Auditor-General for Australia

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Australian National
Audit Office

22 September 2008

Mr Russell Chafer
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr ~~Chafer~~ Russell.

At our meeting with the Committee on 20 August 2008, the Australian National Audit Office (ANAO) was asked a number of questions on notice. The responses to each of the questions are attached.

My contact officers are Dianne Rimington on 6203 7744 or Anya Moore on 02 6203 7640 or email anya.moore@anao.gov.au should you wish to discuss any aspect of this letter.

Yours sincerely

Steve Chapman
Acting Auditor-General

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7500 Fax (02) 6273 5355
Email ian.mcphee@anao.gov.au

ANAO meeting with JCPAA – 20 August 2008

There were two questions taken on notice at the ANAO meeting with the JCPAA on Wednesday, 20 August 2008. Reference: **Effects of the ongoing dividend on small public sector agencies.**

Question 1 (Hansard, Wednesday, 20 August 2008 PA 11 refers):

Mr Robert requested information about has the ANAO received extra audit funds to audit Infrastructure Australia?

Answer 1:

Infrastructure Australia was established as a statutory advisory council by the *Infrastructure Australia Act 2008* to provide advice to the Minister for Infrastructure, Transport, Regional Development and Local Government, Commonwealth, State, Territory and local governments, investors in infrastructure and owners of infrastructure on matters relating to infrastructure. The 2008-09 Budget Papers disclosed that $20.0 million in appropriation funding would be provided over four years to establish Infrastructure Australia.

The Budget Papers included some other significant announcements concerning infrastructure. In particular, the Government announced that it would invest current and future budget surpluses in three nation building funds (the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund). Around $41 billion is to be set aside through the three Funds which will be administered within the Finance and Deregulation portfolio. Each of the three Funds is to be established by 1 January 2009 with their assets to be managed by the Future Fund Board of Guardians and invested in line with a mandate provided by the Government. Each Fund will have its capital and earnings available for draw down over time after specific projects are identified.

As a relatively small authority, we do not anticipate that the incremental cost of the annual financial statements audit of Infrastructure Australia will be significant in the context of our overall budget. Experience with the Future Fund indicates that the cost of the annual audit of the financial statements of the three Nation Building Funds will be more significant. The Funds have yet to be established and, until this occurs and their governance and investment approach are formalised, we will not be in a position to develop a robust estimate of the cost of the financial statements audits.

In addition, for the Committee's information, I can advise that the Planned Performance Audit Work Program for 2008-09 outlines that we propose to undertake a series of performance audits examining:

- the establishment and management of the three Nation Building Funds. The first of these audits will focus on the Building Australia Fund, with audits of the Education Investment Fund and the Health and Hospitals Fund to be undertaken in subsequent years. These audits will draw on work undertaken in the audit of the Establishment and Management of the Communications Fund (which will table shortly) as well as earlier work on the investment of public funds, and will examine the establishment and management of the Funds, including governance structures and controls relating to the investment of the Funds; and

- the selection and management of the delivery of projects through each of the three Funds. This audit work will draw upon other audits undertaken of infrastructure projects funded by the Australian Government, including the previously proposed audit of Capital Works in Higher Education.

The cost of the performance audits will be met from our existing appropriation funding.

Question 2 (Hansard, Wednesday, 20 August 2008 – PA 13 refers):

Senator Hogg asked:

2a. What is the cost of recruitment to your organisation each year?

2b. Are there any efficiencies being made to overcome that cost to the organisation?

Answers:

2a. Recruitment activities for the ANAO are varied and range from carrying out bulk recruitment rounds to individual selection exercises. Where we can, we aim to do bulk recruitment. As a consequence of our varied recruitment, the average cost for an individual selection process has been used to derive direct recruitment costs for the year 2007/08.

The total number of recruitment actions undertaken in the ANAO for 2007/08 was 42 with a total direct cost of $227,000. This is based on average direct costs of $5,400 per selection exercise and includes activities such as advertising, short listing, the conduct of interviews, report writing, scribes, personality questionnaires, reference checking, delegate consideration and offer of engagement.

Indirect costs associated with recruitment activity include, vacancy costs until the role is filled, training costs, gaining of corporate knowledge and ANAO work practices.

2b. Over past years, the ANAO has implemented streamlined recruitment practices, with a focus on a continuous approach to recruiting suitably qualified staff. These practices include an on line application facility, general registration of interest for prospective applicants, personality testing, verbal referees reports and second interviews to ensure the best fit for the individual with the ANAO's operating environment and culture. This has also led to a significant reduction in lowering the average time taken to complete a recruitment action and a higher percentage of effective recruitment decisions and outcomes.

Other indirect actions taken by the ANAO to address turnover include:

- Enhanced learning and development opportunities offered to staff;
- Increasing the number of staff recruited through the graduate recruitment processes;
- Refining remuneration arrangements and performance assessment;
- Introduction of rewards and recognition scheme; and
- Annual staff survey.