



# Auditing government policy

## Introduction

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Queensland's Auditor-General has a broad mandate and with it, broad powers. However, there are limits to both.

One important limitation is that the auditor-general cannot question the merit of public policy objectives.

In other words, the auditor-general cannot question whether it is appropriate for the government to pursue particular objectives through its policies, or what priority the government places on the policy objectives. This restriction is imposed by section 37A(5) of the *Auditor-General Act 2009* (the Act).

The point of this restriction is to avoid the auditor-general becoming involved in political debate and thus affecting the perceived independence of the role.

This does not mean that the auditor-general's performance audit reports cannot alert parliament to matters relevant to an informed debate of government policy. Performance audits can provide insights into:

- whether policy objectives are being achieved
- areas where policy implementation can be improved
- ways of improving the way future policies are developed and implemented.

In providing these insights the auditor-general may comment on whether:

- policies are being implemented as intended and in accordance with the law
- the information and advice provided by the public sector and used in policy development was timely, sufficient and appropriate
- there have been any unintended adverse consequences arising from the pursuit of policy objectives
- the policy objectives could have been better achieved through other existing means.

Fact sheet

## Policy objectives

A policy is an authoritative statement by a government about its intentions or a course of action it plans to take.

Policy objectives are the declared outcomes or goals the government is seeking to achieve through the implementation of public policy. Ideally, these objectives are clearly defined in policy documents, which may include:

- a decision of Cabinet
- a direction of a minister
- a policy statement in the budget papers of the state or a local government
- a document evidencing a policy decision of Cabinet or a minister
- a document evidencing a policy decision of a local government.

Policy instruments are the means or methods used by the government to implement its policies. These instruments may include, but are not limited to, the entities, programs, activities, budgets or laws established to give effect to the policy decisions.

The section 37A prohibition does not extend to administrative policy, that is, the frameworks, policies and procedures followed by agencies in conducting their work. Some examples include:

- Queensland Procurement Policy
- the Treasurer's Financial Reporting Requirements and Non-Current Asset Policies for the Queensland Public Sector
- directives of the Public Service Commission.

## How policy is developed

A robust and structured process should support the development of policy.

A model described in the *Australian Policy Handbook* identifies what a typical 'policy cycle' in Australia may include.

Figure 1 The Australian policy cycle



At the state level, Cabinet makes decisions on public policy based on submissions and advice developed by ministers and departmental officers, in accordance with the *Queensland Cabinet Handbook*.

At the local government level, the council makes public policy decisions.

## How policy is considered in an audit

The earliest point at which a performance audit would normally occur is after the government has made a policy decision and implementation of the policy has begun. Policy objectives can form the basis of the audit criteria used in conducting the audits.

The auditor-general may assess and comment on the extent to which entities have implemented public policy in a manner that achieves the policy's objectives:

- economically—the extent to which the cost of resources applied have been minimised in implementing the policy
- efficiently—the extent to which outputs have been maximised, in terms of both quantity and quality, for the level of resources applied in implementing the policy
- effectively—the extent to which the actions taken by the agency in implementing the policy have contributed to the achievement of the policy's objectives.

performance audit may examine any one or more of these aspects. It may also assess whether a public sector entity has complied with relevant laws and relevant administrative policies in implementing the policy.

Although the auditor-general may not comment on the merit of the policy objectives, comment may be made on whether the formulation of the policy objectives impedes their implementation. For example, the auditor-general may comment if the results of the audit identify that the policy objectives:

- are vague, meaning it is not possible to measure or gauge achievement
- conflict with other policy objectives
- rely on insufficient or inaccurate information.

The results of a performance audit may also highlight unintended consequences from implementing the policy and problems caused by conflicting goals.



## How this might work in practice

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Consider the following hypothetical scenario. In support of its 'law and order' policy, a government announces the following actions:

- increase the number of front-line police officers
- construct new 'super' police stations with state of the art surveillance and communication technology in five major regional centres
- fund the measures by selling surplus country police stations and through private sector investment in the construction of the new police stations.

The stated objective of the policy is to reduce serious crime by 10 per cent over the next five years.

### What the auditor-general would not comment on

- Whether reducing serious crime is an appropriate objective to pursue
- Whether it would have been more appropriate to pursue other policy objectives, for example, improving health and education outcomes
- The decision to sell the public sector assets

### What the auditor general might comment on in relation to this law and order policy

- Whether the target for reduction in crime of 10 per cent is realistic (supported by evidence).
- The extent to which the government has achieved its stated objective of reducing serious crime by 10 per cent
- Whether the implementation of the policy was efficient and economical, including:
  - whether alternative means of achieving the policy objective would have been more economical and efficient, such as by better deployment of existing police
  - whether value for money was obtained in the sale of the police stations
  - whether the use of a public private partnership was better than a state-owned build
- The economic and social impacts of implementing the policy on other areas, for example, courts and prisons

## Further reading

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If you would like to learn more about this subject, the following references are recommended:

- International Organisation of Supreme Audit Institutions' (INTOSAI) International Standard of Supreme Audit Institutions ISSAI 3000 *Standards and guidelines for performance auditing* based on INTOSAI's Auditing Standards and practical experience.
- This standard describes the key features and principles of performance auditing and establishes a framework for the further development of performance audit methodology and professional development. Part 1 of ISSAI 3000 provides a basic discussion on how the key concepts of economy, efficiency and effectiveness apply to performance audits, including the assessment of government policies. Part 2 of ISSAI 3000 provides discussion on the mandate of Supreme Audit Institutions in conducting performance audits. In particular it discusses how in many countries performance auditing does not question the merits of policy objectives but rather involves examination of actions taken to design, implement or evaluate the results of the policies. It can be found online at [www.issai.org](http://www.issai.org)
- The Australian Policy Handbook 5th edn., Allen & Unwin, Australia, 2013, C. Althaus, P. Bridgman and G. Davis.
- The Handbook provides an authoritative guide to the practice and process of public policy in Australia. It provides guidance on what policy is, and describes the policy process through a model referred to as the 'policy cycle'. It can be purchased at a number of Australian bookshops.





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