



## Department of Transport

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Our Ref: DOC/10/267206

Ms Valerie Cheong  
Executive Officer  
Public Accounts and Estimates Committee  
Parliament House, Spring St  
EAST MELBOURNE VIC 3002

Dear Ms <sup>Valerie</sup> Cheong

### INQUIRY INTO VICTORIA'S *AUDIT ACT* 1994

I refer to the above inquiry and advise that the Department of Transport (DOT) has prepared the following comments in respect of a number of the issues raised in the discussion paper for your consideration. The numbered headings correspond to the chapter numbering in the discussion paper.

#### A. 3.2.7 Consultation by the Auditor-General (A-G) with the Committee (PAEC) on performance audit specifications

1. DOT makes no comment on the merits of the Committee's involvement or entitlement to review draft audit specifications. We note however the significant delay from the time of receiving the draft audit specifications to the time of receiving the final specifications.
2. It is DOT's experience that audits have been well advanced, and on a rare occasion almost complete, before the final specification was received.
3. This has the potential to cause further disruption to the auditee if the scope is amended as a result of the Committee's review which may alter the audit method employed and/or require additional unplanned work by the A-G's Office.
4. In addition, as part of the planning stage for the audit, DOT works with the A-G's officers to ensure the objectives outlined in the draft specifications are likely to be achieved by the methodology proposed and the documents to be reviewed. This process is potentially conflicted if the audit scope is changed at a time well after the commencement of the audit.
5. To the extent that the Committee continues to review draft audit specifications, it would be beneficial to auditees if the process provided for a more timely confirmation of the final specifications on or before the 50% planned completion.

**B. 3.2.12 Legislating a requirement for the A-G to table all reports**

**5.2.16 Whether to legislate to require the comments of audited agencies to be included in reports of the A-G tabled in Parliament**

1. DOT supports a legislative obligation for the A-G to table in Parliament every final report together with the comments of the audited Departments or Agencies.
2. DOT considers tabling of reports is in the public interest as it allows for the public, through its Parliamentary representatives, to be aware of the learnings arising from the audit as well as an understanding of how Departments or Agencies may improve performance by applying the audit findings and recommendations agreed to future projects.
3. To the extent that a recommendation by the A-G is not accepted by Departments or Agencies it allows for an explanation for not accepting the recommendation to be viewed by the public.

**C. 5.2.1 Right of access to premises and records of private sector contractors**

The scope of the proposed changes needs to be more clearly defined. For example, before access is actioned there needs to be the establishment of a "reasonable belief" requirement which would satisfy a relevant Court of competent jurisdiction, and a clear legislative provision to exempt contractor generated documents obtained by VAGO from disclosure under Freedom of Information legislation.

**D. 5.2.6 Application of Auditing Standards**

DOT supports the requirement for the A-G to follow government approved auditing standards and to advise by way of a note if departing from their application.

**E. 5.2.7 Legal Professional Privilege**

From a legal perspective, to the extent the audit legislation can fully address this matter, the *Audit Act* should explicitly address legal professional privilege in the context of the A-G's information gathering powers, giving priority to legal professional privilege.

**F. 5.2.8 Annual audits of performance indicators developed by government and its Agencies**

1. DOT has no objection to the inclusion of an annual audit of its performance indicators, including outcome performance indicators subject to the passage of the Public Finance and Accountability Bill (PFAB), in the *Audit Act*.

2. The A-G has requested that a provision be included in the *Audit Act* to enable the A-G to dispense with all or any part of the audit of performance indicators. This provision is similar to the existing discretionary power to conduct an audit under section 8(3). DOT has no objection to the inclusion of this provision.

**G. 7.1.5 Provision of reasonable assistance and facilities to the A-G staff**

1. It would be an unfortunate state of affairs if legislation was required for auditees to show common courtesy and professional respect for fellow public servants.
2. Exceptions to providing reasonable assistance and facilities should be brought to the immediate attention of the Departmental or Agency head or his/her nominee for immediate action.

**H. 7.1.6 Other procedural matters raised with the Committee by the A-G**

- **Progress against audit recommendations – Amend the Act to require agencies which have been the subject of a performance audit to report the recommendations specific to their agency and the progress against recommendations in the agency's annual report**

DOT supports the initiative, provided it is limited to reporting on recommendation(s) agreed to by DOT.

Yours sincerely

  
**JIM BETTS**  
Secretary

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