



THIRTY-NINTH PARLIAMENT

REPORT 2
JOINT STANDING COMMITTEE ON AUDIT
REVIEW OF THE AUDITOR GENERAL ACT -
APPOINTMENT OF REVIEWER

Presented by Hon Ken Travers MLC (Chair)

October 2013

JOINT STANDING COMMITTEE ON AUDIT

Date first appointed:

13 June 2013

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“7. Joint Audit Committee

- 7.1 A *Joint Standing Committee on Audit* is established.
- 7.2 The Committee consists of Members of the Legislative Council Standing Committee on Estimates and Financial Operations and the Members of the Legislative Assembly Public Accounts Committee.
- 7.3 The Chair of the Standing Committee on Estimates and Financial Operations will be the Chair of the Joint Standing Committee.
- 7.4 The Standing Orders of the Legislative Council relating to Standing Committees will be followed as far as they can be applied.”

Members as at the time of this inquiry:

Hon Ken Travers MLC (Chair)

Mr Dean Nalder MLA (Deputy Chair)

Hon Peter Katsambanis MLC

Hon Martin Aldridge MLC

Hon Alanna Clohesy MLC

Hon Rick Mazza MLC

Mr Ben Wyatt MLA

Mr Bill Johnston MLA

Mr Matt Taylor MLA

Mrs Glenys Godfrey MLA

Staff as at the time of this inquiry:

Kate McConigley (Advisory Officer)

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REPORT OF THE JOINT STANDING COMMITTEE ON AUDIT

REPORT 2: REVIEW OF THE AUDITOR GENERAL ACT - APPOINTMENT OF REVIEWER

1 REVIEW OF THE OFFICE OF THE AUDITOR GENERAL

1 The *Auditor General Act 2006* (the Act) at section 48 requires the Joint Standing Committee on Audit (**the Committee**) to perform a review of the operation and effectiveness of the Act and the performance of the Office of the Auditor General (**OAG**). The Committee must prepare a report based on the review and lay it before the Legislative Council and Legislative Assembly (**the Houses**).

2 Section 48 of the Act further requires the Committee to appoint a suitably qualified person (**the Reviewer**) to conduct elements of the review. The Reviewer must prepare a report and provide it to the Committee, who may adopt the report, in whole or part, with or without modifications in their report to the Houses.

3 The Committee is cognisant that the review should commence as soon as possible, given that the Act requires the review to be carried out as soon as practicable after the fifth anniversary of its commencement.¹ At the same time, the Committee is committed to ensuring that the process to appoint a reviewer complies with all relevant procurement and risk management processes.

4 This task is made more challenging by the fact that the appointment of the Reviewer is likely to involve a significant cost and the Act is silent in relation to the source of funding for the review. While the Committee has a legislative obligation to appoint a reviewer, it does not have the power to incur expenditure. As the Legislative Council has the administrative responsibility for the Committee, the Committee has been in communication with the President and Clerk of the Council in relation to funding requirements.

5 While the exact cost of the review is not known at this point, similar reviews in other jurisdictions indicate that the cost may be in the hundreds of thousands of dollars. In Victoria, a partner of Price Waterhouse Coopers has recently been contracted to conduct a performance audit of the Victorian Auditor General for a fixed fee of \$272,000 plus GST.² Performance audits are significantly more expensive than financial audits, with the average cost of performance audits by the Queensland Audit Office in 2011 being \$454,000³ while the Commonwealth Auditor General's average was over \$500,000.⁴ Cost is to some extent a factor of the scope of the review and the review envisaged at section 48 of the Act is very broad.

6 Given the likely cost will exceed \$150,000, the Committee must ensure the required procurement processes are followed while at the same time ensuring an appropriately qualified and experienced Reviewer is appointed. To ensure that procurement processes and

¹ Section 48(1(b) *Auditor General Act 2006*

² http://www.parliament.vic.gov.au/images/stories/committees/paec/2013_VAGO_Audit/Report_117__VAGO_Perf_Auditor_-_FINAL.pdf

³ <http://www.qao.qld.gov.au/files/file/DPCS2013-14.pdf>

⁴ Auditor General 2011-12 Annual Report at http://www.anao.gov.au/html/Files/Annual%20Reports/HTML/annualreport_1112/part3_report_on_performance/program_2.1_performance_audit_services.html

relevant requirements are met, advice is being obtained from the State Solicitor's Office and the Department of Finance.

- 7 The Committee is also aware that it will need to identify and effectively manage any potential conflicts of interest on the part of the Reviewer. Many appropriately qualified and experienced potential reviewers may have worked at or with the OAG. To ensure that the review process is beyond criticism, the Committee must ensure any potential conflict of interest on the part of the Reviewer is identified and managed appropriately. To ensure that the management of potential conflicts of interest is appropriate, advice is being obtained from Risk Cover.
- 8 The Committee is aware of the need to act expeditiously in appointing a reviewer and conducting the review, but wishes to make the Houses aware that the appointment of the Reviewer is being impacted by the requirements of the procurement and risk management processes.
- 9 As the funding for the Reviewer, which is required by the Act, has now been identified as an important issue upon which the Act is silent, the Committee will include this in the terms of reference for the legislative review.



Mr Dean Nalder MLA
Deputy Chair

17 October 2013