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## Agencies' Implementation of Performance Audit Recommendations

### Audit Report No.53 2012–13

#### Opening Statement by Auditor-General

JCPAA Inquiry 13 February 2014

1. Chair, Members of the Committee, thank you for the opportunity to attend your inquiry into the implementation of performance audit recommendations.
2. Performance audits play an important role in improving the administration and management practices of public sector entities as well as in providing assurance to Parliament about the administration of Australian Government entities and programs. Recommendations in our reports highlight actions that are expected to improve entity performance when implemented and generally address risks to the successful delivery of outcomes. The appropriate and timely implementation of recommendations that have been agreed by entity management is an important part of realising the full benefit of an audit.
3. In recent years, this Committee and other parliamentary committees have indicated an interest in the performance of Australian Government entities in relation to implementing audit recommendations. In addition, the ANAO's 2011 Survey of Parliamentarians indicated that periodic audits of the implementation of performance audit recommendations would be of benefit.
4. In response to this interest, the ANAO completed two audits in 2012–13 of the implementation of audit recommendations and is currently in the process of conducting a third audit. The completed audits are:

- ANAO Report No.25 2012–13 *Defence's Implementation of Audit Recommendations*, the subject of the JCPAA's second hearing today; and
- ANAO Report No.53 2012–13 *Agencies' Implementation of Performance Audit Recommendations*, the particular focus of this inquiry, which examined the implementation of ANAO audit recommendations in four agencies: the then Departments of Finance and Deregulation; Infrastructure and Transport; Education, Employment and Workplace Relations; and Families, Housing, Community Services and Indigenous Affairs.

5. While the audits had a different scope and focus, and the findings differed in their emphasis, some common themes have emerged from our work to date. In particular, successful implementation of audit recommendations requires strong senior management oversight and monitoring along with timely implementation approaches that set clear responsibilities and timelines for addressing the required actions.
6. In relation to this inquiry into Report No.53, the ANAO examined all ANAO performance audit recommendations marked as complete in agency monitoring systems from January 2009 to March 2013. Each agency has experienced some difficulties with implementation of the recommendations. Overall, 69 per cent of recommendations were assessed as having been implemented adequately, while the remainder were assessed as having been implemented to varying degrees.
7. Although monitoring and reporting are important activities, they do not necessarily guarantee the timely and adequate implementation of recommendations. Approximately half (56 per cent) of all ANAO recommendations had been

implemented within a year of the recommendations being made, and 74 per cent within 18 months. A relatively small proportion (seven per cent) of ANAO recommendations had taken 18 to 24 months to implement. For 19 per cent of the recommendations, however, implementation was still in progress after two years. Clearly, for many recommendations, if implementation is not progressed as quickly as possible, and identified risks remain untreated, the full value of the agreed recommendation is not being achieved by the responsible agency.

8. Each of the four agencies involved had developed systems to capture ANAO recommendations and to monitor and report on implementation where these recommendations were made in audits directly involving the agency. While the systems in place generally provided visibility over reported actions for audits directly involving the agencies, only the (then) Department of Education, Employment and Workplace Relations had a systematic approach to the capture of recommendations made in broader cross-agency audits.
9. In general, across the four agencies, limited supporting information was provided to the respective agencies' internal audit function or audit committee in support of the closure of recommendations. Audit committees generally relied on assurances from program management areas and/or internal audit that recommendations had been implemented and therefore no longer needed to be monitored by the audit committee. While it would not be practical to undertake detailed assessments of implementation of all recommendations, there are benefits in agencies requiring senior management sign off prior to the closure of ANAO recommendations in audit systems. In two agencies, the (then) Department of Education, Employment and

Workplace Relations, and the Department of Finance and Deregulation it was a standard procedure for Deputy Secretary level sign off and in these agencies the ANAO observed a higher proportion of recommendations had been adequately implemented.

10. The ANAO made two recommendations in Audit Report No.53 to support improved oversight and implementation of recommendations. The first relates to the inclusion of all relevant ANAO recommendations in agency internal monitoring systems. The second recommendation is designed to assist agencies in achieving timely and complete implementation of ANAO recommendations.
11. The audit team and I would be happy to answer any questions the Committee may have.