



Summary

Observations from our central government audits: 2020/21

This report sets out our observations from our 2020/21 central government audits.

The operating environment for central government

The public sector is under significant and sustained pressure. The response to, and recovery from, Covid-19 is creating new and additional expectations on the public service, while restrictions due to the pandemic make it harder to meet those expectations. The Government is also introducing major reforms across the public sector, including to the health sector, the tertiary education sector, water management, and resource management, as well as increasing its response to climate change.

The public sector has responded well to this pressure. It has, for the most part, delivered what is expected of it, helped mitigate the effects of Covid-19, and actively progressed implementation of the various reforms.

However, public servants continue to be under significant pressure, particularly those who have worked relentlessly on leading the Covid-19 response and the reforms. There is also a significant financial cost to the Government's response to Covid-19 and its reform agenda.

Increased risk is an inevitable result of the current environment. In our view, the Government and the public sector need to more actively manage risk while tackling both the ongoing challenges that Covid-19 presents and the Government's extensive reform agenda.

Our audit of the Government's financial statements

The financial statements of the Government were completed and received an unmodified audit opinion by their normal statutory reporting deadline of 30 September 2021. Completing this on time was



a considerable achievement for finance teams throughout the public sector and in the Treasury, and for our auditors.

The Controller function

This year had the lowest occurrence of unappropriated expenditure than any other year this century. This is a credit to the Treasury and finance teams in government departments. Public organisations operating within the spending authority provided by Parliament is a cornerstone of our public financial management system.

Improving how the government reports on its performance

We have concerns about how government is accountable to Parliament and the public. In a time of significantly increased public spending and rising levels of debt, Parliament and the public will quite reasonably want to know how well the public sector is performing and whether public spending represents good value for money.

We would like to see increased transparency about performance and value as a feature of the major reforms currently under way, such as:

- a whole-of-government performance report that sets out what has been achieved with the Government's spending (about \$130 billion in 2020/21) and be an independently assured companion report to the financial statements of the Government;
- more insightful reporting of performance at an organisation level and where organisations are working together to achieve common outcomes (for example, the joint venture on family violence and sexual violence and cross-agency initiatives such as the Provincial Growth Fund); and
- public organisations better understanding what information Parliament and the public need and tailoring their reporting to meet those needs.

The current reforms affecting the public sector provide a rare opportunity to enhance accountability to Parliament and the public. Parliament could also play a role in this by making meaningful improvements to public accountability when considering legislation to enact those reforms and in setting accountability expectations of public organisations.