

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

2021–22 ANNUAL REPORTS



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 16 FEBRUARY 2022**

**SESSION TWO
OFFICE OF THE AUDITOR GENERAL**

**Members
Hon Peter Collier (Chair)
Hon Samantha Rowe (Deputy Chair)
Hon Jackie Jarvis
Hon Nick Goiran
Hon Dr Brad Pettitt**

Hearing commenced at 10.36 am

Ms CAROLINE SPENCER

Auditor General, sworn and examined.

Mr GRANT ROBINSON

Assistant Auditor General, Financial Audit; Acting Deputy Auditor General, examined:

Mr CARL HUXTABLE

Assistant Auditor General, Forensic, examined:

Mr MICHAEL COOPER

Executive Director, Corporate Services, examined:

Mr WIAN OOSTHUIZEN

Assistant Auditor General, Technical and Audit Support, examined:

Mr TIM HUGHES

Principal Adviser, examined.

The CHAIR: On behalf of the committee, I would like to welcome you to this hearing. Today's hearing will be broadcast. Before we go live, I would just like to remind all parties that if you have any private documents with you, please keep them flat on the desk to avoid the cameras.

The committee acknowledges and honours the traditional owners of the ancestral lands upon which we meet today and pays its respects to their elders, both past and present.

You will have signed a document entitled "Information for Witnesses". Did you read and understand the document?

The WITNESSES: Yes.

The CHAIR: These proceedings are being recorded by Hansard. Please note that this broadcast will also be available for viewing online after this hearing. Please advise the committee if you object to the broadcast being made available in this way. A transcript of your evidence will be provided to you after the hearing. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of the hearing for the record. Please be aware of the microphones and try to talk into them. Ensure that you do not cover the microphones with papers or make noise near them. If you make any adverse allegations during your evidence, the committee may release that information to allow the other party a chance to respond. Please try to speak in turn. I remind you that your transcript will be made public. The committee will place the uncorrected transcript of your evidence on the internet a few days after the hearing. When the transcript is finalised, the uncorrected version will be replaced by the finalised version. If you wish to make a confidential statement during today's proceedings, you should ask the committee whether you can give evidence in private. If the committee grants your request, any public and media in attendance will be asked to leave the room.

Would you like to make any opening comments or statements?

Ms SPENCER: Thank you, chair. I do appreciate the opportunity to be invited to provide any evidence or answers to the committee on our annual report in this hearing. As the watchdog of public finances

here in the state, we take that duty very seriously. Obviously in the public sector, where we deal with taxpayer funds, the obligation to be efficient and effective and demonstrate due probity around the use of those funds is of utmost importance, and we seek to hold ourselves to a very high standard, as we do all public sector entities.

[10.40 am]

It is worth acknowledging that we are operating in a very unusual operating environment at the moment. We are in an ongoing state of emergency, with borders closed. That is having impacts across our community, and the public sector is not immune from those impacts around labour, supply shortages, delays and price inflation. My professional concern is the good financial management of the public sector as well as fixing some very significant control weaknesses, or supporting agencies, to fix some very significant control weaknesses that we have identified through our audits, most particularly in relation to information system control weaknesses. Those have been a significant priority for the office in recent years in this very uncertain environment, so I guess I just lay that context and recognise the acute fatigue in the state sector at the moment. I think that resonates across our community. My office is no different, as members here appreciate in your demanding roles. I am very happy to answer any questions of the committee—myself and my colleagues.

The CHAIR: That is great. Thank you. Are there any questions?

Hon NICK GOIRAN: Thank you, Mr Chairman. Auditor General, can I take you to page 59 of the annual report. Page 59 deals with opinions on ministerial notifications. In the reporting period, only four ministerial notifications were received. Are you in a position to provide any comment about that? It seems a remarkably low figure when we look at the previous years. Your report helpfully sets out the information going back to 2010. The last time we saw something like that is as far back as 2013–14. There is a really a rapid decrease. Maybe there is a good reason for that, but are you in a position to shed any light on that?

Hon Dr BRAD PETTITT: Can I ask, chair, for those who are new and do not even know what a ministerial notification is, could we have some explanation? Thank you.

Ms SPENCER: Thank you very much, member, for your question. A ministerial notification under section 82 of the Financial Management Act is really a safeguard for public accountability and transparency, and provision of information to the Parliament so that when members in Parliament ask a question of a minister, if the minister decides it is reasonable and appropriate not to provide information to the Parliament, then they must issue a notice to both houses and to myself as Auditor General. I am obliged under my act to form an opinion on the reasonableness and appropriateness of that notice. Generally, the reasons for not providing information may relate to commercial confidentiality, cabinet confidentiality, privacy, unreasonable use or diversion of departmental resources, or the like.

Hon Dr BRAD PETTITT: Thank you.

Ms SPENCER: This is a function that the office has had since the Auditor General Act and the Financial Management Act were enacted in 2006–07.

To answer the member's question—not any concrete evidence as to the reason for the reduction in section 82 notices, but I will note that we anticipated a further reduction this financial year, the 2021–22 year that we are currently in. We have currently received no notices, I believe, at this point—that would be right. That may reflect that ministers have answered all questions of members in the chambers, or it may reflect a different style of answering questions. But, certainly, there has been a notable drop off.

Hon NICK GOIRAN: Further to that then, I will give a practical example if I can. This committee as you know undertakes a number of things including the budget estimates process. This occurred at the end of last year as a consequence of it being an election year. Actually, I will just pause for a moment. I have to ask the clerk a question. Excuse me.

Sorry; thank you for your indulgence. At the end of last year, the committee wrote to the then Minister for Emergency Services, Hon Reece Whitby. The date of the letter is 2 December 2021. For the convenience of the record I will just read it in. It states

Dear Minister,

2020-22 Budget estimates—Answer to additional questions.

Thank you for your letter on 17 November 2021, which provided answers to additional questions submitted by the Committee as part of its considerations of the 2021–22 budget estimates.

As you may be aware, Western Australia has a legislated provision for managing instances of ministerial non-provision of information. Section 82 of the *Financial Management Act 2006* provides that where a Minister decides it is ‘reasonable and appropriate’ not to provide ‘certain information’ to Parliament, the Minister is required to notify each House of Parliament and the Auditor General of this decision.

The Hon Martin Aldridge MLC ask you to table the advice received on the establishment of the Wooroloo Bushfire Inquiry (question 4(d)). You advised that the Independent Review was established by Cabinet and that the information was Cabinet-in-confidence. As an instance of non-provision of information, you may wish to consider issuing a notice under section 82 of the *Financial Management Act 2006*.

I have provided a copy of this letter to the Auditor General and the Member for their information.

Auditor General, I think you indicated earlier that there have been no section 82 notices in the current financial year, so I take it, then, that you have had no response. I know the letter was not sent by you, but you were copied into it. Has there been any communication between your office and the Minister for Emergency Services about this matter?

Ms SPENCER: No, there has not. I can confirm, I have not received a notice under section 82.

Hon NICK GOIRAN: Is that something that you would ordinarily follow up?

Ms SPENCER: With this one, coming through in December, at a time when we were racing to the finish line as best we could with the local government financial audit opinions and the fact that essentially the committee had requested the minister consider whether a notice is required, which is what we would do, and not using our resources to duplicate the processes of the committee, I have not followed up and, so, at the moment would not consider that a notice in play, if you like for us to action. But, certainly, if time drew on and the committee would like me to follow it up, I would be very open to receiving that suggestion.

Hon NICK GOIRAN: Now that it has been more than two months and there has been an opportunity with Parliament having resumed and there being no evidence of a section 82 notice, it would seem appropriate.

Ms SPENCER: I can see that, and I am certainly happy to do that. Were there any other matters coming out of the estimates process—or may I rephrase that: if there were any other matters coming out of the estimates process of a similar nature that the committee would like me to consider following up, I would welcome that information.

Hon NICK GOIRAN: Thank you for that offer, Auditor General. I am sure that my colleagues will give that due consideration after this hearing. On that same, page 59 of the annual report, it mentions there that there were some 2 702 hours relating to the opinions that had been tabled. I take that to mean that there is a reflection of the input from your office in preparing these important opinions. Two thousand seven hundred is the largest amount of hours on record, it would seem, according to this table on page 59. The number of opinions that were tabled were nine. Three were considered to be not reasonable—that is, the minister's reason was not reasonable—and three where, indeed, an opinion could not even be provided. Might you again be able to shed some light as to why the number of hours are seemingly so substantial? I do not say that as a criticism. There may well be good reasons and I can imagine one of them might well be an obstructive ministerial officer who is not prepared to provide you information and is claiming legal professional privilege and not letting you see the information. But any information that you might provide the committee would be helpful.

Ms SPENCER: Certainly, the hours last year spent on section 82s were significant. Those hours do not include my time, the Deputy Auditor General's time or the principal adviser's time also devoted to following up these issues. Our hours are generally significant where there has been a refusal or delays in providing access to information. There were 12 opinions tabled that year that related to some notices received in the prior financial year. One of those was a disclaimer of opinion for Minister Logan's notice around the Bushfire Centre of Excellence.

[10.50 am]

That dragged on for an inordinate period and required a lot of hours to be devoted by the office. That was a claim of cabinet confidentiality around that document.

A disclaimer of opinion is really the worst kind of opinion that an auditor can provide—that or an adverse opinion. Even to provide an adverse opinion, which is essentially not reasonable and appropriate, we need to see the documentation and we were not provided it.

The port agreements one as well, report 27 tabled in June, was a very long and significant devotion of time to that section 82 opinion.

Hon NICK GOIRAN: Further to that, Auditor General, has there been any discussions or advocacy on your part to government to see reforms in this area, specifically, so that you might always be provided with information? It just strikes me, in the absence of a cogent explanation, to make a mockery of the system when we have an independent officer of the Parliament, paid by the taxpayers of Western Australia, to view, behind what I am going to call closed doors, information that the executive does not want to release to the Parliament. It just makes a mockery of the system if that independent person—umpire, if you like—cannot even see the documents. It almost makes you wonder why bother even having the system if that is going to be the case because a mischievous government could just continue to do that all the time. In this instance, there were three opinions that could not be provided. Perhaps you can just confirm. That three is not part of the number of 12. The 12 opinions that were tabled consisted of nine which were said to be reasonable, three that were not reasonable and then there were these other three, where nothing could be provided. It would be three out of a proportion of, let us say, 15 matters then, which is still 90 per cent of the matters where the independent umpire is not able to see information. Is it time for some law reform in this area?

Ms SPENCER: My job is to be a safeguard against the refusal for accountable ministers in the Westminster system for providing information to the Parliament and to recognise the sovereignty of the Parliament, so I take this function very seriously. I am independent of executive government as an independent officer of the Parliament but I am an informed observer and reviewer and

examiner of those documents and obviously I maintain a confidentiality of that, so I really do not have much patience for the claims of legal professional privilege or cabinet confidentiality or other confidentiality of reasons for refusal to provide access to me. I have escalated that in the section 82 reports that I have tabled. Just yesterday in the Parliament, I tabled an updated audit practice statement that outlines my view on those claims and what my duty is around access to information to be able to discharge my statutory duties.

To your question as to whether law reform is required around that particular provision within the Auditor General Act, I do not believe so. I believe it is sufficiently clear. There has been a point of difference in my view and the State Solicitor's view and the State Solicitor's predecessor, with the predecessor estimates committee around its 2016 provision of information to Parliament inquiry. But I believe the act is actually clear as an informed insider into rule to the system of Parliament that provision of even legal advice would not break the chain of privilege. I am not an outsider in that sense.

Hon NICK GOIRAN: Can I just ask one further question on this theme to wrap this up. Thank you for the response, Auditor General. I still remain concerned because, if I hear you correctly, you say that the provision is clear. I personally do not disagree with you. The problem here is that we have got a State Solicitor or a former State Solicitor or any adviser within government who has a different opinion to you or I. Then that opinion seems to win the day. That is not acceptable because it is a major blockage to our system of accountability and transparency. Might it not be then better in the act, albeit seemingly unnecessary and superfluous to the existing provisions, to actually state that claims of legal professional privilege and cabinet in confidence are no basis not to provide information to the Auditor General. Now, that is just drafting on the run. It is very inelegant; parliamentary counsel does a far better job. But something of that sort seems to me to put then the matter completely beyond doubt. It does not matter whether you turn to the table as the State Solicitor or not. Sorry, Parliament's will is that this information be provided to the independent umpire.

Ms SPENCER: Certainly that would clarify it, I am told, for those who have concerns around section 36(2) where they claim confidentiality under common law, not written law, as is in my act. Clarification of that certainly may help some come to that view.

The CHAIR: We live in hope. Just on the total hours of opinions tabled, where they are actually listed on page 59. With each opinion tabled, how are those hours ascertained?

Ms SPENCER: All of my staff record their hours to each individual project. Those are the hours of the audit team, from receiving the notice through to the report tabling and the file closure. Sometimes, as I have mentioned, those inquiries can go on for a long period where an agency or a minister's office delays or refuses to provide information, but those are the collation of hours. My time and those, as I mentioned, of my deputy and principal adviser, are general assurance work, performance or financial assurance work that fits in there. Those are the tracked hours at a charge rate allocated for that particular level of staff member.

The CHAIR: For each individual opinion, is there anywhere where that is readily available?

Ms SPENCER: The officers started reporting the total cost of performance audits in our reports publicly. We have not traditionally done that for section 82s. It would be an interesting exercise because some are very straightforward, where information is forthcoming and the document is clearly, say, cabinet in confidence, as claimed by the minister in the notice and in the chamber. At other times, it is more drawn out, and that may be useful to provide that information, but I do not report that publicly. If there was a particular notice or opinion that the committee would like information on, I am sure that we could provide that to the committee.

The CHAIR: I am just interested that difference between 2018–19 and 2019–20, where you had four opinions in both years, there is 1 000 hours' difference between the two. I apologise. I am looking at the wrong thing. There is still quite a disparity between, say, 2019–20 and 2020–21. The number of opinions tabled was 12. There is a difference there. It is double.

Ms SPENCER: That could be because of the nature of the specific notices and opinions or it could be around the cut-off for this reporting purpose that some of those notices that were commenced in the 2018–19 year but not reported until the 2019–20 year, some of those hours—I am not quite sure of the cut-off mechanism for this particular reporting, whether it was total hours in that financial year or total hours for the opinion. I suspect it is the former.

[11.00 am]

Hon JACKIE JARVIS: Just a follow-up question and perhaps some sort of follow up with the theme from Brad, as a new MP. The section 82—when a minister decides that it is appropriate not to provide the Parliament certain information, then in 14 days they should provide the information or alert the Auditor General—is that generally during the estimates and annual report hearings or can it be just through normal parliamentary questions?

Ms SPENCER: Through normal questions. I would have to say I do not always observe the 14-day period being met, but some ministers are more consistent than others.

Hon JACKIE JARVIS: So, if it is during the run-of-the-mill parliamentary questions, I guess, it is self-reporting? That is what I am trying to clarify, that there is no sort of trigger. I am assuming you do not have someone dutifully watching.

Ms SPENCER: No. Look, we do some *Hansard* monitoring and we identify where there may be a potential section 82, just to really forecast workflow and resourcing, but no, we do not do an exhaustive list. It is a self-reporting mechanism. Sometimes members whose question has not been answered will follow-up with the minister in the chamber and that will trigger a notice or may follow up with us.

Hon JACKIE JARVIS: Are there issues where a particular minister may think that they—I mean, is it clear cut that where a section 82—I am concerned that some perhaps ministers are believing that they have given an answer to the Parliament and that has been accepted by the Parliament?

Ms SPENCER: Sometimes I think it is clear cut for a minister if it is a question that they have said, “I am not providing that to the chamber—to the member—because it is cabinet-in-confidence or commercial-in-confidence”. Those questions are usually provided on notice and advice is sought from the relevant agency advising the minister. Sometimes there may be a response in a certain style that means that it is not clear cut, either for the minister, the member asking the question and others, as to whether a notice is required. But, certainly, that is where I may be able to exercise some discretion if it is clear that the intent of the question, the spirit of the question, was not answered. It may have been to avoid a notice.

The CHAIR: Brad, did you have anything?

Hon Dr BRAD PETTITT: I do not have anything particularly urgent. I feel like this is an area, originally—it was just a quick one in relation to that. I am trying to understand where we have got, on page 88 of the annual report, and I am looking at some of the reports that you have brought down and looking also at—I am particularly interested in local government, my background. So, to take, for example, the *Waste management: Service delivery* report of 2020, you mentioned there that you were providing support in terms of supporting local government entities to provide accuracy of their website and recycling data, and if that is a new requirement, as well as providing support for local government entities to prepare a standardised waste plan. I am trying to

understand in terms of—I guess I am quite interested in how is that laid out and how is that followed up and ensured that there is compliance with that new requirement? What kind of powers does the Auditor General have in that regard?

Ms SPENCER: We have the power of the pen only in reporting to Parliament and through Parliament to the community. We do not have any enforcement powers over the recommendations we make. That is where parliamentary committee follow-up of our reports is really valuable. The Public Accounts Committee of the lower house in particular has a fairly structured process of following up on some of our reports on a triaged basis and may call entities in to provide evidence on how they are proceeding with implementing our recommendations in a timely way. I understand that can extend to local governments. We may also conduct follow-up audits and indeed this was a follow-up to some degree of a previous waste audit, but it built on the broader mandate we have in being able to audit local governments so we could go across the state and local government divide and look at the issue more holistically.

Hon NICK GOIRAN: Auditor General, I am just going to hand up to you, if I can—if we could just arrange for this to be provided to the Auditor General. For the benefit of my colleagues, they will have this material already, it is just copies of two extracts that are on the public record. The smaller of the two documents I have just given you is a copy of an extract of the transcript from budget estimates last year, session 3 on 20 October 2021. You will see there that I was asking—this was budget estimates with the Department of Education—the minister, Hon Sue Ellery about some information, and in particular that there was a table that showed a shortfall in the closing balance for 2019–20 asking about the explanation. This all relates to the fact that it was a special purpose account. You will see there that that exchange ends with me making reference to section 19(1) of the Financial Management Act, which indicates that special purpose accounts are not to be overdrawn without the Treasurer’s approval. Was the Treasurer’s approval sought; and, if so, on what day? You will see that the honourable minister says, “We will take that on notice, honourable member.” If I can then get you to turn to the second document, which is actually the response that is then provided to the committee in answers by way of supplementary information, in short you will see there that no, the Treasurer’s approval was not sought, which would, on its face, appear to be a breach of the law of our state. But I guess, apart from the fact I think this would be of general interest to you and your office, but I also noted the end of that response, or answer part (a), you will see here that, if you like, the defence that has been provided by the department and the minister is to say, and I quote —

This information was fully disclosed in the Department of Education’s financial statements in its 2019–20 annual report (Page 143) and audited by the Office of the Auditor General, without an audit finding being raised.

Look, I appreciate this is completely without notice, and you may want to take this on board and come back to the committee on another occasion, but it appears that it might be something that warrants your consideration and possible comment either now or on a later date.

Ms SPENCER: Thank you, member. This is one that our *Hansard* monitoring did pick up, as I mentioned, in our office. I am happy to answer that now. We have looked at it and it is a very important issue. Indeed, I qualified the Department of Primary Industries and Regional Development’s both financial statements and controls over poor controls between restricted or special account cash and operating cash in the last financial year. As to this matter, the department in note 9.7 in the special account note, where I believe that would have been identified in their financial statements, did disclose the reason for the shortfall. Given that we were satisfied that there was a standing credit to the account by the commonwealth and that was appropriately disclosed

and given the, in the context of the Department of Education, relatively immaterial financial amount—\$2.2 million overdrawn in the context of a \$5.5 billion budget and \$17 billion in assets—from our perspective it did not warrant additional reporting in our audit opinion because we felt it was appropriately disclosed in the accounts and that was a true and fair representation of the situation.

Hon NICK GOIRAN: I am pleased to see the *Hansard* searching is working well and it had already been picked up.

Ms SPENCER: I do not want to guarantee that I will pick up every issue, so I do appreciate the offer to take that on notice.

Hon NICK GOIRAN: It just gives us a bit of a hint; let us just use the phrase “Office of the Auditor General” in our speeches every now and again. If I could just, with the chair’s indulgence, go to another theme?

The CHAIR: Yes, go for it.

Hon NICK GOIRAN: On page 86 of your report, in there you state that information security remains an area of concern. I want to particularly refer to your report on the SafeWA application audit; this was undertaken in August of last year. You raised some concerns in that report and in particular, I note you said this —

WA Health delivered the SafeWA application in November 2020 under significant time pressure, and has continued to work with the vendor to address weaknesses and make improvements. The system supports WA Health to carry out COVID contact tracing.

However, decisions made and programs delivered under time pressure can result in unintended consequences. Of most concern in this instance was the use of personal information collected through SafeWA for purposes other than COVID contact tracing. Urgent legislative amendments were passed in June 2021 to address this issue. Of further concern, is the ongoing limited communication around WA Health’s use of personal information collected by other government entities (including Transperth SmartRider and Police G2G border crossing pass data, see Figure 2) in its contact tracing efforts. We will examine this ...

Later on you say —

In the absence of any comprehensive privacy legislation in Western Australia, including oversight mechanisms, citizens have a right to expect that their personal information will only be used by governments in line with stated purposes.

You later conclude saying —

Technology has removed most of those limitations. In so doing it has created a very real risk of compromising the right to individual privacy. In this environment the public has a right to reassurance that government is addressing this risk.”

A number of questions arise from that. Has there been any discussions with government as a result of this report from August last year and that protections can be put in place with regard to breaches of data privacy?

[11.10 am]

Ms SPENCER: I will open by saying this is a matter that does cause me significant concern. Use of citizen data for stated and intended purposes is very important. People should have comfort that their personal data is being used only for stated purposes. Issues related to privacy legislation are

probably better directed to the state's fine Information Commissioner who has made public statements to this effect. But certainly in relation to your question around whether I have engaged with government on the SafeWA app since the audit was tabled—no; not directly. However, we are auditing the Phocus—P-H-O-C-U-S—system maintained by Department of Health for contact tracing purposes of which the SafeWA venue check-in data is one input feed into that system. We are just about to issue management letters for that audit, and I would have to say at this stage there may be matters of concern there too.

Hon NICK GOIRAN: Right, so that audit—is there some form of anticipated deadline for reporting?

Ms SPENCER: As with all of these things, we go as quickly as we can. We try and get through the work as quickly as we can—I would hope within two months. But we are about to issue management letters so then entities will have a couple of weeks to respond to those. We will consider feedback. We will issue a draft report. They will have formally 14 days to then respond to that summary of findings in that draft report, and then we table—so six to eight weeks. It is going to be tight depending on any pushback. We are certainly clarifying all those data feeds into that system, access to that system, safeguarding of that information within the system, governance arrangements, the contract for that system and the matters we considered broadly within the SafeWA app audit.

Hon NICK GOIRAN: These management letters are they a trigger requesting information or can you just explain to us what these management letters are?

Ms SPENCER: Certainly. Sorry, member. Our management letters are really our communication of our audit findings to the entity in a formal sense where we seek management responses. We outline what we have found, the significance of what we found, why it is important, what it means either to data integrity or compliance or the like or good financial management in other audits. We seek a response from management as to whether they agree or whether they have other relevant information for us to examine, time frames for implementation, who is responsible within the entity to try to engender accountability for that. We would expect that there is internal communication at all relevant senior executive and operational areas, and then we receive that back and consider that in terms of finalising the audit. That is part of our natural justice procedural fairness processes.

Hon JACKIE JARVIS: I was just interested in the report you did around prison illiteracy and numeracy, and I think there was an implementation time line that is becoming due. I am just wondering if you could provide some feedback or an update on the implementation of your recommendations?

Ms SPENCER: We do not follow-up all our recommendations with entities for our performance audits. We do on an annual basis with our financial audits, and so last year we saw 49 per cent of financial audit recommendations unresolved from the prior year. That was a record level. But we do not do that with performance audits. So certainly, the Department of Justice would be able to provide that information. If we were to do a follow-up audit in that space, we would look at the implementation of those recommendations in accordance with agreed time frames and full intent of the recommendations. So I am sorry I cannot provide that to you today.

Hon JACKIE JARVIS: No, that is fine. Thank you.

Hon NICK GOIRAN: I am going to go back here to a 2018 report titled *Young people leaving care*. It was tabled in our chamber on 22 August 2018. Actually, just remind me again, Auditor General, when did you start your tenure?

Ms SPENCER: That was one of my first ones. I started on 28 May 2018, so I do know that report quite well.

Hon NICK GOIRAN: Okay. In that report the Department of Communities' response to all three of your recommendations was agreement and that these were to commence within 12 months. Are

you in a position to update us as to whether you are satisfied that those recommendations have been fulfilled? Is that something that your office would routinely do and might have happened in the last reporting period?

Ms SPENCER: Again, because it is one of our performance audits, similar to member Jarvis's question, I am not able to update you on where the department's implementation is at. But, certainly, agency audit committees should be tracking all internal and external audit and review recommendations, including parliamentary inquiry recommendations, coronial inquests, other integrity office recommendations, and so that is one of the really important functions of the audit committee as an agency is that they follow those recommendations up and make sure they are implemented in a timely and appropriate way.

Mr HUGHES: If I could just add to that. What I can do if you would like, Mr Goiran, is to just check—the Public Accounts Committee has done an omnibus follow-up report quite recently where they concluded follow-ups of quite a number of reports between 2017 and 2020, and some of those have the correspondence from agencies back to the committee in the report. So if you are okay with that, I will check that and correspond with the secretariat and let you know if there is any correspondence in those reports about that audit.

Hon NICK GOIRAN: Thank you. That would be very kind.
[*Supplementary Information No A1.*]

Hon NICK GOIRAN: Mr Chairman, I do have some other areas but noting the time, I just want to clarify —

The CHAIR: Just with regard to the status of the meeting, which is currently public. I cannot foresee anything that is necessarily private, but of course it is entirely at your discretion, Auditor General. So would you prefer that we go into private session now? Is there anything that you foresee that could be private?

Ms SPENCER: In terms of answering questions of members as to any matter I have reported publicly, I am happy to answer any questions you may have as fully as I can. I was happy in the closed session to provide you with some observations on the current operating environment across the sector. They are not based on full audit evidence. They really are more anecdotal observations about the current operating environment that may be of interest to the committee. I have a couple of examples that I do not think are appropriate for a public hearing given that they have not been through our normal, rigorous audit process. But they may be useful in terms of the committee's understanding of the current context in the sector. But that could be 15 or 20 minutes.

The CHAIR: In that instance, I think we will go into private.

Hon NICK GOIRAN: Can I ask one final question?

[11.20 pm]

The CHAIR: Final question in public and then we will go into private session.

Hon NICK GOIRAN: Just back to page 68 of the annual report, Auditor General, it states that referrals are very useful to monitor trends across the public sector to identify areas of concern or entities that may require additional audit scrutiny. What are the areas of concern for you and what trends of concern do you see emerging? I appreciate that there may be some of that information you are happy to provide in this public forum and other things we will hear about in due course.

Ms SPENCER: Certainly, in auditing the entire state and local government sectors, it is a very big patch. We are in each entity from a financial audit perspective each year, but our performance audit topics are really selected on the basis of a number of important areas of public administration—

materiality from a financial perspective or community impact. In the forensic sense, it can be like trying to find a needle in a haystack where there may be financial irregularities to look at. Those matters, as I have outlined in the report, we always welcome information from members of the public, agency staff, members of Parliament and others. Some themes that we see that I think remain constant beyond good financial governance and the potential for environments or control breakdowns that could allow misappropriation are: grants administration, so the proper awarding of grants in accordance with publicly stated and published criteria—the fair assessment of those; risk-based regulation. What I mean by that is that government has enormous powers to regulate all parts of our community and industry, and they, too, must be accountable. They must be looking at not just what is under their nose or around the corner but the proper universe of risk, so whether it be in waste, it is not just the dump at the end of the street, it is those that are out of sight too. We are about to look at commercial fishing as a performance audit, making sure that entities really are appropriately focusing on the highest risks, because they cannot be everywhere but using, if appropriate, the full suite of powers envisaged and provided by the Parliament and that they are accountable for the use of those powers. So, proper risk-based decision-making and documentation, and not using those powers in an unduly officious and reckless way that actually harms our community and industry. I think the risk-based regulation is an important one. Data privacy and security is a really important one. Information system continuity and security is a really important one. Those will be common themes I expect.

We are about to have our performance audit topic selection meeting in March and certainly would welcome any feedback that the committee may have on any matters that members would consider particularly relevant for our examination.

The CHAIR: Thank you very. We will move into private session from this point on. The committee has agreed to take some of your evidence in private session, so if the broadcast can please end. Thank you.

[The committee took evidence in private session]
