

OFFICE OF THE AUDITOR GENERAL — OUTSOURCING

**1565. Hon COLIN TINCKNELL to the minister representing the Treasurer:**

I refer to the Office of the Auditor General's 2018–19 annual report and note that page 44 states that the OAG currently outsources about 35 per cent of its financial audit work for state government entities and approximately 90 per cent for local government entities.

- (1) What is the derived cost–benefit from outsourcing the financial audit work, compared with utilising internal resources?
- (2) Are there any plans to further extend the use of outsourced auditing resources?

**Hon STEPHEN DAWSON replied:**

I thank the honourable member for some notice of the question.

- (1) The Office of the Auditor General, like other audit offices in all Australian jurisdictions, has been contracting out audits for many years. The cost–benefit is largely around managing surge capacity and staff productivity rates during the peak audit delivery periods of the annual audit cycles—that is, state, local government and tertiary education sectors. It is also about ensuring the ability to attract and retain qualified staff to work within the demands of these cycles and fluctuating employment markets. The benefit is not measureable in purely financial terms, given the large number of qualitative factors that need to be taken into account when considering the benefits of outsourcing, which include opportunities for the OAG to access specialist skills or knowledge that is difficult or costly to maintain, such as extensive actuarial or industry-specific expertise; opportunities for the OAG to partner with, and learn from, accredited audit firms to develop innovative audit practices, and to improve audit quality and reporting; and providing a benchmarking mechanism against which the OAG can measure its cost-effectiveness and its audit tools and methodologies.  
  
In the context of the OAG's new responsibility for the auditing of local governments, outsourcing enables the office to benefit from local accounting and audit firms' understanding of regional areas and the issues faced by particular local governments, while also building the capability of these firms. The Auditor General considers these arrangements have flow-on effects that can help contribute to the economic wellbeing of regional communities.
- (2) The executive team within the OAG constantly reviews the appropriate balance of its audit outsourcing arrangements as part of its consideration of ongoing operational requirements. Current audit delivery planning is taking into account the requirements of the office as it progresses towards assuming responsibility for the financial audit of all 148 local government entities by 30 June 2021. This is because the formerly non-peak time of October to December is now the peak delivery period for local government financial audits. The office needs to balance the mix of senior staff time between supervising junior audit staff, conducting high-level entity engagement and delivering the focus audit component of the work program. Further consideration of outsourcing requirements will also now need to take into account any outcomes of the request from the Treasurer to conduct targeted forensic audits of agencies' contract management systems, supported by data analytics measures.