

Division 10: Office of the Auditor General, \$7 891 000 -

Ms Guise, Chairman.

Mr Ripper, Treasurer.

Mr D. Pearson, Auditor General.

Ms T. Pritchard, Manager, Financial and Administrative Resources.

Mr RIPPER: It is more appropriate that the Auditor General respond directly to questions. The Auditor General is independent of my direction in the way in which he performs his duties. He is a servant of the Parliament.

Mr BARNETT: I refer to the significant issues and trends in the structural changes to the Western Australian public service at page 180 of the *Budget Statements*. Is the Auditor General monitoring or measuring the costs of the amalgamation and restructuring of public sector departments?

Mr PEARSON: No; I do not see monitoring costs as a function of the external audit. It is raised in this context because it complicates the audit process. Audit relies on stability in systems and whenever there is change, additional audit effort is required to review the implications of change and to take appropriate audit action.

Mr BARNETT: I refer to the dot point at page 180 relating to public-private partnerships. What examination of prior contracts has the Auditor General undertaken? Has he drawn any conclusions about the involvement of government in public-private partnerships?

Mr PEARSON: Prior contracts?

Mr BARNETT: Prior arrangements that the Auditor General may have studied or investigated as an auditor concerning public-private partnerships. Has the Auditor General drawn any policy conclusions?

Mr PEARSON: I have reviewed a number of public-private partnerships. Two that immediately come to mind, which have been the subject of reports to Parliament, are the convention centre procurement arrangements and the outsourcing of information technology contracts. An innovative approach to contracting was used with the convention centre. The bottom line finding was that it was regular and had no exceptional or adverse issues. The findings for the outsourcing of the information technology contract related to the oversight and management of the contract by the agencies. The role of an external auditor does not include challenging the merits of a policy, but it does involve reviewing the implementation of policy and drawing attention to areas in which the implementation process policy can be improved.

Mr BARNETT: The dot point at page 183 refers to the Perth convention and exhibition centre. Has the Auditor General looked at the final contractual arrangements? Does he consider the public investment of \$100 million plus in the project as suitably protected?

Mr PEARSON: I reviewed the contract to the stage it was at when we reported. At that point we had no adverse findings with the way the contract was proceeding.

Mr BARNETT: What about the security of the public investment?

Mr PEARSON: I was not able to reach a conclusion on that because the project is at an early stage. There was nothing adverse about the contractual arrangements. There could be an issue in that there could be an effective contract but that the end result depends on delivery. I have no reason to have concerns about the way in which the contract is proceeding.

Mr D'ORAZIO: Wearing my Public Accounts Committee hat, is the Treasurer able to provide more money so that we can pinch some staff from the Auditor General to hold some more inquiries?

Mr RIPPER: Is this a set-up?

Mr D'ORAZIO: Call it what you like. We need more investigative staff. I thank the Auditor General for the staff he has given us - it has been most helpful.

It appears there will not be a great increase in the salary budget for the Office of the Auditor General for a number of years. Knowing how much work has to be done, will the Auditor General invent a magical way of dealing with all the issues or has he increased efficiencies in his department? Should we nudge the Treasurer to give the office more money next year?

The CHAIRMAN: Which page is the member referring to?

Mr D'ORAZIO: Page 180. Item 37 refers to a net amount appropriated to purchase outputs. My question is not a set-up, Treasurer.

[3.00 pm]

Mr PEARSON: As with any agency, we can always use additional resources. In the budgetary rounds, I make bids. As I see it, I am treated the same as any other agency in the sector. Clearly, more resources would be appreciated. As I noted in the significant issues and trends section of the budget papers, things like the machinery of government changes have resulted in a considerably greater workload. In the explanation for the estimates, I drew attention to the increasing trend of people raising exceptions with my office. The reference to the convention centre contract that has just been discussed is an example of that. We are also undertaking a major audit review of the administration of so-called trust accounts in the teaching hospitals in consequence of broad disquiet. The reality is that we do the best we can with the resources made available to us. In the financial year about to end we implemented a new attest audit methodology, which is an approach to auditing the financial statements and performance indicators of the 280-odd agencies that make up the public sector. That has enabled us to better manage risk. The task of the audit office, which has approximately 100 staff and a budget of \$10 million, is to review the activities of a public sector employing about 100 000 people and turning over \$25 billion annually. We must be very selective and analytical in the nature of the work we do. That clearly has risks associated with it. However, we have put in compensating controls to try to mitigate those risks and avoid oversights.

Mr RIPPER: I contribute a slightly different perspective. From a Treasurer's point of view, we have been more lenient with the Auditor General's office than with other agencies, particularly with the application of the priority dividend. There is no doubt that the Office of the Auditor General is under increased pressure, partly because members of Parliament and others now ask him to investigate issues.

Mr D'ORAZIO: Local governments have a huge pool of funds for auditing purposes. There has been some discussion among local government colleagues that the auditors used may not be up to scratch. That is evident from the number of various inquiries that have occurred. Is it feasible that the Auditor General's office could, as an income-generating exercise, take on some of that work on a contract basis?

Mr PEARSON: That is a policy decision for government. I observe that in every other jurisdiction, the Auditor General is involved in the auditing of local government, either directly or as an eligible participant.

Mr D'ORAZIO: Would that be more efficient than using private contractors for auditing? Would the bottom line for councils be cheaper if the Auditor General's office were used?

Mr PEARSON: I do not think it would be cheaper in dollar terms. Private sector auditors would argue their strengths. I would argue that an Auditor General would bring the broader public sector probity dimensions to a local government audit. It is fairly well established that Auditors General are demonstrably more independent in the exercise of the external audit function. That can work as a countervailing effect on the sorts of activities that lead to the need for inquiries and investigations.

Mr MARLBOROUGH: I pick up on line item 37 and dot point four on page 180, which I think the Auditor General has covered in some small detail. It relates to the introduction of the whistleblowers legislation. That is new to the State, and the dot point states that it will increase the number of queries directed to the Auditor General. I am one of those members of Parliament who enjoy the work carried out by the Auditor General. I think that office is an extremely important asset for the State and, most importantly, for the community. This may assist the process of Cabinet in making these decisions. Are there any significant trends in other States in which whistleblowers legislation is in place - it may be fairly new legislation around Australia - of such legislation resulting in an increased workload for the Auditor General? Is there a percentage figure that demonstrates the sorts of increases that the Office of the Auditor General may experience as a result of such legislation?

Mr PEARSON: I am not aware of any objective trends. However, the new piece of legislation draws attention to that opportunity by nominating the Auditor General, among others, as a point of contact. I expect the approaches we receive from outside bodies to escalate.

Mr MARLBOROUGH: I heard the Auditor General talk about the need for extra staff. That legislation will go through in the coming financial year, resulting in an increase in demand for the Auditor General's services. Is the Auditor General satisfied that he has the appropriate capabilities to handle that, or is it a matter of being very selective in what the office is able to pursue?

Mr PEARSON: It is a matter of being selective in what we are able to pursue. The office is set up to review issues in a systemic way. We have a degree of cooperation with other nominated officers, such as the Ombudsman and the Commissioner for Public Sector Standards. We try to informally divert people to the most appropriate agency. It is one of those areas of growing demand, and we are struggling a little in trying to cope with that.

The appropriation was recommended.