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## Defence's Implementation of Audit Recommendations

### Audit Report No.25 2012-13

#### Opening Statement by Auditor-General

JCPAA Inquiry 13 February 2014

1. Chair, Members of the Committee, ANAO Report No. 25, 2012-13, *Defence's Implementation of Audit Recommendations* assessed the effectiveness of Defence's monitoring of the implementation of ANAO and internal audit recommendations. As I noted in my opening statement to this committee inquiry into report No.53 earlier today, this audit was undertaken as part of the ANAO's response to increased parliamentary interest in the performance of agencies implementing audit recommendations. The key themes of strong management oversight, monitoring and well-developed implementation approaches that I highlighted in my earlier statement are equally relevant to this hearing.
2. This particular audit concluded that Defence's system for implementing audit recommendations exhibited many positive elements, such as having a clear process for assigning responsibility, and systematic monitoring and reporting on progress by Defence Internal Audit. There was also a generally clear allocation of roles and responsibilities within Defence. However, there were weaknesses in Defence's system with respect to following-up on slow implementation, escalating to senior management where there were continuing difficulties, and achieving closure on the implementation of recommendations within specified timeframes.
3. Regardless of the source of a recommendation (either ANAO or internal audit), or the priority assigned to its implementation by Defence, the timeliness of

implementation was a significant problem. The average time taken by Defence to complete recommendations examined by the ANAO was approximately 400 days, which was on average 175 days later than the original estimated completion date. Additionally, approximately half of the 28 ANAO recommendations examined in this audit (all of which were reported by Defence as being fully implemented) were assessed as not being adequately implemented.

4. These outcomes indicate that monitoring and reporting are a necessary but not sufficient condition for achieving the timely and adequate implementation of audit recommendations. The implementation of audit recommendations relies heavily on agency leadership and on the active support of those charged with implementation (agency management) and its oversight (internal audit and the audit committee). In common with any implementation task, it also relies on effective planning, stakeholder management and performance monitoring. Similar observations were made in ANAO's Audit Report No.53, which was considered by the Committee earlier today.
5. Further, there were no consequences for responsible officers and Defence Groups for not implementing recommendations in a timely manner. By not implementing agreed audit recommendations in a timely manner, Defence has forgone opportunities to enhance its performance.
6. The monitoring of audit recommendations was not one of the Defence Audit and Risk Committee's (DARC's) stated priorities, although it is a requirement under its charter. There was scope for the DARC to provide a stronger focus on Defence's performance in implementing recommendations, as a basis for alerting the Secretary

and the Chief of the Defence Force of organisational issues that may arise from the failure to implement recommendations.

7. The ANAO made two recommendations in Audit Report No.25 aimed at reinforcing management responsibilities and accountabilities for the implementation of audit recommendations. The two recommendations were agreed by Defence. Defence informed the ANAO that the Chief Audit Executive would work with Group Heads and Service Chiefs to provide to the Defence Committee, on a regular basis, advice on the status of audit recommendations. Defence considers this additional level of reporting is an effective method of reinforcing managers' responsibilities for implementing agreed audit recommendations and for bringing to the attention of the Secretary and Chief of the Defence Force, recommendations of particular concern.
8. The audit team and I will be happy to answer any questions the Committee may have.