



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mrs Elizabeth Kikkert MLA (Chair), Mr Michael Pettersson MLA (Deputy Chair),  
Mr Andrew Braddock MLA

## Submission Cover Sheet

### Inquiry into Financial Management Amendment Bill 2021 (No 2)

**Submission Number: 04**

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**OFFICIAL: SENSITIVE**

Mrs Elizabeth Kikkert MLA  
Chair, Standing Committee on Public Accounts  
Legislative Assembly of the ACT  
Civic Square, London Circuit  
CANBERRA ACT 2601

Dear Chair

**Standing Committee on Public Accounts inquiry into the Financial Management  
Amendment Bill 2021 (No 2)**

Submission from the ACT Audit Office for the Standing Committee on Public Accounts inquiry into the *Financial Management Amendment Bill 2021 (No 2)*, in response to your letter of 9 December 2021.

**Auditor-General Act**

Paragraph 7(2)(b) of the *Auditor-General Act 1996* sets out that the Auditor-General is not subject to direction from anyone in relation to the way in which audits are to be carried out. This principle necessarily applies to the resourcing of audits, i.e. decision-making associated with obtaining external input or expertise for an audit

**Requirement for external input and expertise in audits**

The audit methodologies under which the ACT Audit Office operate, which are based on the Australian Auditing Standards, require that experts and specialists be used where the skills are not available inhouse, or where there is a potential conflict of interest. For example:

- subject matter experts are engaged to assist with performance audits where required. This provides the Audit Office with additional and considerable expertise that contributes to a more informed and effective audit.
- external quality reviewers are engaged to conduct independent quality reviews of audit files prior to completion of audit reports and other key milestones as needed.

Suitably qualified auditors are also engaged from time to time to assist in the conduct of performance audits and financial audits. This supplements the Audit Office's capability and facilitates knowledge-sharing and transfer with respect to audit practices and procedures.

- suitably qualified auditors required at peak times for financial audit – conflicts of interest and independence would be an issue if required to insource from agencies subject to the audit process. These auditors are only needed at peak periods. If they were employed on a permanent basis they would be underutilised at other times of the year and the excessive cost of their permanent employment would be borne by auditees.

Insourcing services such as those above would compromise the independence of the ACT Audit Office and present conflicts of interest. Further, the ACT Audit Office has a transparent framework for when we need to outsource work, particularly audit work, where we retain the responsibility for the audit reports.


There is a necessity for the ACT Audit Office to maintain independence with respect to the resourcing of its audits. Any framework that is contemplated by the legislation must not compromise the independence of the Auditor-General.

There is no detail at this time in relation to thresholds or exemptions for insourcing; this submission is based on information currently available.

Thank you for the opportunity to provide a submission to the Standing Committee on Public Accounts inquiry into the *Financial Management Amendment Bill 2021 (No 2)*.

Please contact Ms Caroline Smith (Chief Operating Officer) on 6207 7829 or myself if you need more information.

Yours sincerely

A solid black rectangular box used to redact the signature of Michael Harris.

Michael Harris  
ACT Auditor-General  
25 January 2022