditor-General is not subject to direction from anyone in relation to:

(a) whether or not a particular audit is to be conducted; or
(b) the way in which a particular audit is to be conducted; or
(c) the priority to be given to any particular matter.33

The complete discretion conferred by section 8 is modified only by section 10, which requires that the Auditor-General ‘must have regard to’ the audit priorities of the parliament, as determined by the Joint Committee of Public Accounts and Audit (JCPAA).

The Auditor-General’s primary relationship with the parliament is with the JCPAA.34 With regard to advising the Auditor-General of the audit priorities of the parliament, the JCPAA performs this function by writing to all other parliamentary committees each year to ask for their advice on programs or functions within their portfolio areas that they believe should be audited. Following a basic screening process for appropriateness (for example, to ensure that the ANAO is not asked to comment on the merits of government policy), this advice, and any audits the JCPAA itself wishes to propose, are then referred to the Auditor-General for consideration.35

Following this process, in July each year the Auditor-General publishes an annual Audit Work Program (AWP).36 Through the AWP, the Auditor-General informs the parliament, government entities, and the public of the ANAO’s planned audit and assurance activities over the financial year. In addition to planned audit and assurance activities, the Auditor-General may also undertake audit work following requests from, for example, ministers or other parliamentarians.37

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31. A Cullen, Independent Officers of Parliament—fact or fiction? The role of parliaments in safeguarding the independence of Officers of Parliament, research paper for the Parliamentary Law and Practice course, Australasian Study of Parliament Group, 14 January 2011, pp. 4–6, accessed 29 October 2015. Cullen cites a number of sources that discuss the characteristics of Officers of Parliament, particularly their focus on independent review or scrutiny on behalf of parliament of the implementation of executive government policy.
32. Ibid., p. 3.
34. Wanna, op. cit., p. 244.
36. ANAO, Audit work program, ANAO, Barton, ACT, July 2015, accessed 29 October 2015.
37. For example, ANAO, Representations to the Department of the Treasury in relation to motor dealer financing assistance: Department of the Treasury, Department of the Prime Minister and Cabinet, Audit report, 1, 2009–10, ANAO, Barton, ACT, 2009, accessed 29 October 2015, which was requested by the then Prime Minister (p. 11).
Section 8 of the *Public Accounts and Audit Committee Act 1951* provides that the JCPAA has a duty to:

- examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each house of the Parliament and
- report to both houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them. 38

As noted in the Auditor-General’s *Annual report 2014–15*, the ANAO formally surveys parliamentary stakeholders once every two financial years, most recently in March 2015.

... overall satisfaction with the ANAO was 84 per cent, which is broadly consistent with the previous result of 86 per cent in 2011–12. The ANAO attracted solid ratings across the survey results—particularly for the responsiveness of our staff (91 per cent) and the integrity of the office (91 per cent)—which is a pleasing result. 39

... The report made three recommendations for improvement, which are currently under consideration:

- developing and disseminating to parliamentarians (as well as to other stakeholders and the public) a short publication which summarises how ANAO audits have improved public sector administration over the past five to 10 years
- providing more support to audit teams so that audit reports communicate more effectively
- allocating more ANAO staff time to engagement with parliamentarians through non-JCPAA parliamentary committee processes. 40

**Appointment**

The Auditor-General is appointed by the Governor-General on the recommendation of the responsible minister (the Prime Minister). However, Schedule 1 of the *Auditor-General Act 1997* provides that the Minister must not make a recommendation to the Governor-General unless the Minister has referred the proposed recommendation to the JCPAA, and that the JCPAA has approved. Further reinforcing the Auditor-General’s independence from the Executive is a statutory ten-year term of appointment. The practical effect of a ten-year term is that an Auditor-General is likely to be in office longer than most prime ministers, ministers, or political parties. An Auditor-General cannot be reappointed to the position. 41

The Executive cannot revoke the appointment of an Auditor-General. Schedule 1 of the *Auditor-General Act 1997* provides that the Auditor-General can be removed from office in the following circumstances:

- ‘The Governor-General may remove the Auditor-General from office if each house of the Parliament, in the same session of the Parliament, presents an address to the Governor-General praying for the removal of the Auditor-General on the ground of misbehaviour or physical or mental incapacity’ and
- the Governor-General **must** remove the Auditor-General from office if the Auditor-General becomes bankrupt. 42

**Australian National Audit Office and resourcing**

In undertaking activities, the Auditor-General is supported by the ANAO, the staff of which is employed under the *Public Service Act 1999*. In 2015–16, the ANAO’s Average Staffing Level (ASL) is expected to be 345. 43 The ANAO’s ASL has been relatively stable since 2009–10, as shown in the following table.

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40. Ibid., p. 30.
42. Ibid., section 6.
43. Australian Government, *Budget measures: budget paper no. 4, 2015–16*, p. 138, accessed 29 October 2015. Budget papers report staffing numbers in terms of Average Staffing Level (ASL), a method of counting that adjusts for casual and part-time staff in order to show the average number of full-time equivalent employees. ASL is almost always a lower figure than a headcount of actual employees.
The Auditor-General

ANAO Average Staffing Level (ASL): 2009‒10 to 2015‒16

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In addition to ANAO staff, contractors are engaged to perform some audits, and to provide specialist advice.44

The main source of funding for the Auditor-General is an appropriation in the Commonwealth Budget. The ANAO is currently subject to the Efficiency Dividend at the same rates as other public service agencies; that is, 2.5 per cent in 2015‒16 and 2016‒17, and one per cent after 2016‒17.45

For 2015‒16 the ANAO’s total income is budgeted at $76.2 million, down slightly from $76.9 million in 2014‒15. Of the $76.2 million, $72.7 million is appropriation funding, with a decrease from $73.4 million in 2014‒15 resulting, in the main, from the Efficiency Dividend and other savings measures. ‘Other revenue’ of $3.5 million is expected to comprise international project funding of $1.8 million to support audit authorities in Indonesia and Papua New Guinea, and $1.7 million from building sublease income and ‘audits by arrangement’ under section 20(2) of the Auditor-General Act 1997.46

In addition, income of $13 million is forecast for conducting financial statement audits of a range of corporate Commonwealth entities, companies and their subsidiaries. However, revenues from these audit fees are paid into the Official Public Account and are not available to the ANAO.47

In another example of the JCPAA’s role in safeguarding the Auditor-General’s independence, section 8 of the Public Accounts and Audit Committee Act 1951 provides that the JCPAA has a duty to:

• consider draft estimates for the ANAO for a financial year before the annual Commonwealth Budget for that financial year and
• make recommendations on those draft estimates to both houses of Parliament, and to the Minister who administers the Auditor-General Act 1997.48

By convention on Budget day the JCPAA issues a statement about the proposed appropriation for the ANAO. In May 2014, the JCPAA stated that it ‘remains strongly concerned about the level of funding uncertainty [for the ANAO] for the forward years.’49 However, in May 2015, the JCPAA reported that the Prime Minister had permitted the ANAO to retain funding of approximately $1.1 million that had been allocated to audits of entities that are now scheduled for merger, abolition or sale, such as Medibank Private.50 This retention of funds will have a tangible impact on the ANAO’s audit program. In May 2014, it had been expected that the number of performance audits would have to reduce from 49 to 48 in 2015‒16, and then down to 47 in 2016‒17 and subsequent years.51 However, in May 2015 the JCPAA Chair reported:

... [t]he Auditor-General has advised the Committee that [the retention of the funds] will allow the ANAO to deliver one additional performance audit report each of the Budget and forward years (48 to 49 in 2015‒16 and 47 to 48 in 2016‒17 and 2017‒18). The Committee ... will continue to support the ANAO’s goal of restoring the performance audit program to its benchmark of 50 reports over time.52

45. Senate Education, Finance and Public Administration Legislation Committee, Official committee Hansard, [estimates], 25 May 2015, p. 171, accessed 29 October 2015. In place for over 25 years, the Efficiency Dividend (ED) is an annual funding reduction for Australian Government agencies, in general applied only to ‘departmental’ expenses. The ED has usually been applied at a rate of either 1.00 or 1.25 per cent; in some years governments have increased the rate to either 1.00 or 1.25 per cent; in some years governments have increased the rate, with the highest ED rate being four per cent.
47. Ibid., pp. 88 and 106.
Recent survey of legislation in Australia and New Zealand

A recent paper commissioned by the Victorian Auditor-General’s Office compared the independence of auditors-general in New Zealand and the nine Australian jurisdictions (the Commonwealth, six states and two territories). Based on a survey of relevant legislation, the paper compared the relative independence of the ten auditors-general and rated the Commonwealth Auditor-General, overall, in the middle of the group.53

Of perhaps greater interest than these ratings is the discussion of how the following factors shape the independence of auditors-general: statutory framework; appointment and immunity; mandate and discretion; access to information; reporting rights and obligations; content timing and publication of reports; follow-up mechanisms; and managerial autonomy and resourcing.54 In that context, the paper emphasises the importance of the relationship between an auditor-general and the Parliament:

The relationship between the Auditor General and the Parliament he or she supports is of considerable importance. A strong relationship will permit the Auditor General to operate more effectively since it is through the Parliament that the Executive is held to account. Parliamentary Committees are also used to enhance the accountability of the Auditor General himself/herself. Accountability is needed to ensure that an Auditor General continues to operate as intended and makes effective and efficient use of his or her resources.55

Issues for the new Auditor-General

In the short and medium term, a number of issues are likely to vie for the new Auditor-General’s attention.

Performance audit program

The ANAO’s annual report for 2013–14 had foreshadowed that, in 2014–15, the ANAO would ‘achieve more balance in the timing of the delivery of our performance audit program.’56 Whereas the timing of financial statements audits is dictated by the cycle of the financial year calendar, the timing of the more numerous performance audits is not so constrained. In 2014–15 about half of the ANAO’s performance audit reports were published in the final quarter of the financial year—a result similar to that achieved in 2013–14.57 It would appear that the effort to rebalance the delivery of the performance audit program will need to continue, if end of year congestion is to be mitigated.

ANAO performance audits are typically around 120 pages or longer, and may take nine or ten months to prepare. In contrast, performance audits in overseas jurisdictions are typically much shorter.58 Although the circumstances in the jurisdictions differ, it may be timely for the new Auditor-General to review the performance audit process and timeline.

The ANAO’s website is a useful source of information about published audit reports and audits in progress. The ANAO also sends out updates by email and social media.59

Relationships with stakeholders

In 2011 the then Auditor-General, Ian McPhee, observed:

During my time as Auditor-General, we have managed to maintain effective working relationships with key stakeholder groups. We are fortunate to meet many members of Parliament as they become involved in parliamentary committee work early in their careers in Parliament. This assists greatly at a later time when they become ministers and audit issues arise in their portfolios.

54. Ibid., pp. 3–4, accessed 29 October 2015.
57. Parliamentary Library analysis of publications listed on the ANAO website.
It is important that I should also indicate that no government minister or other member of Parliament has ever sought to improperly influence my presentation of audit findings. As you would expect, from time to time there have been fairly robust discussions where ministers and CEOs have strongly presented their perspective, but properly done, this generally adds to the understanding of the issues on both sides. Occasionally, it also adds a bit of colour, but most importantly it reflects well on our system of government here in Australia and the respect for our institutional arrangements.  

In his Annual report 2014–15, the new Auditor-General endorsed Mr McPhee’s emphasis of the importance of sound and strong relationships with auditees and the Parliament.  

Reform of the Federation: White Paper
The Government has committed to producing, by the end of 2015, a White paper on the Reform of the Federation. The White paper will present the Government’s position on a range of issues, including accountability for performance in delivering outcomes and performance reporting.  

The ANAO has experience in the conduct of performance audits of Commonwealth partners and in pilot projects on the auditing of Key Performance Indicators. Lessons learned through this experience could inform the White paper discussion of accountability for performance in delivering outcomes, and performance reporting, in the context of federal-state relations.  

The Public Governance, Performance and Accountability Act 2013
The ANAO’s Annual Report 2013–14 observed:

We will continue to work with the Department of Finance and the JCPAA to progress changes intended to improve the public sector financial management framework, including developments in relation to performance information and reporting and the implementation of the Public Governance, Performance and Accountability Act 2013.

The Public Governance, Performance and Accountability Act 2013 (the PGPA Act) came into effect on 1 July 2014, and applies to all Commonwealth entities and Commonwealth companies. The PGPA Act establishes a system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act sets out main principles and requirements, and these are given effect by rules and other legislative instruments issued from time to time.  

In a speech in August 2015, the Secretary of the Department of Finance, Ms Jane Halton, discussed the PGPA Act in the context of a broader agenda of public governance, performance and accountability reforms, and related initiatives such as digital transformation in the public sector. Ms Halton observed that five principles underpin the PGPA Act and the reforms that accompany it:

• government should operate as a coherent whole
• a uniform set of duties should apply to all resources handled by Commonwealth entities
• the performance of the public sector is more than financial
• engaging with risk is a necessary step in improving performance and

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60.  McPhee, op. cit., p. 20.
that the financial framework should support the legitimate requirements of the government and the parliament in discharging their respective duties.\textsuperscript{66}

This evolution of the Commonwealth’s governance, performance and accountability frameworks presents a changing and challenging environment for the Auditor-General, and the organisations audited by the ANAO.

\textbf{The Public Management Reform Agenda}

Implementation of changes under the \textit{PGPA Act} is a key component of a broader, three-stage Public Management Reform Agenda (PMRA) being progressed by the Department of Finance. The three stages of the PMRA are:

1. from 1 July 2014—establishing a single resource management framework under the \textit{PGPA Act}
2. in 2014–15—focussing on improving the quality of planning, performance monitoring and evaluation and the transparency and accountability of the Australian public service and
3. from 1 July 2015—focussing on improving how the Commonwealth interacts with external parties from all sectors of the economy.\textsuperscript{67}

The JCPAA has indicated that it will maintain an interest in the PMRA. In March 2015, the JCPAA resolved to inquire into and report on the development of the PGPA performance framework. The ANAO’s submission to the inquiry noted ‘positive elements’ of the proposed framework, but also discussed several areas of concern and proposed some ‘opportunities for enhancement.’ In its conclusion, the ANAO’s submission observed:

[t]he proposed performance framework contains the right building blocks but has a strong entity perspective without, in our view, sufficient attention being given to the needs of the Parliament in formulating key aspects of the framework. The absence of minimum requirements and standards, coupled with the open-ended nature of the implementation approach, including measures to bring home the responsibilities of accountable authorities to lift the standard of performance reporting, means that the ANAO has reservations whether the goal of having a performance regime that more effectively measures the performance of Commonwealth programs and activities will be achieved over the medium to longer term.\textsuperscript{68}

In its 2014 report on rules development under the \textit{PGPA Act}, the JCPAA also flagged its intention to inquire into stage three of the PMRA.\textsuperscript{69} In addition, sections 111 and 112 of the \textit{PGPA Act} require the Finance Minister, in consultation with the JCPAA, to conduct an independent review of the operation of the \textit{PGPA Act} and its rules after 1 July 2017.\textsuperscript{70} The Auditor-General could be expected to contribute to these review processes.

\textbf{Conclusion}

In the Commonwealth of Australia, the office of Auditor-General was created in 1901 and has existed continuously since then. The Auditor-General assists the Parliament by scrutinising and reporting on the performance and actions of the Executive.

To perform the role effectively, an Auditor-General requires independence from the Executive. The \textit{Auditor-General Act 1997} (Cth) sets out the main functions and powers of the Auditor-General and, in combination with the \textit{Public Accounts and Audit Committee Act 1951} (Cth), ensures that the Parliament has a role in the Auditor-General’s appointment, funding and work program.

The Auditor-General’s role does not extend to commenting on the merits of government policy, but mainly focuses on financial statement audits, and performance audits that assess the extent to which programs have been implemented efficiently and effectively, and in accordance with legislation and government policy.


\textsuperscript{67} Department of Finance, ‘Public Management Reform Agenda,’ Department website, accessed 29 October 2015.

\textsuperscript{68} Australian National Audit Office, Submission to Joint Committee of Public Accounts and Audit, [submission 7], Inquiry into development of the Commonwealth Performance Framework, 19 March 2015, pp. 2–4, accessed 29 October 2015.


\textsuperscript{70} Public Governance, Performance and Accountability Act 2013, accessed 29 October 2015.
As an Officer of the Parliament, the Auditor-General’s primary relationship with the Parliament is with the Joint Committee of Public Accounts and Audit. The Committee has a statutory duty to examine all reports of the Auditor-General that are tabled in Parliament.

In the short and medium term, the evolution of governance, performance and accountability frameworks under the Public Management Reform Agenda, including those promulgated under the *Public Governance, Performance and Accountability Act 2013* (Cth), presents a changing and challenging environment for the Auditor-General, and the organisations audited by the ANAO.