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Joint Committee of Public Accounts and Audit

Answer to Question on Notice

Department/Agency: Australian National Audit Office

Inquiry: Review of the Auditor-General Act 1997

Committee Member: Ms Lucy Wicks, Chair, JCPAA

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Question

Mr Hehir: The question you're asking, as the Deputy Auditor-General said, is sparking more questions of us about whether we are doing what our insight says and whether we can do some more. We took on notice a question from you at the last hearing which went to what we do, which we've been writing up based on what we do internally and externally. Would it be more useful for us to come back to you with a proposition about what we could do differently?

CHAIR: Yes, that would be really helpful. We would appreciate that. Actually, I think it's two things: what you currently do and then, in the second part, what you could do. Both would be extremely helpful. Thank you.

Mr Hehir: At this point it would be something along the lines of what I just talked about, because that's sort of where I've got in my thinking at the moment.

CHAIR: It would certainly help to know what is the measurement that is now used in terms of outcomes and what could be done and what that looks like. That would be really helpful.

Mr Hehir: Okay.

ANAO Response:

The ANAO's outcome, against which it measures performance is *'to improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public'*.

In addition to measuring effectiveness (number of audits completed), efficiency (cost and timeliness of the audits) and quality, the ANAO measures the impact of its work through the:

- percentage of JCPAA members surveyed who were satisfied that the ANAO improved public sector performance and supported accountability and transparency;
- percentage of recommendations (moderate and significant findings for financial audit) agreed by audited entities; and
- percentage of recommendations implemented by entities (percentage of moderate and significant findings addressed within one year for financial audit and the percentage of recommendations implemented within 24 months for performance audit).

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In reporting against the latter two measures, for performance audits, the ANAO includes only recommendations 'agreed'. Recommendations that are agreed in part, agreed in principle or noted are not included, as this indicates a lesser commitment by accountable authorities to make improvements to address the issues identified in the audit.

The ANAO also collects, through an annual survey, data on entity satisfaction with the overall value of performance audits, which is not currently published. The most recent survey results (on 2019-20 audits) showed 83.1% of entities felt performance audits conducted added value. Overall satisfaction with the value of audits is a summary level response, against a number of contributing factors, including:

- I value the independent opinion expressed by the ANAO (98% in 2019-20)
- The entity benefits from good practice lessons, and related issues, raised in other ANAO performance audit reports (94% in 2019-20)
- The audit will help us improve the performance of the audited activity (92% in 2019-20)
- The audit made a valuable contribution by providing our organisation with a sense of assurance regarding the administration of the audited activity (84% in 2019-20).

To provide further transparency to the Parliament on the impact of performance audit activity, the ANAO could supplement the above 'impact' measure with an additional measure to determine the impact of performance audit. Such an additional measure would be included in the ANAO's PBS and corporate plan, reported in its annual performance statement, audited by the Independent Auditor and included in the annual report. Such an additional performance indicator could seek to measure impact in two respects:

- Quantitative – level of entity satisfaction with the impact of ANAO performance audits – (measured through the annual survey currently undertaken)
- Qualitative – instances of improvement in one or more areas (or themes) subject to a performance audit, from the date of the consultation draft on Annual Audit Work Plan (AAWP) circulating to accountable authorities through to finalisation of an audit. The ANAO observes activity in entities from the inclusion of a topic area in the AAWP and during the course of performance auditing. The ANAO could capture examples of these instances through case studies.

The ANAO is also considering the merits of including an additional section in the Executive Summary of a performance audit that captures improvements evidenced during the conduct of the audit and from the time of AAWP publication to increase transparency on impact. This would create an evidence base from which case studies for the performance statements can be drawn.

This approach to improved impact reporting would be auditable, measurable and consider not just the impact of audit findings, but the existence of an audit program and the process of conducting an audit.