

Des Pearson, Auditor-General, Victoria

# Corruption, integrity and the role of audit: challenges from outsourcing

## Today

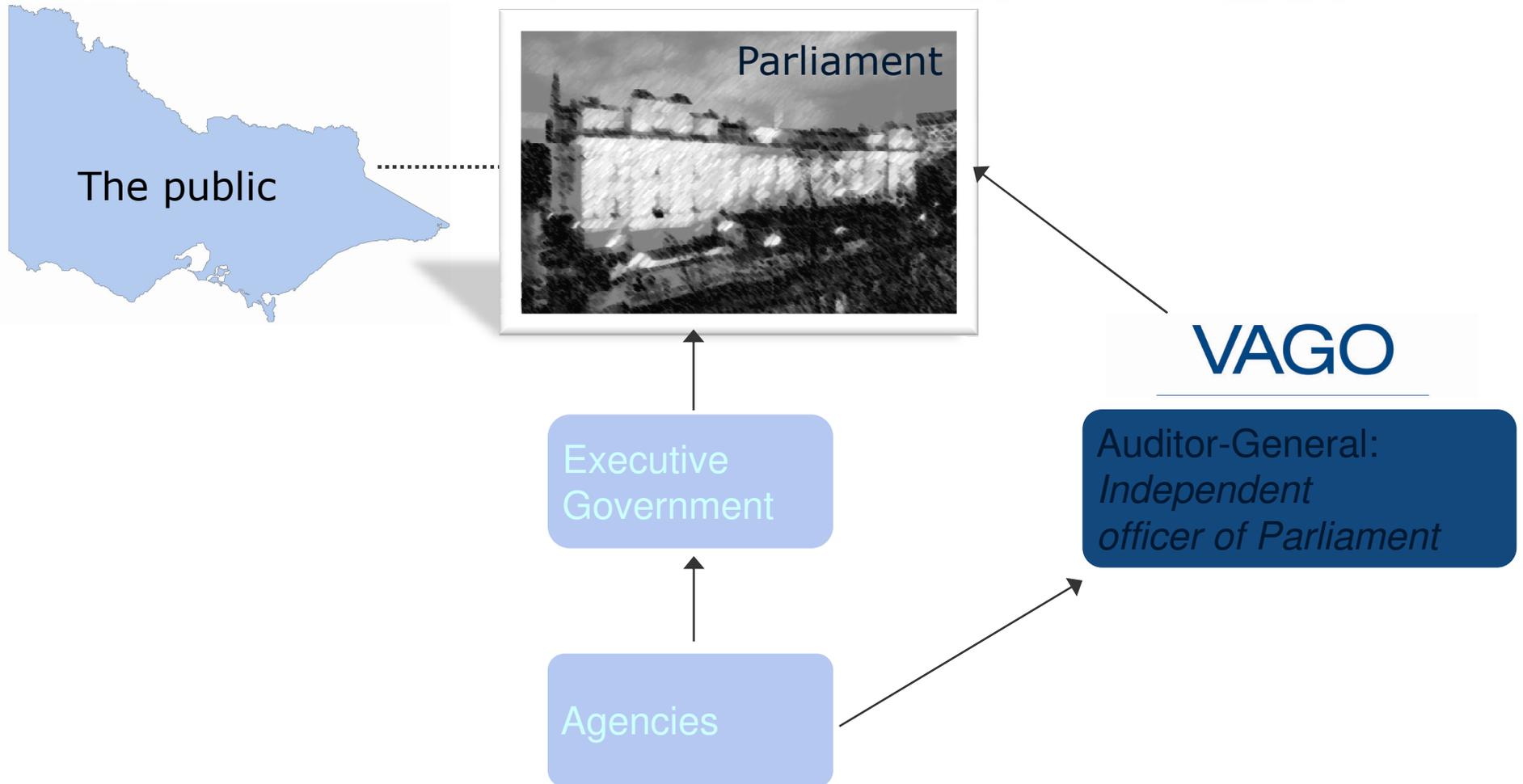
1. Overview of Victorian integrity landscape
  - Similarities/differences with other jurisdictions
2. Addressing corruption and fraud – the role for the Auditor-General and external audit
3. Accountability challenges from outsourcing
4. Trends, changes and reforms – looking ahead for Victorian public sector audit

# Victoria's independent officers of Parliament

VAGO

Victorian Auditor-General's Office

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## Audit and anti-corruption

(Traditional) Role for A-G audits in addressing corruption

- **‘After-the-fact’** – detecting and *publicly reporting on* material misstatements due to fraud and instances of corruption identified through performance audits
  - Deterrence - dissuade fraudsters
  - Learning - lessons from other agencies audits
- **‘Before the fact’** – reviews of controls as part of audit can provide an early warning and prevent fraud
  - One third of all fraud result of poor internal controls
  - Energetic, early and whole-organisation engagement with audit advice on controls can reduce corruption risk

# Key challenges for audit in Victoria's anti-corruption system

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## Issue # 1 - No 'follow-the-dollar' powers

Increasing use of private sector to deliver public services

- Contracting out
- Partnerships (PPPS, alliances)
- Community sector contracts
- 'Arm's length' quasi-autonomous public entities

All 'off-mandate' and beyond scope of A-G....

Services they deliver and funds they administer are no longer subject to anti-corruption impacts of public sector audit

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## Issue # 2 – Limits to audit mandate (but not Commission's?)

Plans for new Commission include broad coverage

- Ministerial offices and staff
- Judicial staff
- Police

Once again ***highlights limited mandate*** of Victorian A-G

→ no authority to audit the administration of Parliament or courts

If ***broad public sector coverage*** is hallmark for corruption commissions, should it also be the case for A-Gs?

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## Issue # 3 – Barriers to coordination in integrity system

Cohesive integrity system compromised by legislative barriers

- Secrecy provisions prevent sharing information on possible corruption risks
- No powers to act jointly with other Vic integrity bodies, or other Australian Auditors-General.

Without legislative changes in Victoria, even a mechanism such as WA's Integrity Coordinating Group would be limited in its capacity to improve action on corruption

## Conclusion

- Traditional external audit role of Auditors-General is a key part of any jurisdiction's anti-corruption and integrity landscape
- Audits (especially review of controls) can be effective and efficient early warning systems
- Changing service delivery mechanisms (outsourcing) have eroded the assurance provided by Auditors-General
- A broad (whole public sector) mandate is essential for an effective public sector integrity/anti-corruption body
- Integrity systems must be cohesive and coordinated – changes are necessary to enable all the elements to 'work together'.