

Auditing in the Public Interest

Victorian Government Solicitor's
Office Seminar

30 May 2007

Des Pearson - Auditor-General

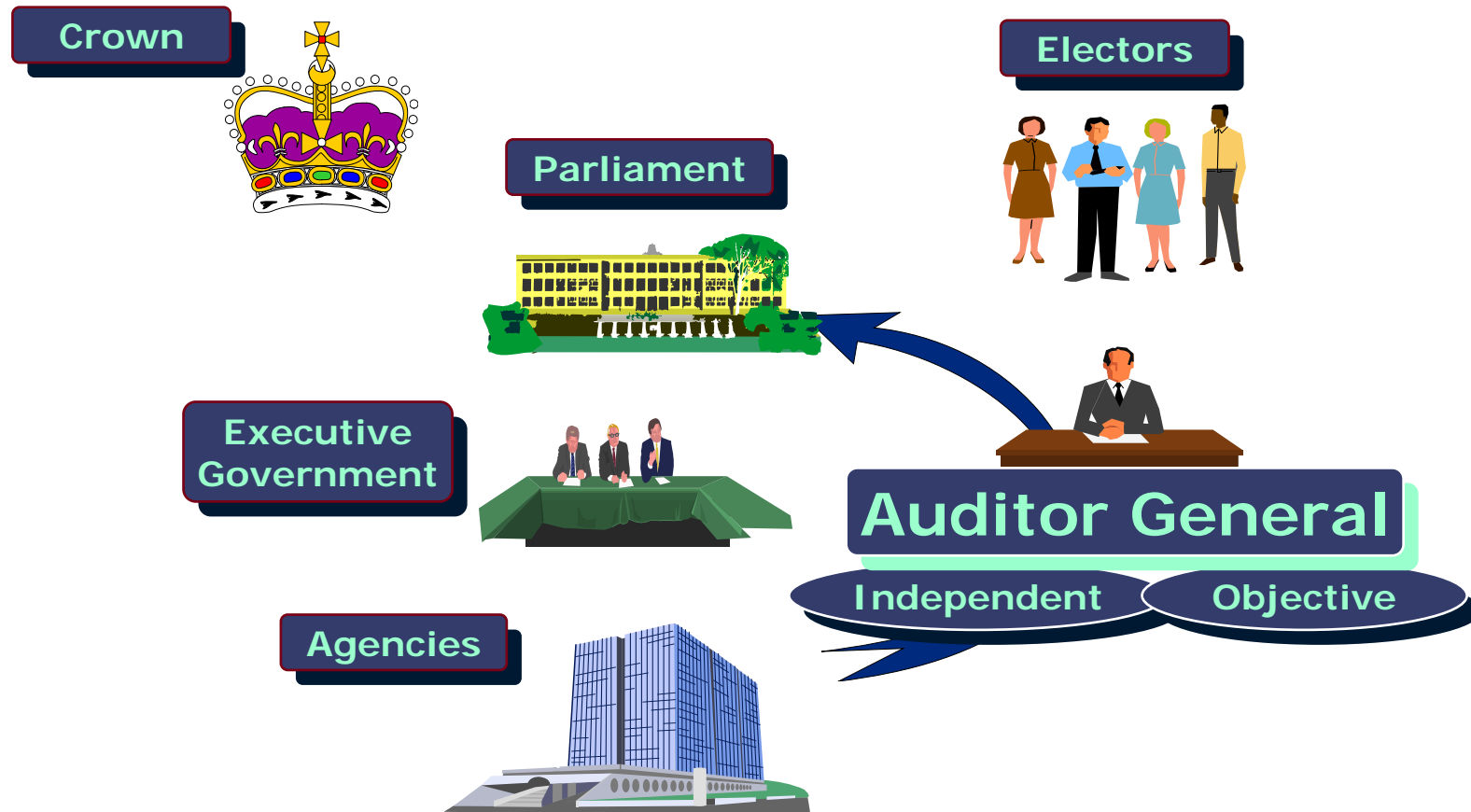
- **Career Public Servant**
- **Program Management & Audit background**
- **Various jurisdictions**
- **Extra curricular activities**
- **‘Experienced’ Auditor General**

- **Number of audit clients**
- **Local Government**
- **Nature of ‘economy’**
- **Level of co-ordination / Governance**

- Ancient Greece-audit court checked
 - legal compliance
 - adherence to the will of the people
- Ancient Romans sought independent verification of results
- 12th Century English Exchequer
 - Judgement more important than calculations
- Colonial Auditors examined and reported on administration

Our accountability framework

VAGO



Our accountability framework

VAGO

- Under Westminster parliamentary system power is vested in government and Ministers
- Executive Government decides on the direction and management of State resources and must account to the Parliament for its actions.
- Parliament reviews performance through - debates and joint parliamentary committees.
- Public and private sector accountability **different**

- Auditing in the public interest since 1851
- Principal aim: To conduct quality financial and performance audits of public sector organisations and comprehensively report to Parliament
- A key link in the accountability process.
- Constitutional safeguard to serve interests of Parliament.
- Arguably the most 'independent' powers for an Auditor-General in Australia
- Formal relationship with Public Accounts and Estimates Committee (PAEC)

Around 650 agencies with:

- Assets - \$185 billion
- Liabilities - \$58 billion
- Revenue - \$51 billion
- Expenses - \$45 billion

(Office budget output appropriation \$27 million 2007-08)

Comparison with private companies

VAGO

	Fosters Group Ltd \$Billion	Woolworths \$Billion	BHP Billiton \$Billion	Victorian Public sector \$Billion
ASSETS	10.4	13.3	65.3	185
LIABILITIES	6.0	9.1	32.3	58
REVENUE	5.1	38.0	52.6	51
EXPENSES	4.0	37.0	38.5	45

Client agencies include:

- Government departments and other budget sector agencies
- Companies, trusts and joint ventures
- Public bodies
- Public hospitals and ambulance services
- Local councils and regional library corporations
- Water authorities
- Police, emergency services and courts
- Universities and TAFE's
- Financial institutions and insurance bodies
- Superannuation schemes

- Financial Audit
- Performance Audit
 - *regard to whether any wastage of public resources or lack of probity or financial prudence in the management or application of public resources*
 - *not to question the merits of policy objectives*

Financial Audit

- Opinion on whether entity financial statements:
 - Give a true and fair view
 - Comply with Australian Accounting Standards

- Report on State's:
 - Estimated Financial Statements
 - Annual Financial Report

Performance Audit

- Determine whether:
an authority
 - is achieving objectives economically, efficiently and effectively
 - operations or activities are being performed effectively, economically, and efficiently in compliance with all relevant Acts

- Performance indicators
- Financial benefits given by State or authorities
- Acting as auditor under the Corporations Act
- Other auditing services

- **Results of Financial Statement Audits (x2)**
30 June and 31 December
- **Annual Report on State's Finances (1)**
- **Omnibus (Multi Topic) Reports (3)**
 - **Smaller Audits**
 - **Follow-up Audits**
- **Single Topic Reports (10)**

- Assurance re finance and performance reports
- Improving performance of agencies
 - Constructive advice?
 - Guidance?
 - Critical analysis?

- **Oversight & regulation of auditing profession**
- **Community expectations**
- **Policies & initiatives**
- **Standards having force of 'law'**
- **GAAP/GFS**

- **League tables/benchmarking**
- **Third party criteria**
- **Balancing process with outcomes**
- **Doing best with available resources**
- **Public sector leadership and sustainability**

The Next Phase

VAGO

- **Build on strengths**
- **Developing & rewarding staff**
- **Promote 'KPIs'**
- **Promote 'cost & management' accounting**
- **Promote 'sector engagement'**
- **Seek recognition as 'best practice' audit office**

Questions & Discussion

VAGO

- **For further information**
 - www.audit.vic.gov.au
 - ag@audit.vic.gov.au
 - **Level 24/35 Collins Street
Melbourne Vic 3000**