PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

REPORT ON THE APPOINTMENT OF THE AUDITOR-GENERAL OF VICTORIA

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Report on the Appointment of the Auditor-General of Victoria

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The previous Auditor-General, Mr Des Pearson, announced on 8 August 2012 his intended retirement, effective as of 14 December 2012. The Public Accounts and Estimates Committee (PAEC) commenced independently from the executive government, the PAEC’s statutory responsibilities under the Constitution Act 1975 (Vic) and the Audit Act 1994 to search for the best candidate possible for the position of Auditor-General of Victoria.

This responsibility of the PAEC and the position are significant because the Auditor-General is enshrined in the Constitution as an independent officer of Parliament and has complete discretion to conduct any audits on the activities and operations of the Victorian public sector and government agencies and to provide opinions and assurances to Parliament that public resources have been used effectively, efficiently and economically.

From a wide field of potential candidates and a three-stage interview process of shortlisted candidates, the PAEC reached a unanimous decision to recommend Mr John Doyle, current Auditor General of British Columbia, Canada, for appointment. Mr Doyle’s credentials and experience are detailed in this Report and relevant independent stringent security checks have also been conducted in relation to the candidate.

The PAEC had first met Mr Doyle in September 2012 to obtain his expert opinion (in his capacity as Auditor General of British Columbia) on the Canadian experience in the management of infrastructure projects while the PAEC was on its official evidence-gathering visitations to Canada, the United Kingdom and France, approved by Parliament, for its Inquiry into Effective Decision-Making for the Successful Delivery of Significant Infrastructure Projects. While on these visitations, the PAEC also gained expert opinions for that same Inquiry from Auditors-General in other jurisdictions. These meetings were entirely coincidental and separate from the recruitment process. The PAEC tabled its report on the Inquiry on 12 December 2012.

The PAEC wishes to acknowledge the invaluable expertise and assistance provided by its recruitment consultant, Mr John Allen, and the valued time of the independent experts on its Interview and Selection Panel, namely:

- Mr Grant Hehir, Secretary of the Department of Treasury and Finance;
- Mr Ian McPhee, Auditor-General for Australia; and
- Mr John Phillips, Chief Financial Officer, the Oakton Group (a former Parliament-appointed Performance Auditor of VAGO).

I also wish to thank Ms Helen Silver, Secretary, Department of Premier and Cabinet, for her invaluable assistance as the conduit between Parliament and the Governor-in-Council and my gratitude to my PAEC colleagues for their bi-partisan constructive and professional efforts in ensuring that the PAEC’s important recruitment responsibilities have been conducted fairly, objectively and stringently.

Philip R. Davis MP
Chairman
CHAPTER 1

APPOINTMENT OF A NEW AUDITOR-GENERAL FOR THE VICTORIAN AUDITOR-GENERAL’S OFFICE

1.1 Legislative requirements

Section 94A(2) of the Constitution Act 1975 (Vic) states that, ‘The Auditor-General is to be appointed by the Governor in Council on the recommendation of the Parliamentary Committee’, with ‘the Parliamentary Committee’ defined as the Public Accounts and Estimates Committee (PAEC). Under the Audit Act 1994, the PAEC has oversight functions in relation to the performance and operations of the Auditor-General and the Victorian Auditor-General’s Office (VAGO).

1.2 Previous Auditor-General

On 8 August 2012, the then Victorian Auditor-General, Mr Des Pearson, notified the Governor of his decision to resign his position with effect from 14 December 2012. Mr Pearson had served just over six years of his seven-year statutory term.

The PAEC initiated processes for seeking budgetary funding for the tender, selection and engagement of a recruitment consultant for specialist services so that both national and international searches could be commenced for a suitable new Auditor-General of Victoria.

1.3 Recruitment and selection process

Following consultation with the Secretary of the Department of Parliamentary Services regarding appropriate specialist recruitment firms, on 16 August 2012 the PAEC Chairman sent letters to three firms inviting them to tender, in line with Parliament’s procurement guidelines. The three firms were:

- John Allen and Associates Pty Ltd;
- Futurestep (A Korn / Ferry Company); and
- Egon Zehnder International.

Detailed submissions from the three firms were received. Following initial assessment and a clarification process, interviews were conducted by PAEC members with two shortlisted firms that met the preconditions of tendering, followed by interviews with a panel appointed by the PAEC.

Based on the tenders and interviews the firms were assessed against demonstrated capacity to add value in line with specific criteria related to:

- conformance with the tender process;
- proposed services, strategy and methodology;
- proven relevant experience; and
- ability to meet critical timeframes.
John Allen & Associates Pty Ltd was the successful tenderer. Its principal, Mr John Allen, had experience in the recruitment of the previous two Auditors-General of Victoria. Parliament entered into a contract for services and a confidentiality deed with the firm, prepared by the Victorian Government Solicitor’s Office.

A national and international recruitment strategy was commenced, with advertisements placed in major print media, *The Age*, *The Weekend Australian*, *The Australian Financial Review* and the *New Zealand Herald*, over 14-16 September 2012. A copy of the advertisement is contained in the Appendix of this report. In addition, targeted searches were conducted within Auditor-Generals’ Offices in national and international jurisdictions, the Victorian and Commonwealth public sectors, other State public sectors and the private sector, both in Australia and overseas.

### 1.4 The Auditor-General’s role and qualities

The Auditor-General is an independent officer of Parliament, whose independence is enshrined in the *Constitution Act 1975* (as amended). The statutory responsibilities of the Office are established under the *Audit Act 1994* (as amended).

The Auditor-General’s primary role is to inform Parliament about the performance of executive government in order for Parliament to hold government to account, through the findings and recommendations of financial and performance audit investigations and special reviews of resource management and service delivery by the public sector.

The Auditor-General also provides expert opinions on the Financial Report for the State of Victoria. The Audit Act also requires the Auditor-General to determine whether public sector agencies are achieving their objectives effectively, economically and efficiently, and in compliance with all relevant acts.

In addition to audit responsibilities, the Auditor-General is conferred functions of an Agency Head under the *Public Administration Act 2004* (as amended), providing the Auditor-General with the rights, powers, authorities and duties of an employer in respect of the Victorian Auditor-General’s Office (VAGO) and its employees.

As at 30 June 2012, VAGO reported that its overall staff headcount was 176, with 162 ongoing staff and 14 fixed-term or casual staff. VAGO also reported that it issued 563 audit opinions on financial statements, including the state’s annual financial report and the government’s estimated financial statements, and 115 opinions on non-financial performance statements. Some audits are undertaken by external audit firms, as agents of the Auditor-General.

The Auditor-General’s position description states that the day-to-day activities of the role are to:

- develop and determine strategic direction and objectives, including purpose and vision for the Office to ensure its statutory obligations are met;
- determine annual audit and reporting programs, taking into account the maximisation of the Office’s contribution to continuous improvement and accountability in the public sector, together with appropriately responding to public concerns;
- manage and oversee implementation of critical audit programs across all sectors of government directed at public sector governance and performance, ensuring integrity of process and conduct and delivery on key outcomes in line with Parliament and community expectations;
Chapter 1: Appointment of a New Auditor-General for the Victorian Auditor-General’s Office

- liaise, negotiate, develop and maintain effective working relationships and networks which are necessary to the position and provide leadership on accountability and resource management in the public sector;
- oversee the development and delivery of publications, including audit reports required under statute, providing exemplary standards of accuracy, quality and reliability;
- determine, and develop as appropriate, audit methodologies of international standard for use in the conduct of performance and financial audits;
- direct and manage the Office, including management of financial, human and technology resources, ensuring its statutory obligations and corporate objectives are met in an efficient and effective manner; and
- analyse risk assessments of government agencies undertaken as part of the strategic planning process in order to select areas to receive detailed coverage as part of a risk-based approach to audit activities.

The role requires qualities and attributes encompassing strategic leadership, integrity, objectivity, communication, relationship skills and negotiation skills of the highest order to interact with stakeholders (including Parliament via the PAEC, agency heads and relevant professional bodies). In addition, an Auditor-General is required to hold appropriate professional qualifications and accreditation as an auditor and practising accountant and to have comprehensive working knowledge of the machinery of government, constitutional processes and the role of Parliament in its capacity to hold executive government accountable.

The position also requires a demonstrated ability to steer an organisation operating in an increasingly complex, sensitive and sophisticated public sector environment including ICT advances, private sector provision of assets and delivery of services and a mandate to assess value for money to satisfy Parliamentary and community expectations. The PAEC recognises that the appointee must also have the capacity to lead, develop and direct staff and maximise the retention of talented, motivated and qualified staff.

The Victorian Parliament is the primary ‘client’ and stakeholder for scrutinising and considering the Auditor-General’s findings, recommendations and professional opinions on audit investigations. Parliament requires that audit methodologies employed by the Auditor-General are of the highest international quality and standard so that audit outcomes are sound.

1.5 Interview and Selection Panel

The PAEC agreed to the establishment and constitution of an Interview and Selection Panel to advise the PAEC consisting of:

- Mr Philip Davis MP, Chairman of the PAEC;
- Mr Martin Pakula MLC, Deputy Chairman of the PAEC;
- Mr Neil Angus MP, PAEC Member;
- Mr Grant Hehir, Secretary of the Department of Treasury and Finance;
- Mr Ian McPhee, Auditor-General for Australia; and
- Mr John Phillips, Chief Financial Officer, the Oakton Group (a former Parliament-appointed Performance Auditor of VAGO).

The Panel was advised by Mr John Allen, specialist recruitment consultant, and assisted by Ms Valerie Cheong, Executive Officer, PAEC.
The Panel’s role was to shortlist candidates, interview them for a further shortlist and, possibly interview a preferred candidate. The PAEC conducted final interviews and recommended a preferred candidate to the Governor in Council as required under the Constitution Act 1975.

Mr John Allen advised that over 20 potential candidates from various jurisdictions were reviewed and screened initially to determine their suitability.

Over a number of days, the Panel interviewed five candidates in all, with three candidates successfully making the further shortlist. The full committee of the PAEC of seven Members of Parliament conducted final interviews with two candidates. The PAEC attained a unanimous decision on the choice of the preferred candidate, Mr John Doyle, for recommendation as the new Auditor-General of Victoria.

1.6 Recommended appointment

Mr Doyle is an Australian who is the current Auditor General of British Columbia, Canada, and has performed the role for the past six years, overseeing a variety of performance and financial audits in British Columbia and an office of 120 professional staff.

Prior to this, Mr Doyle served as a former Deputy Auditor General and Chief Operating Officer, leading a number of key divisions, including roles in performing audits, provision of statutory assurances, technical advice and quality reviews within Western Australia (WA)’s Office of the Auditor General.

Mr Doyle has also held senior executive governance and finance roles in the WA Department of Health, Edith Cowan University and the WA Lotteries Commission and other senior roles in the United Kingdom.

Mr Doyle has enjoyed an academic leadership and lecturing role as Professor of Accounting and Head of School at the University of Notre Dame in WA. Professionally qualified as a Chartered Accountant and holding an MBA and Masters of Accounting, Mr Doyle has attained special accreditation as Fellow, Certified Practising Accountants (Australia) and Fellow, Institute of Internal Auditors (Australia).

1.7 Recommendation

On 11 December 2012, the PAEC wrote to the Premier to recommend that Mr John Doyle be appointed by the Governor-in-Council as the new Auditor-General of Victoria for a term of seven years. Mr Doyle will commence in the role on or before 1 July 2013.

The Governor-in-Council has accepted the recommendation and the PAEC announced the recommendation on 5 February 2013.

This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 18 February 2013.

1.8 Cost of this report

The cost of this report was approximately $2,300.
APPLICATIONS

AUDITOR-GENERAL OF VICTORIA

Applications are invited from suitably qualified and experienced people for the position of Auditor-General, Victoria.

The Victorian Auditor-General's Office exists as a constitutional safeguard to maintain the financial integrity of the state's parliamentary system of government. The Auditor-General is responsible to the Parliament for:

- auditing the financial statements of each authority of the Victorian Government at least once in each year to determine whether those statements present fairly the financial position and financial operations of the authority;
- conducting performance audits to determine whether each authority is achieving its objectives effectively, economically and efficiently and in compliance with relevant Acts;
- reporting the outcome of audits to Parliament;
- auditing the Annual Financial Report to the State.

The Auditor-General is an independent officer of the Parliament of Victoria and is appointed for a seven year term by the Governor in Council on the recommendation of the Victorian Parliament's Public Accounts and Estimates Committee. The Committee has statutory oversight responsibilities in relation to the performance of the Auditor-General and his/her Office. Subject to relevant laws, the Auditor-General has complete discretion in the performance or exercise of his or her functions as the principal auditor of more than 600 Victorian public bodies.

Applicants will need to demonstrate a high-level of leadership, corporate management, communication and representational skills. They will also have the ability to manage complex relationships. The person appointed will be of the highest integrity, with excellent judgement of financial and performance audits allied to visionary thinking and best practice in public sector auditing.

Applications marked 'PRIVATE AND CONFIDENTIAL' should be emailed to: paec@parliament.vic.gov.au or forwarded to:

The Executive Officer
Public Accounts and Estimates Committee
Level 3, 55 St Andrews Place
MELBOURNE 3002

Initial enquiries may be directed to the consultant assisting with this appointment, John Allen, on telephone: +61 3 9909 7600 or email: admin@jdcallen.com.au

Applications close on 1 October 2012