



Ms Debora Jeffrey
Research Director
Public Accounts Committee
Parliament House, George Street
BRISBANE QLD 4000

15 August 2008

Dear Ms Jeffrey

**Inquiry into the effectiveness of the
performance management systems audit mandate**

Thank you for the opportunity to contribute to the deliberations of the Queensland Public Accounts Committee's Inquiry into the Effectiveness of the Performance Management Systems Audit Mandate. The views expressed in this submission represent those of all Australian members of the Australasian Council of Auditors-General (ACAG), other than the Queensland Auditor-General who felt it appropriate to stand aside from the process. Overall, ACAG commends consideration of a performance audit mandate to the Queensland Public Account Committee's Inquiry.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Should you wish to discuss any aspect of this submission, please contact Phil Thomas, Assistant Auditor-General Performance Audit, NSW Audit Office, on (02) 9275 7106, email: phil.thomas@audit.nsw.gov.au.

Yours sincerely

Frank McGuinness
Chairman
ACAG Financial Reporting and Auditing Committee

AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL

Submission to the Queensland Public Accounts Committee Inquiry into the Effectiveness of the Performance Management Systems Audit Mandate.

(August 2008)

Executive summary

Performance audits are an accepted and important component of the landscape of public administration in Australia and many overseas jurisdictions. They inform Parliament and the public of the economy, efficiency and effectiveness of major Government programs. They are a ready source of public information to aid the understanding of public administration. And importantly, they provide a stimulus for agencies to improve their performance.

We commend consideration of this mandate to the Queensland Public Accounts Committee Inquiry.

Introduction

The Council wishes to thank the Queensland Public Accounts Committee for the opportunity to contribute to their deliberations. We want to show you how a performance audit mandate differs from a performance management systems mandate. We want to advise you on the strengths of the performance audit mandate. We will also provide you with a detailed summary of the mandates to report on performance in a variety of Australasian jurisdictions.

We do not address all the Terms of Reference raised by the Committee. We confine ourselves to the terms of reference where we think the Council can make an able contribution.

Our submission addresses issues raised under Terms of Reference 1 and 5 and comments on:

- 1.1 Audit mandates to assess and report on performance
- 1.2 Similarities: performance audit mandate and performance management systems audit mandate (PMSA)
- 1.3 Differences: performance audit mandate and PMSA
- 1.4 Advantages of a broad performance audit mandate
- 2.1 Standards applied to the conduct of audits
- 2.2 Support available through Council members in the form of training and peer networks.

We have also provided a summary of various audit mandates from the Australasian region at Appendix 1.

1. Issues arising under Terms of Reference 1, including the role of audit mandates and how best to fulfil the accountability process for Parliament

1.1 Audit mandates to assess and report on performance

The current mandate of Queensland's Auditor-General allows the audit of performance management systems (PMSA) of public sector entities. That is, to determine whether a public sector entity has systems in place to achieve its objectives economically, efficiently and effectively. This may also include reviewing the entity's performance measures.¹ The Auditor-General of the Northern Territory also has a similar mandate, but without the ability to review performance measures.

This differs from the more widespread performance audit mandate used within Australasia. Under this mandate the auditor's objective is to express an opinion whether, the administration of a particular program or entity has been carried out economically and/or efficiently and/or effectively.²

Five jurisdictions have broad 'performance audit' mandates; although each has different terms regarding what will be audited. These are:

- Australian National Audit Office - any aspect of the operations of a person or body
- New South Wales - that all or any particular activities are carried out effectively, economically and efficiently
- Victoria - that objectives, or the operations or activities are being achieved effectively, economically, and efficiently
- Australian Capital Territory - any aspect of the operation of the person, body or thing
- Fiji Islands - that objectives, or the operations or activities are being achieved effectively, economically, and efficiently

The mandate of three jurisdictions is to 'examine' or 'investigate'. This mandate, although not specifically termed a 'performance audit', allows the investigation and/or examination of agencies to determine:

- Western Australia - efficiency and effectiveness
- Tasmania - economy, efficiency and effectiveness
- New Zealand - activities are effectively and efficiently carried out

Overall these eight audit jurisdictions in the Australasian region have mandates that allow the Auditors-General to examine the performance of an agency. In addition many Audit Offices throughout the world have a performance audit mandate. The International Organisation of Supreme Audit Institutions has commented that the audit mandate of Audit Offices should include some scope to conduct performance audit.³

1.2 Similarities: performance audit mandate and PMSA

A number of important similarities exist between these audit mandates, including:

- ensuring Governments are accountable to Parliament
- independent reporting on agencies
- seeking to improve economy and efficiency in the management of public resources
- holding agencies to account for their performance.

¹ Queensland Audit Office, Performance Management Systems Audits, An Overview, December 2006

² Ian McPhee, Auditor-General for Australia, 21 March 2007, Occasional Paper, Panel Discussion: Performance Audit Reports - An Auditor-General's Perspective (p3)

³ International Organisation of Supreme Audit Institutions, Seoul Accords, XVII International Congress of Supreme Audit Institutions, Korea 2001, p7

1.3 Differences: performance audit mandate and PMSA

1.3.1. *The scope of what can be audited*

Performance audits may review a Government program, all or part of a Government agency or consider particular issues which affect the whole public sector.

PMSA focuses on assessing whether systems and controls assist an entity in meeting its management responsibilities. The scope of PMSA focuses on systems rather than outcomes.

1.3.2. *The type of findings that are reported by the audit*

Performance audits can make findings about whether an agency is carrying out its activities effectively, i.e. achieving the outcomes for which it was funded, and doing so economically and efficiently and in compliance with all relevant laws and related policies.

PMSAs make findings about whether an agency has performance management systems in place to enable management to assess whether its objectives are being achieved economically, efficiently and effectively.

1.3.3. *The scope of recommendations*

Performance audits make recommendations for improvements to a Government program, all or part of a Government agency or particular issues which affect the whole public sector.

PMSA recommendations focus on improving the agencies' performance management systems, and/or on the relevance of performance measures and their fairness in representing the entity's performance.

Case studies of recommendations are set out in Appendix 2.

1.3.4. *The scope of efficiency, effectiveness and economy*

Performance audits enable Auditors-General to address the issue of whether public sector entities are achieving value for money. They report on whether public sector entities meet the expectations of relevant stakeholders and comply with all the relevant legislation and policy requirements. As in-depth independent assessments they use all relevant data to assess economy, efficiency and effectiveness in the management of resources. A performance audit will then make recommendations for improving the economy, efficiency and effectiveness of public sector entities and for the delivery of Government programs.

The scope of a PMSA is narrower. It does not comment on how to improve economy, efficiency and effectiveness. It determines whether the performance management systems in a public sector entity are good enough to enable the entity itself to assess if its objectives are being achieved economically, efficiently or effectively.

1.4 Advantages of a broad performance audit mandate

Performance auditing parallels the move in public sector management to focus more on outcomes, performance indicators and transparency in public administration. The broader performance audit mandate offers a number of benefits to improving public sector accountability and performance.

1.4.1. Audit Topics

As the mandate for performance audit is wide the Auditors-General with this mandate have a broad discretion regarding topics that can be audited. They may include such topics as the Victorian report 'Promoting Better Health through Healthy Eating and Physical Activity',⁴ or the New South Wales report 'Working with Hotels and Clubs to reduce alcohol-related crime'.⁵

1.4.2. Audit scope

Performance audits can examine inputs, outputs, outcomes, processes and systems. They are able to examine and report on any aspects of the performance of Government programs or activities such as performance gaps. Performance audit can inquire into and assess issues that are not systems related.

1.4.3. Audit coverage

Performance audits inquire extensively into topics. They provide a unique mechanism to conduct in-depth reviews. Lines of inquiry, or terms of reference developed for a performance audit may impose some limits to ensure that a topic is 'auditable'. However the broad mandate to consider 'operations' or 'activities' and Government programs enables in-depth investigation of:

- related activities
- related entities
- stakeholder views
- practices elsewhere.

1.4.4. Audit impact and recommendations

Performance audits improve public sector performance and accountability. This is recognised during the audit planning phase when the likely impact of proposed lines of inquiry or terms of reference are considered. Those lines of inquiry that are likely to add the most value will be examined by the team. Impacts are typically improvements in:

- economy
- efficiency
- effectiveness
- planning, control and management
- accountability.

Auditors-General with a performance audit mandate may also make recommendations affecting a diverse range of functions. For example they can make recommendations to address performance gaps in services and programs as well as management systems. (See also Case Studies at Appendix 2)

No performance audit mandate explicitly permits comment on the merits of Government policy objectives. Indeed the legislation of a number of jurisdictions includes this restriction in terms such as:

*Nothing in this Act entitles the Auditor-General to question the merits of policy objectives of the Government.*⁶

However sound and practical recommendations can have a positive influence on Government policy and budget allocation decisions, program directions, and the way in which Government policy is implemented.

⁴ Victorian Auditor-General's Office, report to Parliament: Promoting Better Health through Healthy Eating and Physical Activity, tabled 20 June 2007

⁵ Audit Office of New South Wales, report to Parliament: Working with Hotels and Clubs to reduce alcohol-related crime', tabled 23 April 2008

⁶ *Public Finance and Audit Act 1983 (NSW), section 27B(6)*

1.4.5. Clear link between process and outcomes

Performance audits typically review and report on the achievement of programs that contribute to Government outcomes. When a performance audit looks at process, it is mindful of the outcomes they are leading toward.

Because of this wider perspective, performance audit reports comment on the actual impact of process deficiencies. They provide qualitative as well as quantitative comment, such as analysing the causes of failures or performance gaps.

PMSA looks at and reports on the status of systems. It does not comment on the link between systems and outcomes.

1.4.6. Citizens' perspective

Government accountability to the public is enhanced by performance audit. Citizens' concerns about service delivery and outcomes achieved by Government can be tested and recommendations for improvement made.

Performance audits are able to independently and objectively assess programs that have a direct impact on the lives of members of the community and assist in achieving improvements, where warranted, in such programs.

Reporting about what matters to citizens captures community interest and encourages wider comment and debate.

Case studies of performance audits addressing citizens' perspectives are set out in Appendix 3.

1.4.7. Ease of understanding for Parliamentarians

As the representatives of the people, Parliamentarians are expected to have a breadth of understanding across Government sector entities. Government is held responsible for the overall effectiveness of services and the achievement of outcomes. Performance audit reports should assist Parliament to improve accountability.

1.4.8. Value to Parliament

Performance audit reports are for the benefit of Parliament. They are the only source of independent reports on the effectiveness, efficiency and economy of selected Government programs, operations and activities. They reinforce the expectations of Parliament and the public that effective and efficient Government will be maintained and improved.

In a number of jurisdictions performance audit reports are also the subject of Parliamentary Accounts Committee Inquiries. This function allows Parliament to find out if performance audit report recommendations have been implemented.

The satisfaction of Parliament is demonstrated in the responses by Parliamentarians to surveys conducted by Audit Offices. A number of Audit Office Annual Reports include such results.

Appendix 4 has a summary of these surveys.

1.4.9. Accountability of public sector agencies

Performance audit improves the transparency of Government operations through reporting publicly to Parliament. Parliament and the community can look for confirmation that selected public sector programs, activities or operations are being conducted efficiently, effectively and economically. Agency officials responsible for the implementation of Government policy and the provision of services are held accountable for these services.

Parliamentary Accounts Committee Inquiries confirm this accountability through requiring agency officials to appear before them to report actions taken in response to performance audits.

2. Issues arising under Terms of Reference 5, including improving the effectiveness of mandates to report on the performance of public sector entities.

Performance audits in many jurisdictions are an accepted and important component of the landscape of public administration. They inform Parliament and the public of the efficiency and effectiveness of Government programs. They are also a ready source of public information to aid the understanding of public administration, and importantly, they provide a stimulus for agencies to improve their performance.

2.1 Standards applied to the conduct of audits

Australasian Audit Offices apply a variety of professional standards to ensure quality. The inherent qualities of performance audits include independence, integrity, objectivity, professional competence and due care. In addition, audits are required to be undertaken 'with an attitude of professional scepticism'.⁷

Added to these general principles, New South Wales, Victoria, Tasmania, Australian Capital Territory, and the Australian National Audit Office currently apply Auditing and Assurance Standards 806 and 808 to their performance audits and examinations. These set out the basic principles and procedures, together with guidance promulgated by the auditing profession.

Some jurisdictions strengthen the application of these professional standards by reference to them in their legislation.

The Australian Assurance Standards Board has recently revised the performance audit standards. The new standard is to apply from 1 January 2009 and replaces the two previous standards. The new standard was developed with significant input from the Australasian Council of Auditors-General (ACAG).

2.2 Performance audit training and networking

Although their legislative basis differ, a cooperative performance audit training program has developed under the auspices of ACAG.

Participating offices are the Australian National Audit Office, Australian Capital Territory, New South Wales, New Zealand, Queensland, Tasmania, Victoria, Western Australia, Fiji Islands and Papua New Guinea Audit Offices.

ACAG also sponsors other networking activities such as the ACAG Performance Audit Senior Executives Forum held in May and November each year. These provide opportunities to share experiences on a regional and sometimes international basis. They also keep focus on emerging trends and best practice in assessing and reporting on the performance of public sector entities.

⁷ Ian McPhee, Auditor-General for Australia, 21 February 2008, Canberra Evaluation Forum, The ANAO's Contribution to Improving Public Sector Administration, p3

APPENDIX 1

Analysis of audit mandates to assess and report on the performance of public sector entities around the Australasian region

The following summary highlights six significant aspects of the mandate of audit offices within the Australasian region, namely:

1. Enabling legislation
2. Terms of mandate
3. Coverage
4. Applicable standards
5. Reporting mechanism
6. Government Policy

A. Australian National Audit Office

1. Enabling legislation - *Auditor-General Act 1997*
2. Terms of mandate - The Auditor-General may at any time conduct a performance audit, which will be a review or examination of any aspect of the operations of the person or body the subject of the performance audit.
3. Coverage - The Auditor-General may at any time conduct a performance audit of:
 - an Agency (section 15(1))
 - a Commonwealth authority (section 16(1))
 - any subsidiary of a Commonwealth authority (section 16(1))
 - a Government Business Enterprise (GBE) (only if requested by a responsible person or Committee) (section 16(2))
 - a Commonwealth company (section 17(1))
 - any subsidiary of a Commonwealth company (section 17(1))
 - a wholly owned Commonwealth company that is a GBE or any of its subsidiaries (only if requested by a responsible person or Committee) (section 17(2))
 - a particular aspect of the operations of the whole or part of the Commonwealth public sector that is not limited to the operations of only one Agency, body or person. (Section 18)

The Auditor-General may also enter into an arrangement with any person or body to conduct a performance audit of the person or body, if the purpose remains within the Commonwealth's legislative power. (Section 20)

4. Applicable standards - The Auditor-General must, by notice in the Gazette, set auditing standards to be met by persons conducting a performance audit. (Section 24). The Auditing and Assurance Standards 806 and 808 are currently applied.
5. Reporting mechanism - As soon as practicable after completing a report on an Agency, a Commonwealth Authority, subsidiary or a Government Business Enterprise or subsidiary, or a Commonwealth company or subsidiary, the Auditor-General must cause a copy to be tabled in each House of the Parliament and give a copy to the responsible Minister (Sections 15(2) & 16(4) 17(4))

As soon as practicable after completing a report on a particular aspect of the operations of the whole or part of the Commonwealth public sector the Auditor-General must cause a copy to be tabled in each House of the Parliament and give a copy to the Finance Minister. (Section 18(2))

6. Government Policy - Although not specified in the Act, by convention performance audits do not question the merit of Government policies.

B. New South Wales

1. Enabling legislation - Public Finance and Audit Act 1983
2. Terms of mandate - The Auditor-General may conduct an audit of all or any particular activities of an authority to determine whether the authority is carrying out those activities effectively and doing so economically and efficiently and in compliance with all relevant laws. A single performance audit may relate to the activities of more than one authority (Section 38B (1) & (3))
3. Coverage - 'Authority' means an authority, or other body, whose financial report is subject to audit by the Auditor-General. This includes:
 - a Division of the Government Service within the meaning of the Public Sector Employment and Management Act 2002
 - the NSW Police Force
 - the Teaching Service
 - a statutory authority
 - a person, group of persons or body prescribed for the purposes of this definition. (Sections 4 & 38A)
4. Applicable standards - The Auditor-General is required to have regard to recognised professional standards and practices. (Section 4 & section 27B (4))
5. Reporting mechanism - The Auditor-General is to report to the Head of the authority, the responsible Minister and the Treasurer as to the result of any performance audit after giving the Head of the authority, the responsible Minister and the Treasurer a summary of findings and proposed recommendations in relation to the audit.

As soon as practicable after making the report the Auditor-General is to present the report to each House of Parliament.
6. Government Policy - The Auditor-General is not to question the merits of policy objectives of the Government. (Section 27B(6))

C. Victoria

1. Enabling legislation - *Audit Act 1994*
2. Terms of mandate - Performance audits determine whether an authority's objectives, or the operations or activities of the whole or any part of the Victorian public sector, are being achieved effectively, economically, efficiently and in compliance with all relevant Acts. (Section 15(1)(a) & (b))
3. Coverage - The Victorian public sector and bodies that receive public grants. Specifically, 'authority' means:
 - a department
 - a public body
 - an entity (other than a department or public body) of which the State or a public body has control. (Sections 1 & 3))
4. Applicable standards - Standards made by the Auditing and Assurance Standards Board must be applied, as appropriate, in the performance of functions and exercise of powers in relation to performance audits. (Section 13)
5. Reporting mechanism - The Auditor-General may make a report to the Parliament on an audit.

Before it is submitted to Parliament, the Auditor-General must give a copy of the proposed report, or part of it, to any authority to which it relates or that has a special interest in it.

In the case of a proposed report on a performance audit of operations or activities, a copy must be given to the department head of the department for which the Minister administering that section is responsible. (Section 16(1)&(3))

6. Government Policy - The Auditor-General is not to question the merits of policy objectives of the Government. (Section 16(5))

D. Western Australia

1. Enabling legislation - *Auditor General Act 2006*
2. Terms of mandate - The Auditor General may at any time carry out an "examination or investigation" as to "efficiency and effectiveness". (Section 18(2))
3. Coverage - An agency, a number of agencies, a part of an agency, an audited local subsidiary (being a local subsidiary that has appointed the Auditor General as its auditor), or a related entity of an agency. (Section 18 (1), (2))
4. Applicable standards - The Auditor General is to carry out an audit in such manner as the Auditor General thinks fit having regard to Auditing and Assurance Standards (Section 28)
5. Reporting mechanism - The Auditor General may prepare a report to both Houses of Parliament, or the Public Accounts Committee and the Estimates and Financial Operations Committee. (Section 25(1))
6. Government Policy - Although not mentioned in the Act, by convention performance audits do not question the merit of Government policy objectives.

E. South Australia

1. Enabling legislation - *Public Finance and Audit Act 1987*
2. Terms of mandate - When conducting an audit of the accounts of each public authority the Auditor-General may examine the efficiency and economy with which a public authority uses its resources. (Section 31(2))
3. Coverage - The Auditor-General may examine the efficiency and economy of public authorities, certain companies associated with Government, and certain entities carrying out functions on behalf of, or in partnership or jointly with, a public authority or as the delegate or agent of a public authority. (Section 31(2), 33 (2) (4)(6))

If requested by the Treasurer the Auditor-General must examine the efficiency and economy of a publicly funded body, a publicly funded project and certain companies associated with Government. A 'publicly funded body' includes a council or controlling authority constituted under the *Local Government Act 1934* and any other body or person that carries out functions that are of public benefit and that has received money from the State by way of grant or loan.

'Publicly funded project' means a project or activity entirely or substantially funded out of money provided by the State or a council or controlling authority. (Section 32(1) 33(7))

4. Applicable standards - No specific mention in the Act.
5. Reporting mechanism - If the examination has been requested by the Treasurer the Auditor-General must prepare a report setting out the results of the examination. The Auditor-General must deliver copies of the report to the Treasurer and to the President of the Legislative Council and the Speaker of the House of Assembly. (Section 32 (2) (3))

If in the course of an examination of the efficiency and economy with which a public authority uses its resources the Auditor-General comes to the view that action is necessary or desirable in the public interest, the Auditor-General must prepare a report recommending such action. The Chief Executive Officer of a public authority must be provided with a draft of a proposed report.

The Auditor-General must deliver the report and any reply from the Chief Executive Officer to the Treasurer and to the responsible Minister and inform the President of the Legislative Council and the Speaker of the House of Assembly of the matter. (Section 37(1)(2)(3))

6. Government Policy - Not applicable as mandate is to examine the efficiency and economy with which a public authority uses its resources, while undertaking an audit of accounts.

F. Tasmania

1. Enabling legislation - Financial Management and Audit Act 1990
2. Terms of mandate - The Auditor-General may carry out examinations of the economy, efficiency and effectiveness of the agencies and departments covered by the Act.
3. Coverage - Government departments, State-owned companies, public bodies or parts of Government departments, State-owned companies or public bodies.
‘Public body’ means a State authority, a local authority or governing body whose accounts may be examined by the Auditor-General, or who has received a grant or subsidy from the State. (Section 3 & 44(b))
4. Applicable standards - The Auditor-General shall perform the audits in such manner as the Auditor-General thinks fit, including having regard to recognised professional auditing standards and practices. (Section 43)
5. Reporting mechanism - As soon as practicable after completing a report on an examination the Auditor-General is to submit that report to Parliament. The Auditor-General is to notify the Treasurer in writing and any Minister responsible for the activity to which the report relates, of the intention to submit the report to Parliament before the report is submitted.
6. Government Policy - Although not specified in the Act, by convention performance audits do not question the merits of Government policy objectives.

G. Northern Territory

1. Enabling legislation - *Audit Act 1995*
2. Terms of mandate - The Auditor-General may conduct an audit of performance management systems. This includes determining whether the performance management systems of the Agency or organisation enable the Agency or organisation to assess whether its objectives are being achieved economically, efficiently and effectively. (Section 15 (1))
3. Coverage - Any Agency or other organisation in respect of the accounts of which the Auditor-General is required or permitted by a law of the Territory to conduct an audit. “Agency” means a unit of Government administration, or office or statutory corporation, nominated in an Administrative Arrangements Order as an Agency for the purposes of the *Financial Management Act*, and includes a part or division of an Agency; (Section 15 (1), *Financial Management Act*)
4. Applicable standards - No specific mention in the Act.
5. Reporting mechanism - The Auditor-General may prepare a report on any audit performed and shall forward to the chief executive of the Agency or a person who the Treasurer declares in writing to be the Accountable Officer any report prepared. The Auditor-General may forward a copy of the report to the appropriate Minister and/or the Treasurer. (Section 16)
6. Government Policy - Not applicable as mandate is to audit performance management systems.

H. Australian Capital Territory

1. Enabling legislation - *Auditor-General Act 1996*
2. Terms of mandate - The Auditor-General can conduct a performance audit, being a review or examination of any aspect of the operations of the person, body or thing. (Sections 10(d) & 2)
3. Coverage - Performance audits may be of:
 - a department
 - a Territory entity
 - a joint venture in which the Territory or a Territory entity has a controlling interest
 - a trust in which the Territory or a Territory entity has a controlling interest.

A single performance audit may consider two or more of the entities in relation to any aspect of the operations of the entities that the Auditor-General is satisfied is common to each of them. (Section 12)

4. Applicable standards - No specific mention in the Act.
5. Reporting mechanism - The Auditor-General may prepare a report for the Legislative Assembly on any matter arising in connection with the exercise of the Auditor-General's functions. The report must include the substance of any written comments made by the responsible chief executive that were taken into account by the Auditor-General when finalising the report. (Section 17(1) & (2))

Before finalising a report the Auditor-General shall give a copy of the proposed report to the responsible chief executive, and invite written comments. The Auditor-General shall take account of any comments provided when finalising the report. (Section 18(1) & (2))

If the Legislative Assembly is sitting when the Auditor-General has finished the report it must be given to the Speaker and the Speaker must present the report to the Legislative Assembly on the next sitting day. (Section 17(4))

If the Legislative Assembly is not sitting when the Auditor-General has finished the report the Auditor-General must give the report and a copy for each member of the Legislative Assembly, to the Speaker. (Section 17(5))

The Auditor-General may give a copy of the report to a Minister who, in the auditor-general's opinion, has a special interest in the report. (Section 17(6))

6. Government Policy - Although not stipulated in the Act, by convention performance audits do not question the merits of Government policy.

I. New Zealand

1. Enabling legislation - *Public Audit Act 2001*
2. Terms of mandate - The Auditor-General may examine:
 - the extent to which a public entity is carrying out its activities effectively and efficiently. If there is an applicable Government or local authority policy to which the public entity is required to adhere, the examination is to be limited to the extent to which activities are being carried out effectively and efficiently in a manner consistent with that policy
 - a public entity's compliance with its statutory obligations
 - any act or omission of a public entity, in order to determine whether waste has resulted or may have resulted or may result
 - any act or omission showing or appearing to show a lack of probity or financial prudence by a public entity or one or more of its members, office holders, and employees.

An audit may relate to 1 or more public entities. (Section 16 (1), (2) & (4))

3. Coverage - The Auditor General is the auditor of every public entity. Public entity includes the Crown (all Ministers and Departments), each office of Parliament, entities described in the Schedules to the Act, and entities in respect of which the Auditor-General is the auditor under any other enactment. (Sections 5 & 14, Schedules 1 & 2)
4. Applicable standards - Each three years, the Auditor-General publishes in a report to the House of Representatives, the auditing standards that the Auditor-General applies, or intends to apply, to the conduct of audits and inquiries.
5. Reporting mechanism - The Auditor-General may report to a Minister, a committee of the House of representatives, a public entity, or any person on any matter arising out of the performance and exercise of the Auditor-General's functions, duties, and powers that the Auditor-General considers it desirable to report on. (Section 21)
6. Government Policy - No specific mention in the Act.

J. Fiji Islands

1. Enabling legislation - *Audit Act 1970*
2. Terms of mandate - The Auditor-General may conduct any audit that the Auditor-General considers necessary to determine:
 - whether an entity that the Auditor-General must or may audit is achieving its objectives effectively and doing so economically and efficiently and in compliance with all relevant Acts; or
 - whether the operations or activities of all state entities or one or more of those state entities are being performed effectively, economically and efficiently and in compliance with all relevant Acts.

In conducting a performance audit the Auditor-General may audit an entity together with one or more other entities. (Section 6A (1) & (2))

3. Coverage - Any entity that the Auditor-General must or may audit, which includes budget sector agencies and any other body prescribed by regulations. (Section 6A (6))
4. Applicable standards - No specific mention in the Act.
5. Reporting mechanism - A report of the Auditor-General to the Parliament about a performance audit must be submitted to the Speaker of the House of Representatives not later than 6 months after the year in which the performance audit was completed or within a longer period appointed by resolution of the House.

A single report may be about two or more audits, special investigations or performance audit or all of them. (Section 12 (3) & (4))

6. Government Policy - The Auditor-General is not to question the merits of policy objectives of the Government. (Section 6A(5))

APPENDIX 2

Case Studies 1.3.3 - The scope of recommendations

CASE STUDY 1 - Performance audit recommendations

In a recent NSW performance audit 'Responding to Homelessness', where many government agencies have a role, recommendations included that:

- the Department of Housing in cooperation with other agencies, encourage government agencies to develop a statewide framework that outlines the government's response to homelessness and the results it wants to achieve
- the Department of Housing in cooperation with other agencies, encourage government agencies to:
 - use census data on homelessness to help them plan and deliver services
 - adopt similar client identifiers to better track the homeless through their systems
- that Area Health Services, Legal Aid and Local Courts, as part of service planning:
 - review the extent to which homeless people access their service
 - develop new ways of delivering services to the homeless
 - take homelessness into account when planning new services⁸

CASE STUDY 2. PMSA recommendations

In a recent Queensland PMSA, 'Management of Rural Fire Services in Queensland', recommendations included that:

FORWARD PLANNING

1. Queensland Fire and Rescue Service (QFRS) implement a forward planning process specific to rural fire management as part of the QFRS strategic planning process, which involves regional and area offices and incorporates:
 - a process for identifying risks and opportunities
 - the development of strategies to address the risks and opportunities
 - a system to monitor and report on the implementation of strategies.
2. QFRS provide guidance and support to rural fire brigades in the development of their one year operational plan and three year management plan.
3. QFRS implement a process to review brigade plans and incorporate specific issues identified into forward planning at the area and regional levels.

PERFORMANCE MEASUREMENT

12. QFRS determine the performance information needed to support effective decision making
13. QFRS establish a suitable process to reliably capture that information
14. QFRS introduce a system to collate and analyse performance information for use in management reporting and to support effective decision making processes.⁹

⁸ Audit Office of New South Wales, report to Parliament: Responding to Homelessness, tabled 2 May 2007

⁹ Queensland Audit Office, report to Parliament: Management of Rural Fire Services in Queensland, tabled 15 May 2008

APPENDIX 3

Case Studies 1.4.7 - A citizens' perspective

CASE STUDY 1: Testing citizen concerns about service delivery and outcomes

The Victorian Auditor-General's Office tabled a performance audit, 'Maintaining the State's Regional Arterial Road Network'. The report examined how well VicRoads had planned, implemented and evaluated road maintenance activities for the 19,000 kilometres of state arterial road network located outside Victoria's major cities and towns. This was an issue of critical importance to the community as the network carries more than 90 per cent of the person trips and more than 80 per cent of freight throughout Victoria.

The audit concluded that the condition and performance of the regional road infrastructure had deteriorated in recent years, and this trend was likely to continue. The audit identified that a significant catch up program and a substantial increase in recurrent maintenance funding were required to regain and sustain target levels of service.¹⁰

CASE STUDY 2: Reporting about what matters to everyday members of the community captures community interest and encourages wider comment and debate.

Humanitarian entrants arriving in Western Australia in recent years have exhibited complex needs. Often experiencing torture and trauma and long periods spent in refugee camps without basic services before their arrival. If these needs are not addressed there is a risk that they will not participate in and contribute to the community and that social problems will develop and become entrenched.

Providing accessible and effective services is very important for the entrants and the community. This issue was examined in the report 'Lost in Transition: State Services for Humanitarian Entrants' tabled on 11 June 2008.

This performance examination addressed two key questions:

Do agencies plan for humanitarian entrants and are services effectively coordinated?

Can humanitarian entrants access state services and are the services effectively delivered?

The audit concluded that Agencies should:

- improve their information on humanitarian entrants' service needs, usage and service effectiveness to support planning and service delivery
- review, in consultation with other agencies, the most effective way of providing access to state government services for humanitarian entrants
- increase learning between services and agencies on which approaches deliver services most effectively to humanitarian entrants have an appropriate range of strategies to address the language and literacy obstacles faced by humanitarian entrants
- identify services where accessibility and effectiveness may be improved through more flexible application of policies or program criteria
- develop a more coordinated approach to the planning and delivery of state government services to humanitarian entrants including opportunities to relocate or collocate.¹¹

¹⁰ Victorian Auditor-General's Office, report to Parliament: Maintaining the State's Regional Arterial Road Network, tabled 25 June 2008

¹¹ Office of the Auditor-General of Western Australia, report to Parliament: Lost In Transition: State Services For Humanitarian Entrants, tabled 11 June 2008

APPENDIX 4

Case studies 1.4.9 - Value to Parliament

Parliamentarians responses to surveys conducted by Audit Offices with a performance audit mandate.¹²

Australian National Audit Office (ANAO)

- 93 per cent expressed satisfaction with ANAO products and services
- The Joint Committee of Public Accounts and Audit survey responses indicate a very high level of satisfaction with ANAO's work

Victoria

- 90 per cent were satisfied overall with the Auditor-General's reports and services
- 84 per cent agreed that the Auditor-General's reports and services helped improve public sector information
- 94 per cent agreed that the Auditor-General provided high quality reports and services
- 90 per cent agreed that the Auditor-General's reports communicated issues clearly.

New South Wales

- 87 per cent believe the Auditor-General's reports clearly identified the significant issues and their implications
- 93 per cent believe that performance audit reports were easy to understand.

Western Australia

- 78 per cent agreed or strongly agreed the Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on accountability and performance in the public sector (90% in 2007-2008)
- 89 per cent agreed or strongly agreed reports dealt with matters of significance to Parliament (94% in 2007-2008)
- 89 per cent agreed or strongly agreed services and reports are useful to Parliament. (90% in 2007-2008)

¹² Extracted from 2006-2007 Annual Reports of the Australian National Audit Office, Victorian Auditor-General's Office, Audit Office of New South Wales, and the Office of the Auditor-General of Western Australia.