

Division 11: Office of the Auditor General, \$5 423 000 —

Mrs L.M. Harvey, Chairman.

Mr C.J. Barnett, Treasurer.

Mr C. Murphy, Auditor General.

Mrs S. Godfrey, Assistant Auditor General, Strategy, Policy and Corporate Services.

[Witnesses introduced.]

Mr C.J. BARNETT: The Auditor General prefers to answer matters himself, as he should as an independent officer of the Parliament, but I understand the questions must still come through me. It is an unusual situation because the Auditor General is an officer of the Parliament.

The CHAIRMAN: Member for Victoria Park.

Mr B.S. WYATT: Through the Premier, I refer to the fourth dot point on page 158. It was indicated by the Auditor General last year that there would be a number of compliance reports that the Auditor General would not be able to do in the 2009–10 year due to the three per cent efficiency dividend. At the time the Auditor General said that he would be able to do five fewer compliance audits over the course of the year. Has that worked out to be as he expected or did the three per cent efficiency dividend have a larger impact on his ability to do reports than anticipated?

Mr C. Murphy: Indeed, I have been very pleased with the number of reports we have been able to do this year; we have had no reduction. I am quite pleased with that. There are always a number of issues we would like to pursue that we cannot because of funding constraints. But we are able to prioritise the work we do. The short answer to the question is: we have been quite productive and have been able to maintain the number of reports to a number that is equivalent to numbers of recent years, despite the budget situation.

Mr B.S. WYATT: Has the Auditor General been increasing the number of reports he has been doing each year up to 2009–10?

Mr C. Murphy: The number of reports is always a difficult issue. Some of the reports we produce are quite major. Some involve significant resources and quite lengthy documents; others are relatively short. The number of reports is always a difficult measure to use to gauge the value of the products we make available for Parliament. But the number has remained consistent over recent years and I am quite content that we have maintained the level of information that we provide to Parliament on a regular basis.

Dr M.D. NAHAN: I refer to the first dot point under “Significant Issues Impacting the Agency” on page 158 in which the Auditor General raises the issue about the commonwealth’s increasing involvement in many areas of state activity. Indeed, the commonwealth involvement is getting to be wider and, more particularly, it almost signs most cheques for most programs these days. How does that impact on the Auditor General’s operations in terms of assessment, functions, efficiency and accountability?

Mr C. Murphy: Some of these programs are significant and involve considerable numbers of dollars, and they are innovative. Under an audit assessment, they therefore attract a high level of risk. If there is an issue involving significant dollars, particularly when there are shortened time lines, risks are associated. It would normally increase the amount of work we would have to do. Specific programs like the Building the Education Revolution program carry a requirement that we provide an audit certification to the commonwealth, which is funded out of that program; so there is an additional component of work out of that.

In addition to that separate work, we need to do further work in our regular routine audits of our own Department of Education simply due to this additional requirement. These new spending initiatives become a priority in our program. As I said, some are funded separately; others need to be funded through existing resources.

Dr M.D. NAHAN: Does that, therefore, erode the Auditor General’s capacity to undertake work altogether and shift it from state functions to commonwealth functions? The Auditor General has a limited budget, so if there is no specific allocation—I think there is for the BER—it increases the workload and therefore reduces the Auditor General’s capacity to do other functions that are more state focused.

Mr C. Murphy: In the case of the BER, it does not. There is a significant change to our budget this year in that all of the assurance or attest work we undertake is now funded through a net appropriation. That was not the case in previous years. That means, in effect, that I recover the cost of those audits from the agencies directly and, therefore, it is more a matter of the agency’s capacity to meet that cost than my own. The education department would meet that cost, and I understand it has the capacity to meet that cost as an administrative component, if we like, of the program.

Ms R. SAFFIOTI: My question relates to “Significant Issues Impacting the Agency” on page 158 and the increased requests to the Auditor General from members of Parliament, the media and the community. Does the Auditor General have figures for increased requests for investigations for this year compared with the numbers in previous years?

Mr C. Murphy: Yes, I do. We see it as a good thing. If people are making requests of us, they see us as an agency that has value and is able to do something and make a difference. On the one hand, they are very positive and welcomed, but to the extent we cannot satisfy them, there is frustration associated with them. I can give the member some figures: the number of requests for 2008–09 was 69. For the year to date, there were 73 when we last looked at it. There is an increase in the number of requests. We recently exposed ourselves to a peer review examination involving officers from Queensland and New South Wales. Their view was that we receive a significant number of requests compared with other jurisdictions. Overall, the number is high and it is growing. I see that as very complimentary for the role we take.

Ms R. SAFFIOTI: Are there any specific areas in which we see increased activities, complaints or requests for investigations?

Mr C. Murphy: I do not believe there is. There is a wide range of different requests across a range of areas. Some of them seek a specific performance examination of a particular area. Others often relate to a particular activity of an agency. Given that we audit each of the agencies at least once a year, there is often the capacity to include some of these requests in the audits we already do. I think we have had a look at the information in anticipation to see whether there are any themes or trends, and I do not believe there are.

[12.50 pm]

Mr W.J. JOHNSTON: I refer to “Significant Issues Impacting the Agency” on page 158. The second dot point refers to royalties for regions and indicates that the 2009 audit provided the basis for more detailed and expansive reviews in 2010 and 2011. Is the Treasurer able to let us know, firstly, when we might expect the 2010 report to come forward and, secondly, what aspects of the royalties for regions fund it might be examining?

Mr C.J. BARNETT: I refer that to the Auditor General.

Mr C. Murphy: We are currently planning for that particular audit. Some information about that program is available on our website. We are planning to visit some of the regions and conduct audits. The audit legislation provides for us to follow the particular dollars so we can examine how some of those dollars are spent through, for example, local government. This will be quite an innovative audit for us and we are looking forward to seeing how that goes and what the results might be. We try not to be too specific about dates of tabling. We have an expected tabling for the last quarter of the current year. Tabling dates depend on where the evidence takes us. We are planning the conduct of that right now and auditors are about to travel to some of the regions.

Mr B.S. WYATT: Has the Premier received increasing numbers of complaints with respect to royalties for regions or requests to investigate spending under that program?

Mr C.J. BARNETT: Probably only from the Labor Party, but I will ask the auditor to respond.

Mr C. Murphy: I am aware that we have had one or two. As I indicated in my previous response, there has not been a significant number in any particular direction, including that one. That may well be because we have already done a preliminary examination of the governance arrangements and tabled that report. That was a very early report so there were no significant findings in that. It foreshadowed to Parliament and the community that we saw this as important and a new program warranting our attention. We did signal in that report our intention to conduct further audits in this area. People would be aware of our intention to table further reports about this matter.

Mr B.S. WYATT: At the moment are the more detailed and expansive reviews in 2010–11 focused more on the governance arrangements?

Mr C. Murphy: No, quite the reverse. The initial audit was very much focused on the establishment and the governance. We are now following through. Now that there has been some time and some of the funding has started to flow through and projects are underway, it is appropriate for us to look at the detail of the transaction, the management, the tendering and the expenditure, so much more detail will be covered in the current audit than the initial audit, which had a different focus.

Mr A. KRSTICEVIC: I refer to the second dot point on page 159 relating to the recruitment and retention of qualified audit and finance professionals. What is the Office of the Auditor General doing in that area in the graduate program and how is it working through that?

Mr C. Murphy: It is a significant issue for us. Perhaps by way of background, I take the member back to 2007–08 when economic times were certainly very high. The attrition rate in the office was 33 per cent. A third of my workforce turned over in a year. That was across the whole office. If we look at qualified accountants in the financial audit area, the turnover was closer to 50 per cent. It really was a very, very difficult situation for us, but it was representative of the demand for professional accountants across the public sector and the private sector at the time. We did put in place a range of different strategies and initiatives to try to attract and retain good people. Our graduate program held up particularly well across those years. We take on some eight or nine graduates every year. We get very strong applications, strong interest, in coming and working for the Office of the Auditor General. They are particularly good people and particularly well trained. I often say that it is not a particularly good business model to get really good people and train them really well and then put them out into our clients' offices so they can see how good they are and how well trained they are, with the result that they are often attracted to go and work in other areas. The attrition has slowed down dramatically to a much more normal level. This year it is about 17 per cent. There is usually a reasonably high turnover in audit numbers anyway. We do have a number of strategies in place and we are travelling at a much better level than we were a couple of years ago.

Mr W.J. JOHNSTON: Does the Auditor General use outsourcing to fill skills gaps?

Mr C. Murphy: Indeed, we do. It is much more common for us to outsource or to contract out financial audits. In fact, we have only made limited use of private firms in performance or compliance audits. We contracted out an increasing number of our financial audits until we hit about 50 per cent of our financial audits. In my view, that was too high because it had increased from about 30 per cent a couple of years before that. We are winding the contracted-out arrangement back from 50 per cent to something that is certainly a lot less than that. I would hasten to add that we do not outsource in a complete sense in that we do not hand over the audit conduct completely to a private sector firm. When we do engage a private sector firm, I still give the audit opinion. It is contracted to report to me; it does not report to anyone else. We oversight that work and we participate in ensuring that it is equipped to do that work, and we provide guidance and overseeing throughout the process.

Mr W.J. JOHNSTON: I refer to the table on page 159 headed “Outcomes and Key Effectiveness Indicators”. I notice in “Social and environment — reports tabled” that the Office of the Auditor General hoped to table three reports but was able to table only two. I see that it is going to catch up next year, which is very good. Can the auditor tell us what report the office was not able to table?

Mr C. Murphy: That is a question I can never answer. It would always be nice to know what areas were not able to be covered because of the areas that we did cover. We have set ourselves a target of trying to get breadth and depth in reports. That is how we see the role of reporting to the Parliament—to get coverage across a range of areas and to get a number of reports. That indicator seeks to capture all of that. We have not constrained ourselves to doing reports that may be of low priority or low interest but simply fall into the category. We do look at that indicator over a three-year period and seek to make sure there is a balance over a period. Not achieving that balance in a year I do not see as a bad thing at all. I would rather do a report that is of high interest to the Parliament and the community than be constrained by an indicator that suggests I should go into another lower priority area.

Mr B.S. WYATT: I have one final question. I refer to page 157. The IPSAM audit software upgrade is a one-off for this year for \$150 000. Are there no ongoing licensing issues or payments for that?

Mr C. Murphy: There are but they are commensurate with the arrangement we had in place before. We were using a commercial product that was provided by one of the firms. I am very pleased to say that we have been collaborating with the other public sector auditors around the country. The IPSAM product was developed by the Queensland and Victorian Auditor General's office. It will provide a much more public sector focus than we have had in the past. I have been involved in my career with a number of software implementation exercises and I am very pleased with the experience to date in implementing this. It is very positively received by staff, which is not always the case with new systems.

Mr B.S. WYATT: The auditor will be able to give himself a very good report.

Mr C. Murphy: Absolutely.

The appropriation was recommended.

Meeting suspended from 1.00 to 2.00 pm