



Auditor-General for Australia

7 May 2010

Submission No: 3-10



Ms Sharon Grierson MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Ms Grierson

The ANAO's submission of 9 April 2009 to the Committee's Inquiry into the Audit Act outlined a number of options to enhance external accountability arrangements in response to recent developments in federal public administration, particularly under the umbrella of the Council of Australian Governments. As the submission noted, these developments include the development of a new inter-government agreement that is aimed at improving the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery by the States and Territories, providing them with increased flexibility in the way they deliver services to the Australian people.

Options (a) and (b), being the ones with the greatest potential impact outlined in the submission, were:

Option (a)

Provide the authority for the Auditor-General to conduct an audit to assess the performance of bodies that receive Commonwealth funding in circumstances where there is a corresponding or reciprocal responsibility to deliver specified outcomes in accordance with agreed arrangements. Any audit undertaken would be in the context of the purposes for which the funds are provided and could be exercised only in circumstances where the performance of relevant bodies is, in the Auditor-General's opinion, significant in the context of an audit of a Commonwealth entity.

Option (b)

Require, as a matter of government policy, legislation relating to Australian Government Special Purpose Payments (SPP) and agreements that are put in place to govern the provision of payments for specified purposes to include a provision that provides the Auditor-General with the authority to conduct an audit to assess the performance of bodies that receive Commonwealth funding where there is a corresponding or reciprocal responsibility to deliver specified outcomes in accordance with agreed arrangements. As for option (a), any audit undertaken would be in the context of the purposes for which the funds are provided and could only be exercised in circumstances where the performance of the relevant bodies is, in the Auditor-General's opinion, significant in the context of an audit of a Commonwealth entity.

In this context, I would like to draw the Committee's attention to the audit report on *Building the Education Revolution – Primary Schools for the 21st Century* that was tabled out of session on 5 May 2010. The objective of this audit was to examine the effectiveness of the Department of Education, Employment and Workplace Relations' (DEEWR) establishment of the P21 element of the Building the Education Revolution (BER) program, consistent with my current performance audit mandate which is focussed on the performance of Australian Government entities. As noted in the report, the focus of the audit was on: the establishment of administrative arrangements for BER P21 in accordance with Government policy; the assessment and approval of funding allocation; and the arrangements to monitor and report BER P21 progress and achievement of broader program outcomes. It is particularly relevant to note that the report indicates that: the State and Territory education departments and the non-government school sector were responsible for managing the construction and refurbishment projects; and an examination of individual BER P21 projects was outside the scope of the audit.

The scope of the audit was influenced, amongst other things, by the stage at which the program had been implemented, the extent of information held by DEEWR in relation to individual project costs, and the division of responsibilities for the delivery of the program between the Commonwealth and Education Authorities. In accordance with arrangements established for the program, the Education Authorities were responsible for tender processes for individual projects and achieving value for money for each project. The ANAO decided, as part of the audit, to interview representatives from Education Authorities (such as State and Territory Education Departments), sought written responses from all Authorities on the administration of the program, and also undertook a statistical on-line survey of primary schools participating in the program. This assisted the ANAO to make an assessment about the effectiveness of DEEWR's arrangements to monitor and report BER P21 progress and the achievement of broader program outcomes. However, the ANAO's mandate did not allow an assessment to be made of the performance of Education Authorities in managing the delivery of individual projects, including tender processes, in their respective jurisdictions. An extension of our mandate along the lines outlined in Options (a) or (b) referred to above would have allowed the scope of audit to include such an assessment.

Some commentary following the tabling of the report has highlighted the expectation that the audit's scope would have included an examination of the management of the delivery of individual projects by Education Authorities funded through this program.

In the light of the Committee's previous consideration of the options outlined in our submission of 9 April 2009, I considered it appropriate to draw the Committee's attention to this audit as a practical illustration of issues which arise in the audit of programs such as this. As you will be aware, there are other programs which operate in a manner similar to the BER program.

I would be happy to provide further evidence to the Committee in relation to this matter should the Committee consider it of benefit to do so.

Yours sincerely



Ian McPhee
Auditor-General