

Joint Committee of Public Accounts and Audit

Attorney-General's Department

Hearing date: 28 July 2023
Question date: 07 August 2023

Joint Committee of Public Accounts and Audit asked the following question:

1. AGD, what did you change from the previous performance reporting period to this one?
 - a. Were those changes prompted by the results of the previous audits?

The response to the question is as follows:

The 2022 machinery of government changes triggered a variation to the department's Corporate Plan 2022-26 (as per section 16E (6) of the PGPA Rule). Specifically, performance measures and targets were varied to reflect the inclusion and removal of functions/responsibilities. The department:

- removed measures relating to industrial relations and responsibilities/functions transferred to the Department of Employment and Workplace Relations.
- added a new measure regarding modern slavery from the Department of Home Affairs
- expanded existing measures to capture new policy advice functions/responsibilities such as child protection and expanded casework activities such as high-risk terrorist offenders.

These changes were not prompted by the results of previous audits.

As part of continuous improvement and seeking to implement better practice, we reviewed and made minor changes to existing measures and the methodologies used to support these. This included consideration of observations and recommendations made by the ANAO from prior year audits.

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Joint Committee of Public Accounts and Audit asked the following questions:

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.

1. Can you talk us through your entity's process for preparing the performance statements and how, if at all, ANAO's engagement through the performance statements audit process has changed your approach to performance statements.
2. The audit of the annual performance statements includes a chapter on external performance reporting processes including both areas of better practice and areas for improvement. How does your entity use this guidance to inform performance reporting?
3. Has your entity begun planning an enterprise level performance framework, and if not why?

The responses to the questions are as follows:

1. The following high-level annual performance statement preparation process is followed by the Attorney-General's Department:
 - The preparation process begins early in the financial year, where agreement is sought from the performance measure owners with regard to the methodology, reporting timelines and requirements to keep appropriate and sufficient records to enable the compilation, reporting and audit of performance statement information.
 - Once the performance information has been prepared, the business areas complete a performance pack for each measure (which may include a number of targets). This captures the information to be reported in the annual performance statement, any changes to the agreed methodology and references the supporting documentation that underpins the performance statement reporting and subsequent audit.
 - Once the packs are completed, compilation and quality assurance processes are performed by the Performance Reporting and Assurance teams, errors and gaps are identified and addressed, the draft annual performance statement is prepared and provided to the department's Performance Statements Sub-Committee (PSSC) for scrutiny. The draft annual performance statement and completed performance packs are also provided to the ANAO so they can commence their final audit procedures.

The ANAO and AGD have engaged in a collaborative approach to preparing the annual performance statements, these discussions have led to ongoing improvement in the preparation of auditable performance statements. Key interactions during the audit cycle occur as follows:

- The department has regular ongoing discussions with the ANAO throughout the process outlined previously. These discussions may inform the department’s approach to the preparation of our annual performance statement including through discussion of better practice observed by the ANAO in other entities and any specific areas of audit focus or risk in relation to the proposed approach of the department.
 - The Audit Strategy Document prepared by the ANAO formally indicates the areas of audit focus. This information informs the department’s approach to the annual performance statement preparation.
 - The ANAO’s views on the appropriateness of the department’s measures contained within the Corporate Plan are provided in their Interim Management Letter, this document also includes any specific audit recommendations for the department to address. This provides the department with an opportunity to revise the approach to preparing the annual performance statement to address any concerns.
 - Similar to the financial statements audit process, the ANAO also provide feedback via their Final Management Letter / Closing Letter on the completion of their audit work and this includes observations and recommendations for improvements to the preparation of the performance packs and content included in future annual performance statements.
2. The department considers the identified areas of better practice and areas for improvement each year and revises our performance framework accordingly.
 3. The department is maturing our enterprise performance management framework to include a ‘monitoring stage’, which will include periodic reporting of performance information to the Senior Executive against anticipated results. The framework, which is driven by our Corporate Plan, already covers the planning, reporting and review stages.
The inclusion of periodic reporting of performance information was also recommended in a recent internal audit of the department’s governance framework.

Related question

During the hearing Julian Hill also requested “all of you to take on notice if you have any specific suggestions or observations about that timing flow” in relation to the timing of engagement between the ANAO and audited entities.

The department currently undertakes audit processes with the ANAO primarily in two phases being:

- Part 1: Interim phase (October to February)
The ANAO review whether the department’s Corporate Plan and Portfolio Budget Statements comply with the relevant requirements of the PGPA Act and PGPA rule focussing on whether the purpose, key activities and performance measures identified by the department are appropriate.
During this phase of the audit the ANAO also consider the design and implementation of key controls, processes and procedures related to the preparation of performance statements.

At the end of this phase the ANAO issue an Interim Management Letter outlining their findings, observations and as required recommendations. For 2022-23, this letter was received in March providing the department with time to address specific focus areas for the current year audit and also consider any changes necessary to our Portfolio Budget Statements and Corporate Plan for the coming financial year.

- Part 2: Final phase (March to September)

During this phase of the audit the ANAO review and test the operating effectiveness of key controls and also perform substantive procedures on the performance statement measures and targets.

The majority of the substantive testing occurs after the provision of draft performance statements to the ANAO after 30 June. During 2022-23, we provide results for some targets as at 31 December to enable testing to be completed in advance of the year-end and will continue to identify measures that can be tested earlier in the financial year to assist with workloads.

At the end of the final phase the ANAO provide a report with their final findings, observations and recommendations. These are considered and addressed in our approach for the next audit cycle.

The above process is followed between the department and the ANAO, though it is not formalised. Splitting the audit into two parts allows audit observations and findings from the interim phase to inform the development of the following year's Portfolio Budget Statements and Corporate Plan in a timely manner and for the department to address any issues arising prior to the preparation of the annual performance statements for substantive audit.