

Topic Selection

The Auditor General undertakes two types of audits:

- Assurance: audits the 'assertions' made by public sector agencies about their financial and non-financial performance, providing assurance that these statements are 'true and fair';
- Compliance and Performance examinations: investigations of agency operations, including their efficiency and effectiveness to determine whether funds are spent in accordance with Parliament's expectations. Findings are reported to the Western Australian Parliament.

Assurance audits consume over two thirds of the Office's resources, with 276 Financial Attest and 199 Performance Indicator Audits being undertaken in 2002/03.

The remaining one third of our resources are allocated to Compliance and Performance examinations. Generally we aim to table the results of between 10 to 12 Compliance examinations in four reports over the course of the year, with a further 6 to 8 Performance examinations in stand-alone reports, and what ever scheduled follow-up examinations are due.

To help with the identification of possible Examinations the Office maintains a database of potential topics. Each year over 100 ideas and suggestions are added to this database, which is regularly updated and reviewed, with two formal stock-takes being held during the course of the year.

Obviously it is not an easy job to select such a small number of Examinations from the wide range of possible topics, and the Office applies a number of constraints to give rigour to the process.

Firstly the office divides the public service into three broad areas:

- Central government entails law and order, public safety and economic development
- Infrastructure covers ports, main roads and transport; and
- Community involves health, welfare and education

with a fourth dimension, accountability, running across all three areas. Topics are selected to ensure the Office conducts Examinations in all areas over the course of the year.

Secondly, an emphasis is placed on new and emerging programs. As we have limited resources, experience has proved that it is best to get involved with programs early in their life, so that if there are accountability, inefficiency, or effectiveness problems they can be remedied as early as possible.

Thirdly there is the matter of large and continuing programs, which brings in the dimension of scale. Here, dollars are the major indicator and, keeping in mind that the public sector turns over in excess of \$30 billion each year, it is unlikely the office would look at any program involving less than \$25 or \$50 million a year.

The final constraint is the expertise available to us. We have a multidisciplinary team of 16 to 20 people who undertake those reviews. This is quite a small number of the task involved, but their background is quite diverse, and includes accountants, engineers, and educationalists among others. When required, we will buy expertise in on a needs basis.

While there is an advantage in having performance analysts who have experience in the specific area it is important to ensure such knowledge and experience does not impair their objectivity. The preferred approach is to facilitate a fresh view of the issues and to work from first principles rather than bringing preconceived notions to the Examination. In particular situations warranting subject specific skills, the preferred approach is to engage external expertise or to form a consultative group that collectively have particular expertise as a reference group, with care taken to ensure there are no conflicts of interest. As a matter of principle staff recruited by the Office are not used in relation to examinations in their former agency for at least two years.

Those are the core considerations.

We also scan *Hansard* to see which issues are occupying debate in Parliament. We live in the community, and we listen to what people have to say and read what is in the newspapers. People often write to us suggesting we should look at something. Here, however, as the external auditor to the

public sector we will only deal with systemic issues, rather than attempting to resolve individual concerns.

All these possible topics are brought together and distilled twice a year for consideration by a joint meeting of the Office's Corporate Executive and the leadership team of two divisions that undertake Examinations.

Once a topic has been selected the project is 'scoped' by the responsible Division. In the interests of cost effective use of public resources the AG encourages 'stretch goals', which means that once the initial project specifications are set, any subsequent variations have to be justified on a 'business case' basis.

Topic Selection is clearly an inexact science, made more difficult by the sheer scope of possible topics against the resources that can be allocated. Despite this the Office applies a formal structure to its topic selection process that attempts to give rigour and structure to the procedure.