



29 January 2021

Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Via email: jcpaa@aph.gov.au

Dear Secretary,

Submission on review of the Auditor-General Act 1997

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission to the Joint Committee of Public Accounts and Audit (JCPAA) on its inquiry into the *Auditor-General Act 1997* (the Act). We have focused on the importance of the Auditor-General's independence and role in maintaining the transparency, integrity, and legitimacy of the public sector financial management system. Our comments are particularly relevant to Term of reference 1, "*the governance framework as it relates to the Auditor-General and the Australian National Audit Office (ANAO), including the independence of the Auditor-General as an Officer of the Parliament and the audit independence of the ANAO, and resourcing arrangements*".

The role of Auditor-General

Commonwealth entities, companies, and subsidiaries (the Commonwealth) are accountable for their use of public resources and the powers that the Parliament gives them. The Auditor-General provides independent assurance to the Parliament that the Commonwealth are operating and accounting for their performance as per the expectations of the Parliament. The Auditor-General and ANAO conduct financial statement and performance audits as well as special reviews and compliance engagements of the Commonwealth.

Independent audits and other assurance engagements are designed to add credibility to financial statements and performance information enhancing their value to end-users and the public. As described by the ANAO, the Auditor-General is an independent officer of the Parliament with responsibility under the Act for auditing the Commonwealth and reporting to the Australian Parliament, supported by the ANAO.

Independence of Auditor-General

As an independent officer of the Parliament, the Auditor-General plays a critical role as a "public watchdog", in providing a check and balance on the public sector. It is vital that the Auditor-General is trusted in bearing the highest level of independence in the eyes of the Public as this enables them to perform their role objectively and effectively.

To be effective and credible, it is essential that the Auditor-General has both functional and organisational independence to the Commonwealth. The requirements of independence and other ethical principles also equally apply to, and are inseparable of, the ANAO and other staff work for the Auditor-General. An important pillar to enhance actual and perceived independence is ensuring the Auditor-General, ANAO and other staff are not influenced by the Commonwealth and are not financially or otherwise dependent on such entities.

This inquiry into the Act provides a good opportunity to assess the current provisions of the Act relating to the Auditor-General's independence against the eight core principles of independence declared by the International Organization of Supreme Audit Institutions. Alignment with these core principles is essential to strengthen the Auditor-General's current independence requirements and to ensure public sector auditing continues to be highly effective especially as the challenges and uncertainties the present-day pose. In further support of this objective, we highly recommend the following report of the Australian Council of Auditors General, *Final Report on the Independence of Auditors General: A 2020 Update of a Survey of Australian and New Zealand Legislation*. The survey examines and ranks Australian Federal and State jurisdictions' arrangements pertaining to the independence of Auditors General, including recent amendments and relevant safeguards for independence.

An important element of the Auditor-General's work is to present audit findings and provide recommendations which may be viewed as criticism of the Commonwealth and senior public servants. Transparent reporting of the findings and recommendations from previous or planned work of the Auditor-General could influence the decisions made by the Government about the Auditor-General and ANAO's budget and the Auditor-General's remuneration. This risk is heightened where the Auditor-General decides to follow-up on previously made findings and recommendations to ascertain whether the identified matters have been appropriately resolved.

It is important that the Auditor-General and ANAO can perform their duties without fear of reprisals and remain safeguarded from any possible external influence. Through this review, JCPAA should consider whether the current process for setting up the Auditor-General and ANAO's funding and budget is appropriate to mitigate possible threats to independence.

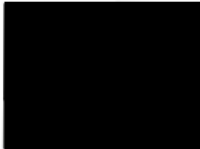
It is also essential the relationship between the Auditor-General, ANAO and the Parliamentary Committees is strong. A Parliamentary Committee actively receive and consider reporting and recommendations made by the Auditor-General, and to hold the Commonwealth to account. Establishing a two-way robust and effective relationship between the Auditor-General's office and the Parliamentary Committee is an important component to safeguard from actual or perceived risk of external influence.

Resourcing and skillset

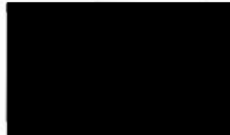
Public resources are more important than ever in the current economic climate, and the conditions arising from the pandemic and other economic challenges exacerbate fraud risk and the risk of public funds being misused. Ensuring the Auditor-General's office is appropriately funded to future proof their workforce by recruiting, training, and retaining appropriate levels of staff with necessary experience and skills is critical at this time. Resourcing pressures could compromise the number of performance and other audits the Auditor-General could conduct especially considering ongoing complexity in the public sector.

Appendix A provides information about Chartered Accountants Australia and New Zealand (CA ANZ). If you have any questions about our submission, please contact Amir Ghandar, Assurance and Reporting Leader [REDACTED]

Yours sincerely



Amir Ghandar FCA
Leader, Reporting and Assurance



Simon Grant FCA
Group Executive, Advocacy and Professional Standing

Appendix A

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 128,000 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.