



Australian Government
Department of Education

Inquiry into Annual Performance Statements 2021–22

Submission from the Department of Education to
the Joint Committee of Public Accounts and Audit



Inquiry into Annual Performance Statements 2021–22

Introduction

The Department of Education (Education) welcome the opportunity to make a submission to the Joint Committee of Public Accounts and Audit to support its consideration of Auditor-General Report No. 13 of 2022–23, *Audits of the Annual Performance Statements of Australian Government Entities — 2021–22* (the report).

Departmental overview

On 1 July 2022, the Department of Education, Skills and Employment (DESE) became the Department of Education (Education), and the Department of Employment and Workplace Relations was created as a new entity. This submission focuses on matters that continue to be dealt with by Education.

Education's purpose is to contribute to Australia's economic prosperity and social wellbeing by creating opportunities and driving better outcomes through access to quality education. The focus areas for the department are:

- early childhood education and care prepares children for school,
- schooling prepares children and young people for further study or work, and
- higher education supports participation in work and society.

Submission summary

This submission aims to support the developing maturity of performance statements audits. It recognises the investment of resources by DESE that achieved an unqualified audit opinion, offers suggestions to help the maturing of audit methodology and practice, and acknowledges the Australian National Audit Office (ANAO) audits are leading to positive change for performance information.

Significant investment by DESE achieved an unqualified audit opinion

The report recognises the investment DESE made in establishing robust governance arrangements and preparation processes, and the positive contribution this made to DESE receiving an unqualified audit opinion as a first-year auditee.

Centralised governance

This investment involved establishing a centralised governance team to coordinate and support the ANAO audit. The team managed requests for information, responses to issues identified by the ANAO, and facilitated walkthrough meetings with the ANAO and DESE's policy and program areas.

To inform the 2021–22 audit, the ANAO asked DESE to:

- respond to approximately 600 individual audit questions,
- conduct around 40 walkthroughs to explain performance measure design or demonstrate the processes to calculate the Annual Performance Statements results, and
- respond to approximately 35 audit issues.

Audit resourcing

The volume of questions, requests for meetings and issues placed an unexpected resourcing pressure on DESE as it did not receive specific resourcing to support the audit. Education acknowledges that efficiencies should be realised in future audit processes as its performance information and the ANAO's audit approach matures.

Support for the maturing audit methodology

The report acknowledges the current approach to performance statements audits is heavily based on financial statements audit practices. Education found the 2021–22 audit process did not align well with the existing planning and performance cycle and this introduced timing pressures.

Better planning and performance cycle alignment

A more mature audit methodology would align to entity performance cycles, reducing duplication of effort and the need for rework. The report notes the ANAO aims to identify opportunities for improvements, which can be reflected in the preparation of the entity's Corporate Plan and Portfolio Budget Statements (PBS) for the next financial year.

In practice, however, Education has found the timing of audit deliverables makes it difficult to improve performance information or resolve findings within the next performance cycle.

For example, work to develop the following year's performance information generally starts in January, to enable publication in the PBS in May and Corporate Plan in August.

The *Department of Education 2022–23 Corporate Plan* was published prior to the finalisation of the DESE 2021–22 audit, which concluded in September 2022. This meant Education was unable to incorporate improvements in its 2022–23 performance cycle based on ANAO findings and observations. As a result, Education is making continuous incremental improvements to the performance information throughout the year.

Greater transparency and certainty

The ANAO is yet to publish its first performance statements audit manual, as noted in the report. Education expects this manual will provide greater transparency of the policies and guidance the ANAO applies to the audits. The Department of Finance Resource Management Guides are a useful tool; however, the interpretation and application of the Public Governance, Performance and Accountability Rule 2014 can be subjective and a performance statements audit manual would assist entities to better understand the audit approach. Common understanding and consistent application of the Rule would support better ANAO-entity engagement.

The intent of performance statements audits is to drive improvements in the transparency and quality of Commonwealth entities' performance reporting. However, entities currently lack an exemplar of an organisation with a mature performance framework that can be used as a guide of what leading practice looks like. Building a community of practice as the group of participating entities increases will create an important mechanism for comparison and collaboration between entities to drive improvements outside of the audit process.

Positive impact of the 2021-22 performance statements audit

The report observes that ANAO 2021–22 audited entities are continuing to improve the quality of their performance reporting. This is true for Education.

Improvements in performance information and preparation processes

The ANAO's 2021–22 audit of DESE recommended improvements in reliability of data extraction and quality assurance processes. In response, Education has made improvements to its preparation processes including:

- the introduction of a Data Extraction and Calculation Checklist to document the quality assurance undertaken for each step in data extraction and calculation processes, and
- enhancements to the Performance Measure Assessment Tool, which is used to record supporting information for each performance measure, to improve and capture quality assurance of data.

The report acknowledges the value in entities developing an enterprise level performance framework. Education is preparing its own Performance Framework to guide and support staff in performance information development, monitoring and reporting.

Conclusion

The Annual Performance Statements audit has made tangible improvements to the quality and transparency of Education's performance information. To achieve this, Education actively engaged with the ANAO and driven systemic improvements to our governance and systems. Future improvements will need to be carefully balanced against the costs of maintaining a high-quality performance system.

Education looks forward to continuing to work with the ANAO on the 2022–23 Annual Performance Statements audit, and continuing to mature its performance reporting.