



Joint Committee of Public Accounts and Audit

Answers to Questions on Notice

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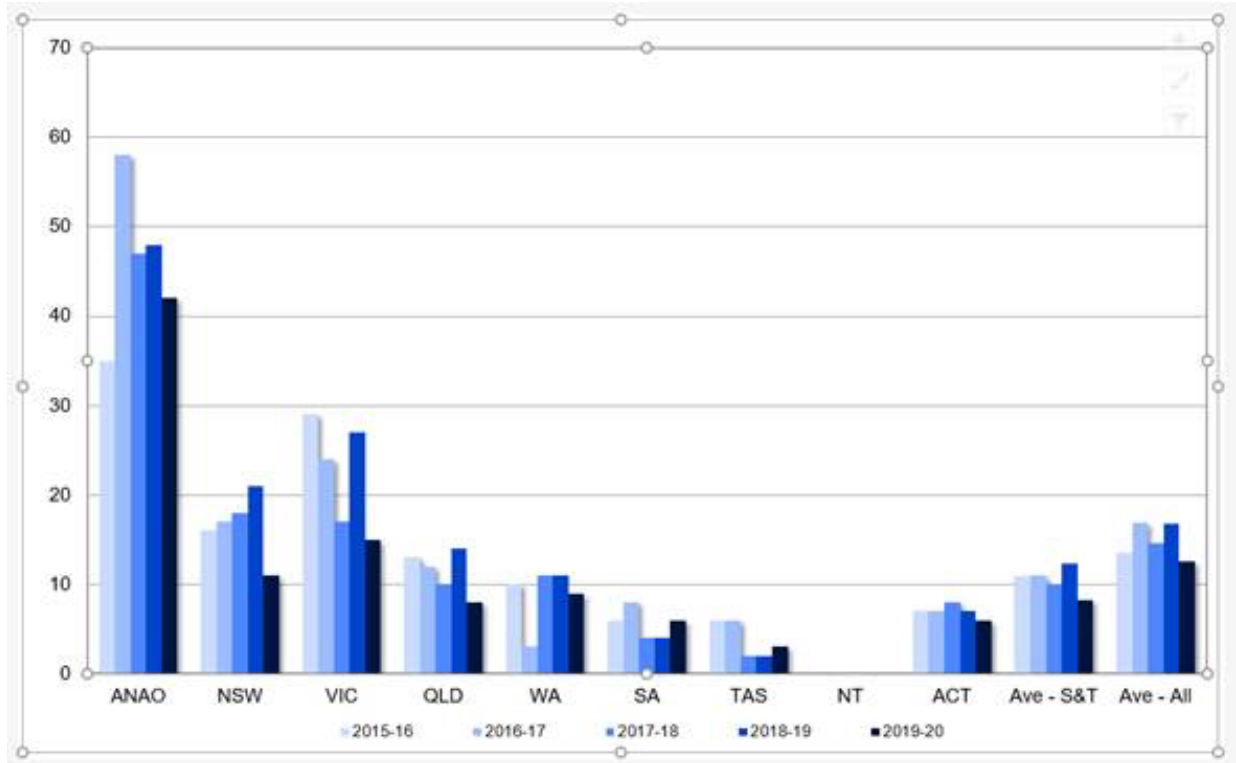
Question 1

Across jurisdictions, has the number of performance audits remained reasonably consistent over the years or has it dropped? Has the budget of each jurisdiction remained reasonably consistent over the years or has it dropped inside the last five, 10 years or just a period? If you do have any comparative information from other jurisdictions, that would be very much appreciated.

Audit office budgets, and by extension the number of performance audits an office can reasonably conduct, have changed across jurisdictions and over the years for a variety of reasons. The number of performance audits conducted is generally reviewed annually as part of topic selection processes as well as KPI reporting where relevant in accordance with approved budgets. The number, size or complexity of performance audits is adjusted based on other audit commitments and priorities.

The majority of Australian State and Territory audit offices voluntarily participate in a benchmarking program that compares reporting numbers. On average over the past 5 years the data does not highlight a particular trend downwards in the number of performance audits tabled across the jurisdictions, although there are of course differences from year to year, in part due to the timing of audit finalisation. This is particularly evident for the 2019-2020 year that would be an outlier due to the impact of COVID-19 on audit office performance audit programs. That is, the reporting of all non-Commonwealth jurisdictions has remained fairly stable across the years, except where mandates have expanded, such as for local government auditing, where accompanying funding has been provided for coverage in that sector.

Number of performance audits across jurisdictions 2019-20 ACAG Macro Benchmarking Survey



**Note: the definition of a performance audit used for the purposes of benchmarking is quite narrow (due to jurisdictional differences in types of reporting) and does not include all reports that an audit office tables in Parliament (such as financial management hygiene audits, annual results reports, better practice guides etc. Also, the NT does not participate in this benchmarking program).*

Question 2

Are there specific measures that Auditors General look at to help limit staff attrition and promote retention of skilled staff?

From a quantitative perspective, staff attrition of FTE permanent employees is collected by Australian State and Territory audit offices that participate in the macro benchmarking program.

Average attrition rate of all Australian jurisdictions except Northern Territory Data from 2019-20 ACAG Macro Benchmarking Survey

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Average attrition rate	15%	19%	17%	17%	14%

From a qualitative perspective, Australian State and Territory audit offices employ a variety of approaches to retain and attract excellent employees, particularly as audit offices compete with the rest of the public sector as well as well-paying private sector firms for highly qualified auditors.

Staff attraction and retention strategies are routinely considered by ACAG's various subgroups, including the Heads of Performance Audit, Heads of Financial Audit and Corporate Services Subgroup. A summary of these approaches shared by audit offices include:

Recruitment and promotion

- Social media programs to promote auditing as a desirable profession (e.g. Auditor Proud day) and depictions that attempt to break stereotypes of auditors (e.g. Annual Report highlights of interesting and impactful moments of audit work)
- Advertising nationally via standard jobseeker websites, career fairs, professional member bodies and news publications. In the recent period this has resulted in some delays or reluctance to consider interstate positions due to border closures in response to COVID-19
- Public exposure to the many facets of audit as a potential career through engagement with university courses, professional organisation conferences, public sector forums and more
- Targeting a reduction in recruitment times to avoid losing good candidates to other jobs
- Reviews of recruitment practices to better understand why employees join the audit office (branding) and why they leave. Monitoring market conditions and office turnover rates, and wording job descriptions to focus on competencies and capabilities, with removal of 'limiting' factors (such as requiring public sector experience)
- Targeting recruitment not just at the accounting, integrity and business sectors but also other areas of relevant professional skills including IT, risk management, compliance, legal, law enforcement, public administration and even liquidation
- Reviews of any existing career advancement procedures (e.g. automatic advancement up a certain level upon demonstration of sufficient development – for more structured roles in high demand (i.e. financial auditors) which mirrors practices in private audit firms)

Focus on professional development

- Significant investment in developing staff through a 'career journey' approach to capability building and professional development. This approach attracts staff who seek continual challenges, upskilling and versatility in their work

- Secondments and higher duties opportunities across the office and the public sector, including seconding in employees from other agencies, to provide cross-portfolio experiences and networking opportunities
- Implementing an effective, supportive performance development and management framework
- Exchange agreements with other jurisdictions (across Australia and overseas) and other agencies (including Parliamentary departments)
- Some offices maintain cadet and graduate programs for university students and graduates in a push to 'grow our own' auditors with the specific skills they will require. Deliberate overstaffing at that level can offset drop-off rates. Relevant offices endeavour to review criteria for retention of graduates into permanent roles, and may provide targeted graduate opportunities (for example, information systems audit graduates)
- All audit offices are recognised Knowledge Partners of CPA Australia and recognised Training Employers with Chartered Accountants Australia New Zealand
- Interesting opportunities to challenge and develop people, including speaking and mentoring opportunities
- Promoting public sector reward and recognition opportunities (nominating staff or teams for sector-wide or national awards, supporting requests for leave without pay, higher duties opportunities, staff engagement strategies)
- Improving skill development including arranging for staff to audit various sectors, to improve variety of work and experience
- Maximising workforce to full capacity, including use of secondments (noting provision of accommodation is usually a limiting factor)
- Attendance at ACAG sponsored training opportunities, including attendance at Introduction to Performance Audit workshops offered biannually and advanced performance training opportunities offered in collaboration with the Canadian Audit and Accountability Foundation

Maintaining attractive working conditions

- By nature of the skill sets required, audit offices attract a diverse range of applicants from different backgrounds and areas of experience
- Public audit offices offer a work-life balance that is often not attainable in the private firms, with public sector working arrangements such as part-time, parental leave and flexi-time
- The nature of the work is varied and meaningful, often with tangible impacts on how government entities operate and are governed
- Public sector audit work provides an opportunity to work with a variety of public entities
- Audit work also lends itself to short-term contracts which suit people in a variety of life situations such as semi-retirement or returning to work after a period of leave
- Management of excessive overtime and smoothing out of peak periods, including effective workforce planning and targets for pre-audit completion prior to 30 June (between 60% and 75% completion across offices)

Question 3

The New Zealand audit office went from being a statutory authority to becoming a parliamentary department. Have you got any reflections on that, or is that one you could take on notice and source any other advice for the council?

Prior to the *Public Audit Act 2001*, the *Public Finance Act 1977* provided that the Controller and Auditor-General was the administrative head of the Audit Department, a Department of State. The Auditor-General and Deputy Auditor-General were both officers appointed by the Governor-General on behalf of the Crown. The Public Finance Act required the Audit Department to provide the staff and administrative services necessary to enable the "Audit Office" (defined as the Auditor-General) to perform its functions and duties.

The Finance and Expenditure Committee reported its "Inquiry into Audit Office Legislation" in 1998. The Committee believed that the legislative framework in the Public Finance Act did not adequately provide for the functions, duties and powers of the Auditor-General in the public sector, which had undergone extensive reform since 1977. The Committee noted that independence of the Auditor-General is critical to Parliament's oversight of the operations of the Executive and public sector entities generally. The Committee recommended that the Auditor-General be recognised in statute as an Officer of Parliament, noting that such a status would clearly reinforce the fact that the Auditor-General performs a role that Parliament itself might otherwise carry out, and that the office is independent of the government. The Committee also noted that the abolition of the Audit Department would sever the remaining statutory administrative connection with any particular Minister and with the public service, clearly reinforcing independence from the Executive.

Coming into force on 1 July 2001, the Public Audit Act abolished the Audit Department, discontinued use of the title "Audit Office", and established the Controller and Auditor-General and Deputy Auditor-General as Officers of Parliament. The funding for the operation of the Offices of Parliament is subject to special pre-Budget approval by the House of Representatives on the recommendation of the Officers of Parliament Committee. Both the Auditor-General and the Deputy Auditor-General are appointed by the Governor-General on the recommendation of the House. The Auditor-General's term of appointment must not exceed 7 years, and they must not be reappointed. The Deputy-Auditor General is appointed for a term not exceeding 5 years, and they may be reappointed.

The Public Audit Act requires the Auditor-General to act independently in the exercise of their functions, duties and powers. As the auditor of every public entity, the Auditor-General must audit the financial statements, accounts and other information that a public entity is required to have audited (for example, by other legislation). However, the Auditor-General may provide other auditing services to a public entity by agreement and has the discretion to carry out performance audits of, and inquiries into, public entities. The Auditor-General publishes the auditing standards that will apply to their audits, inquiries, and other auditing services, appoints auditors to carry out audits, and employs employees to perform the Auditor-General's functions, duties and powers.

There are mechanisms in the Public Audit Act by which the Auditor-General is accountable to Parliament. Before finalising the Auditor-General's annual plan, which describes the proposed work programme for that year, the Auditor-General must consider any comments made by Speaker or a committee of the House. The Auditor-General's annual report includes an account of the implementation of the annual plan. Both these documents are presented in Parliament. In addition to the annual report, the Auditor-General must report at least once every year to

Parliament on matters arising out of the performance and exercise of the Auditor-General's functions, duties, and powers. Finally, Parliament appoints an independent auditor to audit the Auditor-General.

By way of comparison, the ACT's *Auditor-General Act 1996* was amended in recent years to make the Auditor-General an officer of the Assembly with appointment and termination a matter for the Legislative Assembly. Prior to that the Auditor-General was appointed on the recommendation of the executive government.