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Joint Committee of Public Accounts and Audit

Answers to Questions on Notice

Department/Agency: Australian National Audit Office

Inquiry: Review of the Auditor-General Act 1997

Committee Member: Senator Paul Scarr

Type of question: Page 7, Hansard, 19 February 2021

Date set by the committee for the return of answer: 5 March 2021

Number of pages: 2

Question

[Page 7 of Hansard]

Senator SCARR: I have a question on that. I'm really interested in whether or not—maybe it has, maybe it hasn't—there's been any research done with respect to the savings to the public sector from having a rigorous internal audit process as opposed to not having a rigorous internal audit process. I'm not sure what the answer is, but it just seems to me that in terms of framing an argument as to the importance of funding, there would be a benefit in being able to say that research has been done that has demonstrated this net saving in broad terms. I don't know if it has been done.

Mr Hehir: I haven't seen anything. But we'll have a look in the context of—

Senator SCARR: Even if it's overseas, it's an interesting point.

Mr Hehir: The analysis that I've seen tends to go—other than the UK thing, which was about dollar saving—to a description of the impact, like what we've talked about today, rather than to a quantitative analysis of what's changed. There's a list of things which we can point to over time where we would argue that the system of public administration is better because we're around. That goes to the fact that most of the frameworks that sit across our government work have been impacted, one way or another, by our work. I'd argue very strongly that the current improvement being driven in the cybersecurity space is largely being driven by the work that we've done, which has shone a light on it. I think it's really important work, but how do you put a value on that? The system is better as a result of it, but—

Response

There has been academic research on the impact of performance audit. The studies that the ANAO has been engaged on are attached below.

The following is a copy of a presentation given to the Australasian Council of Auditors-General Heads of Performance Audit sub group by a PhD graduate on her study of: Public Sector Audit: stakeholder interpretations of impact. The study looked at state audit offices in Australia. This research study found that stakeholder views of impact were mixed, but were generally found to be more impactful where the audit topics were timely, focussed on complex reforms (that is, change at the organisation

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level rather than activity level), but that perceptions of impact were affected by the managerial, political and public accountability relationships between stakeholders.

[Public Sector Performance Audits: Stakeholder Interpretations of Impact](#)

The following link is a study undertaken by the Canadian Audit and Accountability Foundation, of which the ANAO is a member through its membership of the Australasian Council of Auditors-General. The ANAO was provided the opportunity to comment on this research paper. The findings outlined in the paper, which is based on 22 audits undertaken in Canada, are consistent with the approaches utilised by the ANAO to measure audit impact, including implementation of recommendations, satisfaction of parliamentarians and satisfaction of entities audited.

[The Impact of Performance Audits: Defining, Measuring and Reporting Impact](#)

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Answers to Questions on Notice

Department/Agency: Australian National Audit Office

Inquiry: Review of the Auditor-General Act 1997

Committee Member: Ms Lucy Wicks MP

Type of question: Page 10, Hansard, 19 February 2021

Date set by the committee for the return of answer: 5 March 2021

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Question

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CHAIR: Just going back to the conversation earlier, I was wondering if you would be able to provide some more information—by way of a question on notice, if you like—in terms of how you manage that, how you measure it and how effective and efficient the management and measurement of staff attrition is. What steps do you take? How do you go about it? That would actually help.

Response

For the ANAO, retention and training continues to be a focus within the ANAO Workforce Plan. The ANAO also recognises that the specialist nature of its work, in comparison to the breadth of work available across the public service and private sector, has an impact on staff separations. As such, the ANAO understands that some staff may be attracted to alternative career pathways outside of the audit profession. In order to deliver on its purpose, the ANAO focusses on attracting the talented, skilled and professional people required to produce quality audits. To support retention, the ANAO has a strong emphasis on professional development, performance planning and training for all staff across the organisation.

The ANAO is implementing a number of actions to manage staff attrition including attracting and employing the right people for roles, supporting their development through structured learning and development programs, mentoring and coaching and flexible work practices. The ANAO also offers secondment opportunities, accepts secondments from other organisations and recognises good performance through awards twice yearly and a performance management scheme which includes access to bonuses.

Feedback on staff attrition is gained via exit data and staff survey results. The ANAO uses a bulk recruitment model periodically throughout the year to ensure new staff are trained prior to peak work periods. The ANAO also uses contractors and short-term engagements to address surge workloads, particularly in financial statements audit. Recent attrition and feedback from staff has prompted resource model changes within the audit groups.

During 2020 the Auditor-General met with staff within the audit groups to gain their insights and thoughts on the ANAO working environment including attrition. Feedback from these meetings was

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used to inform audit resourcing model changes within the Performance Audit and Assurance Audit groups. Assurance Audit is implementing the *AASG Quality and Staff Engagement and Wellbeing Improvement Plan* with a focus on quality, leadership behaviour and role clarity.

The ANAO is in the process of developing a Development and High Performance strategy, a second year graduate development program and career pathways to clearly articulate differences between levels in the audit groups and capabilities to develop for progression. This strategy is being supported by internal interview coaching as well as group training sessions.

ANAO's attrition rate for the FY 2016-17 to YTD 2020-21 is provided in the table below:

| | No. of ongoing separations | Attrition rate | |
|---------------|----------------------------|----------------|----------------|
| 2016-17 | 80 | 25.4% | |
| 2017-18 | 75 | 23.3% | |
| 2018-19 | 66 | 19.4% | |
| 2019-20 | 76 | 22.8% | |
| 2020-21 (YTD) | 32 | 9.8% | 15% annualised |

The APS wide attrition rate for the year ended 30 June 2020 was 9.3%. The average attrition rate for technical agencies for the year ended 30 June 2020 was 16%.

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Department/Agency: Australian National Audit Office

Inquiry: Review of the Auditor-General Act 1997

Committee Member: Ms Lucy Wicks MP

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Question

[Pages 17-18 of Hansard]

Mr Hehir: Then we go about the implementation of that and get to the number that we do during the year. We've tended to come back to the committee and say, 'This is what you said were the priorities; this is what we've done'—and it's not quite done; it's more started. So: this is what we've done, this is what we haven't done and this is what we intend to do. So, you come back to us in the first place. You say, these ones are important. We put out a program, which is culled down, and we'll come back and say to you, 'Of the ones you said were important, these ones didn't make the cut.' And then at the end we'll say to you, 'Of the ones that you said were important, these are the ones we did or have started, and these are the ones we haven't.' And if we haven't started them, do we intend to roll them over into next year's program or drop them off?

CHAIR: I'm just wondering whether you could provide us, on notice, a retrospective outline of that for, say, 10 years. It may be eight or 10 years—whatever is reasonable; I'm happy with five or six. Would six be okay?

Mr Hehir: I'm not certain that there's a documented process.

CHAIR: Perhaps you could do it for the time since you were the Auditor-General, if that helps.

Mr Hehir: Yes. We'll see what we can put together.

CHAIR: Here's what I'm looking for. I'm looking for a couple of things, just to try to understand the interaction, to be honest. For the number of audits that were done—if it's, say, 48 or 50—what percentage, what number of those each year were identified as an audit priority of the parliament by the JCPAA? That's the first question—if I could just have a historical breakdown there. The second question: you've got this wonderful website, I have to say, and the transparency on that is great, so you can sort of see these things. But one of the things that seems to have come up a lot is something called parliamentary interest. I'm just wondering whether you can tell me a little bit about parliamentary interest and how that is distinct from the audit priorities of the parliament, which is the wording in the act, which is determined by the JCPAA.

Mr Hehir: Parliamentary interest includes that. It also includes—sometimes parliamentary committees pass a resolution saying that they'd like to audit something which is outside of it. We've

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had motions of one of the houses saying that we should do something. It comes down to individual parliamentarians writing to us—

CHAIR: They make statements—

Mr Hehir: or making statements in parliament saying that they think we should do something. And obviously there's a prioritisation of how we think about that. But in my mind what the JCPAA gives to us is the top of the tree, because that's what the legislation says we take into account. And then we're looking at other signals of interest from the parliament which feed into it.

CHAIR: So, could you provide for us, over that same period, the list of what the JCPAA has recommended as the audit priorities of the parliament, as part of that 48 or 50 per year? And perhaps you could also provide a breakdown of the ones that have been conducted because of parliamentary interest, and I think you've outlined a number of different other areas, which include a motion of the house. So, perhaps you could outline that for each of those years, as well as committee referral for each of those years. You've also indicated individual members of parliament—I presume by letter or statement or something. So, outline each of those years for that and what they were.

Mr Hehir: Yes. There might be some overlap between those things.

CHAIR: That's okay. And could you also identify the overlap, to help us? And the other one I have is a question about how many you might get from, for instance, a referral from government—whether you ever get any of those, government ministers—and how many of those may have been picked up each year. Thank you.

Senator PATRICK: I'm particularly interested in that last question, Chair.

Mr Hehir: We don't get a lot, but there are occasional ones. We can give you the numbers and probably say which ones they were, because usually we say in the audit. The audit usually says why we did this, and it will reference that.

CHAIR: Yes. If you could outline those, and, if it was an individual member or minister, which one et cetera, that would be helpful. It goes to some of the questions around the 48 audits and some of these things, and also just understanding the operations of the overall act. So thank you very, very much. Are there further questions or comments? I'll say thank you very much for your time and your consideration today.

Response

The Auditor-General is an independent officer of the Parliament and has complete discretion in the performance or exercise of his powers. The Auditor-General is required to have regard to the audit priorities of the Parliament determined by the JCPAA and any reports made by the Committee under paragraph 8(1)(h) or 8(1)(i) of the *Public Accounts and Audit Committee Act 1951* and section 10 of the *Auditor-General Act 1997* (the Act).

The Auditor-General has regard to priorities of the Parliament primarily through the development of the Annual Audit Work Program (AAWP). The AAWP is designed to anticipate and respond to current and emerging risks and challenges impacting on public administration, and is guided by the following objectives:

- provide a balanced program of activity that is informed by risk and promotes accountability and transparency;

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- follow up on past recommendations;
- identify trends for improvement, or declines in performance across government; and
- apply all of the Auditor-General's mandate.

Details on the development of the AAWP is on the ANAO [website](#). The Auditor-General selects topics to commence throughout the year to give effect to the objectives of the AAWP.

Bearing in mind section 10 of the Act, the Auditor-General has regard to priorities of the Parliament through the following processes:

- AAWP process – the consultation draft of the AAWP is provided to the JCPAA each year, generally in March. The consultation draft lists the proposed topics that have been developed by the ANAO. The JCPAA Secretariat provides a copy of the consultation draft to Parliamentary committees. Parliamentary committees identify priority topics from the list provided and suggest alternative topics for potential inclusion in the AAWP. From 2016-17 to 2019-20, 160 requests have been made by the JCPAA and other committees for topics to either be identified as priority in the AAWP or new topics to include in the AAWP. Audits relating to 93 of those requests have commenced.
- Parliamentary Committees may make recommendations or requests to the Auditor-General to conduct a performance audit as part of a Parliamentary inquiry. From 2016-17 to 2019-20, 26 requests have been made by Parliamentary committees for an audit to be undertaken. Audits relating to 13 of those requests have commenced.
- Other direct requests for audit:
 - The President of the Senate in relation to a Senate Resolution requesting an audit. This resulted in a performance audit assessing the procurement of services related to the National Cancer Screening Register.
 - Two requests from Ministers which were considered and agreed to:
 - the Hon David Littleproud MP requesting an audit of purchases of environmental water by the Commonwealth, and on behalf of the Commonwealth; and
 - the Hon Warren Truss MP requesting an audit of probity and conflict of interest arrangements in place for the OneSKY Australia programme being led by Airservices Australia. The request for this audit was received in 2015-16 and the audit was tabled in 2016-17.
- Members of Parliament can write to the Auditor-General at any time to request that a performance audit be undertaken. From 2016-17 to 2019-20, 56 requests (including the request from Minister Littleproud) have been made of the Auditor-General to conduct a performance audit. Audits relating to 23 of those requests have commenced.

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TABLE 1: PARLIAMENTARY REQUESTS FOR AUDIT, 2016-17 TO 2019-20

| | Total no. of requests (% commenced) | Parliamentary committee recommendations for audit (no. commenced) | Requests received through the AAWP consultation process (no. commenced) | Individual Parliamentarian requests for audit through correspondence (no. commenced) |
|--------------|-------------------------------------|---|---|--|
| 2016-17 | 53 (58%) | 4 (2) | 38 (23) | 11 (6) |
| 2017-18 | 57 (67%) | 10 (6) | 39 (27) | 8 (5) |
| 2018-19 | 62 (60%) | 10 (5) | 40 (24) | 12 (8) |
| 2019-20 | 70 (33%) | 2 (0) | 43 (19) | 25 (4) |
| Total | 242 (53%) | 26 (13) - 50% | 160 (93) - 58% | 56 (23) - 41% |

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Answers to Questions on Notice

Department/Agency: Australian National Audit Office

Inquiry: Review of the Auditor-General Act 1997

Committee Member: Senator Rex Patrick

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Question

[Pages 11-12 of Hansard]

Senator PATRICK: And impossible if it's not in the narrative to start with. I won't ask you to do a budget submission kind of number, but could you provide the committee with some back-of-the-envelope— I don't suppose you do back of the envelope calculations in the Audit Office! I wonder if you could, maybe across a couple of pages, describe how you would achieve 70 or 80 performance audits. Let's go for 75 and be reasonable. Is it possible to come back—

Mr Hehir: How we go about doing that—

Senator PATRICK: Yes. What would it take in terms of budget and time?

Response

As a very broad estimate, it would cost around \$20 million annually to produce an additional 27 audits each year (that is an increase from 48 to 75 audits). This would require a scaling up of the performance audit group by 13-14 teams, or about 50 staff, plus an appropriate level of senior oversight, quality review, IT and corporate support. It would also require a substantive scale up of the data analytics and system assurance resources as these skills are relied upon to undertake the IT assurance and data analysis components of performance audits – as is currently the case.

It is estimated that following an initial scale up, returning the ANAO to a target of 48 audits, by 2024-25, a further 4-6 additional audits could be targeted to be delivered annually, supplemented in the initial years by contract-out audits while staff were trained in the performance audit profession. Contract-out audits still require quality review and oversight, so the scale up in senior staff would occur early in the transition period. Once our team structure was back to a 48 targeted audit capacity, we would have more ability to train and support new staff, given this needs to be undertaken internally, on-the-job.

At this rate of growth, the ANAO estimates it would have the capacity to target 75 audits by around 2029-30.

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