

Joint Committee on Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Annual Performance Statements 2021–22

2022 - 2023

Division: Corporate Division
Topic: Performance statements review and framework
Reference: Written

Question:

One of the areas for improvement the audit identified was periodic monitoring, which used an example of Treasury identifying changes to measures as a result of a mid-cycle review.

1. Is Treasury implementing periodic monitoring for future performance statements?
2. As the 2021-22 audit was Treasury's first year involved in performance statements audit, is there anything about this experience that Treasury would like to highlight for the Committee, that was either included in its submission to the inquiry or in addition to this?

The 2021-22 performance statements audit noted the value in developing an enterprise level performance framework and that only the Department of Social Services had commenced preparing this, noting other entities had aspects of this process in place.

3. Has Treasury begun planning an enterprise level performance framework, and if not why?

Answer:

1. Periodic monitoring for performance statements

Treasury has implemented periodic monitoring through the established mid-cycle performance review as a structured part of the annual performance statements governance cycle. The mid-cycle review provides the Treasury Audit and Risk Committee, Performance and Risk Committee and Executive Board a performance report for the first six months of the performance cycle. The performance results and supporting evidence are tested through the reporting process and Treasury's internal auditor. Where necessary, the methodology control documents are amended, and recommendations are provided to the Executive Board on potential risks and required adjustments.

The mid-cycle review is conducted in February and March. The six-monthly cadence of performance reporting has proven to be manageable and beneficial in preparing for the annual performance statements. Treasury focuses on the completion of the methodology control documents and data collection in the early part of the period and provides assurance on progress to the Audit and Risk Committee and Performance and Risk Committee. Reporting earlier than the mid-cycle would require additional resourcing and provides less reporting value as there is minimal data to inform testing.

Conducting performance monitoring later in the period, March and April, would have overlap with the Budget process and substantial implications for engaging officials and our

governance committees who are focused on the priorities of the Government. The mid-cycle review provides meaningful assurance over performance information for decision-making and accurate performance reporting for the Portfolio Budget Statements.

In the second year of the annual performance statements audit, Treasury has worked with Australian National Audit Office (ANAO) audit team to make better use of the mid-cycle performance results. This has reduced timing pressures during the current drafting the annual performance statements 2022-23.

2. ANAO audit methodology

Treasury would like to highlight the need for detailed ANAO audit methodology that is provided to reporting entities at the commencement of the reporting program and does not evolve year-on-year.

It was noted in the hearings the ANAO was conducting completeness assessments of entities purposes, key activities, and performance measures against the entities administrative arrangements orders (AAO) and responsible minister's charter letters. The Department of Finance guidance – Corporate plans for Commonwealth entities (RMG 132) – indicates entities should only consider the AAO for developing the purposes for the entity and does not reference charter letters.

In Treasury's experience, the completeness assessment to cover key activities and performance measures against charter letters is an expansion of the audit methodology scope. It is an example of where the ANAO is not aligned or goes beyond to the Department of Finance guidance. As an audited entity, Treasury is challenged to keep up with the expanding audit scope that occurs during the audit program. Audits would become more efficient if they were focused on the *Public Governance, Performance and Accountability Rule 2014* requirements and what represents good public reporting, and the methodology did not expand year-on-year.

3. Enterprise level performance framework

Treasury has a whole-of-department planning and performance reporting manual. This document includes: Treasury's performance framework, stakeholder roles and responsibilities, performance measure assessment and assurance processes, methodology control documents, performance reporting schedule, and risk assessment. Progress against the reporting schedule and the risk assessment of the manual are reviewed periodically through the Audit and Risk Committee meetings. The manual is updated annually and regularly improved to address lessons learnt from the reporting cycle.

Treasury commenced the planning and performance reporting manual in May 2022, which was reviewed and finalised in December 2022 in preparation for the 2022-23 reporting. The ANAO reviewed the Treasury's manual through the 2021-22 audit process.

Treasury's manual covers three of the stages identified in the Auditor-General's report (planning, monitoring, reporting). Treasury conducts an annual review of purpose, key activities, intended results, performance measures and targets through our governance committees. This process will be documented to address the review stage in the next manual update.

Treasury does not support the use of a prescriptive document title as proposed in the Auditor-General's report – enterprise level performance framework. Entities should develop documentation that aligns with their internal practices and the audit should focus on the content of the document or document suite.