

Division 26: Office of the Auditor General, \$5 864 000 —

Mr M.W. Sutherland, Chairman.

Mr C.C. Porter, Treasurer.

Mr C. Murphy, Auditor General.

Mrs S. Godfrey, Assistant Auditor General.

Mr D. Creedon, Chief of Staff, Office of the Treasurer.

[Witnesses introduced.]

The CHAIRMAN: The member for Midland has the call.

Mrs M.H. ROBERTS: I refer to page 326 of budget paper No 2. Why has the number of reports tabled in Parliament decreased in three of the four areas listed—namely, service delivery, economic development, and social and environment? I am also curious about which reports the Treasurer believes received the most attention from the public.

[5.50 pm]

Mr C.C. PORTER: With respect to the first question, in the short time that I have been in government, the process is that members of government are free to make recommendations to the Auditor General about suitable issues on which he might care to report. I have made a number of those recommendations to the Auditor General over the past few years. They are not always picked up and there may be reasons for that. As to some areas being subject to more reports than others or that there are more reports than there have been in the past, I would not race to find a pattern in that. The Auditor General might comment on that.

The second part of the member's question was: what areas of reporting do I consider are of most interest or use to the public? I do not know whether I have ever given that a good deal of thought. As a minister outside my role as Treasurer, in making recommendations to the Auditor General for areas into which he may consider a report, I have looked at areas in which I have come across practices or administration that seem to me to warrant improvement. Therefore, the process is not necessarily led by a view of what the public might find most interesting but by a view emanating in the first instance from ministers, but with the very strong input of the Auditor General about which areas of government are most in need of attention. It may indeed be the fact that the areas of government most in need of attention will be quite boring to the general public; nevertheless, the Auditor General contributes a great deal by reporting on that. The Auditor General may care to comment on that.

Mr C. Murphy: The indicator that the member refers to is relatively new. It was designed by my office with a view to trying to ensure that we have coverage across the sector. We have the categories of service delivery, economic development, social and environment, and governance reporting, I guess, to try to see that we get a spread across those areas, but it is only one view. We also try to get a spread across different agencies of different sizes with different sorts of issues. We prioritise based on a range of different issues. We use this measure over a number of years to ensure that we will not cover the same area time after time. Therefore, we do not look to achieve a specific number of reports in a category in any one year; the indicator is really to look at what we achieve over time. The number of reports we do is a difficult issue because we do not know what we will find in an audit until we get into it. It could be that we think a matter is relatively straightforward and it turns out not to be the case and vice versa. Therefore, really, the number of reports is a function of what is found inside the different audits that we conduct. We put pressure on the teams to try to deliver as many reports as we possibly can. We certainly look forward to increasing the number of performance audits, if we can, in the short term, but that again will depend on what we encounter.

As to the second part of the question, which of the reports receive the most attention, if we like, or are of greater interest, varies enormously depending on the audience. I do not think that the media is a reliable indicator. Certainly, the media is useful in promoting the work that we do, but I hope that some of the more workman-like assurance-type reports that we put out provide a level of assurance about what is going on within the public sector, even though they are not necessarily issues that the media will be interested in. Again, I try to achieve a spread of issues that are of interest to the Parliament and the community, as well as issues to do with public sector management and governance. One of the indicators that we use within the office these days, given the increasing use of the internet, is the number of downloads, which we can measure. The number of hits that we get on different reports is included in our annual report each year. We are quite staggered that our "Information Systems Audit Report", which did some fairly innovative things, received some 12 000 internet hits. Similarly, our audit results report on our assurance audit reports for 30 June got about 4 500 hits, but those details are listed in our annual report for people to look at.

Mr Christian Porter; Ms Rita Saffioti; Mrs Michelle Roberts; Chairman; Mr Paul Papalia; Dr Mike Nahan

Mr C.C. PORTER: I guess that *Dancing with the Stars* has a bigger audience than *Lateline* but it is not a measure of the merit of either of those programs! Although those key performance indicators —

Ms R. SAFFIOTI: I do not know!

Mr C.C. PORTER: There is no accounting for taste.

Mrs M.H. ROBERTS: It could be first *STM*, next *Dancing with the Stars*!

Mr C.C. PORTER: Fortunately, I cannot dance!

Those KPIs are instructive, but I would not want to see them guiding the process of choice.

Mrs M.H. ROBERTS: I think the Chairman's wife could be interested, too!

The CHAIRMAN: This session is becoming very artistic!

Mr P. PAPALIA: I refer to the first dot point under "Significant Issues Impacting the Agency" on page 326. Hopefully, the minister will countenance this question. That dot point refers to the fact that the Office of the Auditor General will be able to undertake more auditing functions because of increased funding. In 2006, there was a Public Accounts Committee recommendation that the Auditor General be given the task of auditing a percentage of local governments in the state in the same way that it does government departments. I wonder whether it is possible for the Auditor General to give an indication of the sort of cost involved in something of that nature if the Office of the Auditor General was to take on a whole new field of endeavour, not necessarily 100 per cent of local governments—the suggestion was 18 per cent. There are 139 councils. I wonder whether it is possible to give a broad indication of the sorts of costs involved each time the office takes on a new field of endeavour.

Mr C.C. PORTER: I will hand over to the Auditor General, but before I do, who was it that made the recommendation?

Mr P. PAPALIA: It was a Legislative Assembly committee; the Public Accounts Committee.

Mr C.C. PORTER: For my part, I am sure that the Auditor General would find interesting and useful things inside the local government sector. I imagine that would have some pretty significant resourcing implications. In term of the office's acumen and ability it might be well directed; I agree with the Public Accounts Committee. The Auditor General might give some indication of how that might be achieved.

Mr C. Murphy: That report was done some time ago and my office was consulted fairly extensively during the process. One issue that was identified, which I believe is a major stumbling block, is that some local governments' current external audit process is relatively superficial compared with what is acceptable in industry and the state public sector. As a result, my office would not conduct an audit unless it was to the Australian Auditing Standards and the quality standards that my office has in place. Therefore, we indicated that it would result in a number of local government areas having significant increased costs. I believe that some of those costs were addressed in that particular report. As far as resourcing if it were to happen, a significant number of our audits are currently outsourced, so my office would have the capacity to do some of those audits initially, potentially using private sector resources, but increasingly balancing that mix depending on what was appropriate. I refer to the second dot point on page 326 and quickly point out that the Auditor General Act 2006 was proclaimed in 2007 so it is still relatively recent. That act provided a new power for the Auditor General to do follow the dollar-type arrangements. We did an audit of a particular local government using that power. It is a completely new area of legislation that allowed me in the case of royalties for regions to follow state government dollars into local governments and look at how they were spent and at the government's arrangements around that expenditure. I certainly intend to continue using those powers. Regardless of the Parliament's decision for me to be involved in the external audit in a financial sense of local government, I certainly now have the capacity to look at local government issues wherever significant state funding is involved.

The CHAIRMAN: Member for Riverton, we have one minute.

Dr M.D. NAHAN: The second dot point on page 326 refers to the follow-the-dollar power. Would the Auditor General consider using this power, for instance, for non-profit organisations, which the budget has expanded money significantly to, or for contracted services to Fiona Stanley Hospital?

Mr C.C. PORTER: I hand over very briefly to the Auditor General. My view is that he makes those decisions ultimately, but they would seem like rich veins to tap.

Mr C. Murphy: Given the time, I think "yes" is the short answer to that. We have already conducted one audit on grants to non-government organisations, so we would continue in that vein. I think that the intent of the legislation is very much around government delivering services using other than traditional departmental or public sector resources. Wherever alternate resources are used —

The CHAIRMAN: Thank you.

Mr Christian Porter; Ms Rita Saffioti; Mrs Michelle Roberts; Chairman; Mr Paul Papalia; Dr Mike Nahan

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm