

CPA Australia

**CPA Australia –
Victorian President’s
Boardroom Lunch**

10 November 2005

Ian McPhee
Auditor-General for Australia



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Speaking Notes of Ian McPhee, Auditor-General for Australia

- Thank you for the invitation to the luncheon today.
- I plan to provide some comments on the Office, its role, and also to touch on some of the common issues being highlighted through our audits.
- I have been Auditor-General for just on 8 months.
 - the Auditor-General is an ‘independent officer’ of the Parliament;
 - the appointment is for 10 years;
 - The mandate is to undertake financial statement audits (some 260 audit clients) and performance audits (some 50+ annually).
- The Office has a budget of some \$60m and staff of 300.
- Two factors heavily influence my perspective on the role of the Office:
 - (1) the confidence and reliance that Members of Parliament have on the work of the ANAO to provide assurance about the state of public administration;
 - (2) the desire, on the part of agencies, that we bring our experience ‘to the table’ in our audits of their operations.

The Office has been very busy with its financial statement audit responsibilities;

- prior to June we had a fairly demanding tabling schedule for a number of our performance audits;
- of particular interest is that we are now having a range of issues which cross over between performance and financial statement

audits, and this in itself raises a number of internal and external management issues.

- One important issue for offices like the ANAO and other agencies is to determine '*who are our clients?*'
- The Office has adopted a range of positions on this question over the years
 - in the early 1980's, the Parliament was our only client;
 - in the mid to late 1990s, the Parliament was viewed as the primary client but the Government and agencies were also seen as clients;
- The reason for the Parliament being viewed as our primary client is because, under the Auditor-General Act 1997, the Auditor-General is an independent officer of the Parliament.
- The Auditor-General and the ANAO has a special statutory relationship with the Joint Committee of Public Accounts and Audit (JCPAA).
- The view of '*our clients*' can have a significant influence on the attitudes of staff within the organisation.
- The issue of who our clients are understandably informs the nature of our audit coverage, and the presentation of audit findings.
- We write our reports for the benefit of Parliament, in a balanced manner and, in this context, seek to recognise the achievements of agencies;
 - We work hard to obtain a good understanding of the entity/programmes and how the risks to good performance are managed.
 - some agencies provide overview presentations or submissions to the audit team to aid their understanding of the programme or issues under review, and this is seen as beneficial to both parties.
 - we maintain an attitude of 'professional scepticism' (consistent with the requirements of the Auditing Standards) and require evidence that supports the entity's position

- we report objectively on the findings, but also make recommendations for improvements where applicable.
- We are responsive to suggestions by the Parliament.
- It is also noteworthy that the Government is giving greater attention to matters of compliance;
 - for the current financial year CEOs of FMA agencies will be required to give a sign-off to this effect.
- Also, agencies are to inform Finance of any issues which may impact on the Consolidated Financial Statements.
- These are positive developments, particularly as agencies can be expected to place more emphasis on these matters internally, and also allow for better whole of government co-ordination on financial reporting issues.
- Our own financial statement audit coverage will be extended from next year to include a limited review of compliance issues.
- While our performance audits have tended to attract a higher profile than our financial statement audits, in recent times financial statement audits have become quite noteworthy as well, particularly relating to the Department of Defence.
- If our audits highlight anything, it is the importance of organisations being self-aware as to the risks and the effectiveness of these controls to mitigate these risks.
- By this I mean that organisations should understand their strengths and weaknesses, and the mechanisms they have in place to obtain assurance that their performance is on track and key risks are being properly managed.
- Some of the more significant issues arising from audits over the years underline the importance of good governance and management practices;
 - if you are a policy agency and the CEO is actively involved in policy matters, make sure other senior executives are managing departmental operations;

- get concise financial reports on the financial performance and position of the department;
 - keep an eye on significant shortfalls/overspends against budget estimates, particularly for administered items;
 - get concise reports on all major projects signed off by senior executives;
 - pay particular attention to areas with heavy contractor involvement
- Major IT systems continue to be a challenge in development and implementation;
 - put the blowtorch on critical technical assessments and cost and timetable assumptions.
 - With major contracts:
 - understand the key deliverables, how they are measured, and the way you will maintain leverage and hold the contractor to account during the life of the contract;
 - ensure new starters attend the Finance course on budgeting and financial management being run through Canberra University;
 - Understandably, this is not a complete list, but reflects recurring themes highlighted by audit reports.
- We in the ANAO endeavour to get maximum leverage from our audits that consider generic aspects of public administration across agencies (eg: record-keeping, legal services), and from our better practice guides.
 - In this context we have just produced a Newsletter '**AuditFocus**' to convey more broadly our experiences.
 - All of our products are intended to provide a stimulus for better public administration;
 - We undertake surveys of the Parliament and agencies and the feedback is pretty positive, for example
 - in our most recent survey of Parliamentarians (excluding members of the JCPAA), Members of Parliament, when questioned on general impressions, understandings and expectations of the ANAO, responded:

◆	<i>The ANAO provides high quality products and services</i>	Strongly agree/agree	90.4%
◆	<i>The ANAO provides value for the money allocated to it by Parliament</i>	Strongly agree/agree	87.9%
◆	<i>The ANAO is independent and non-partisan</i>	Strongly agree/agree	96.1%
◆	<i>The ANAO's activity provides valuable assurance to Parliament on the quality of public administration</i>	Strong agree/agree	94.8%
◆	<i>The ANAO's products and services help improve public sector administration</i>	Strong agree/agree	87.1%

- Members of the JCPAA responded to the same questions even more positively than the general body of MPs.

- Agencies were generally positive about our performance and financial statement audits, but not to the same extent as the Parliamentary feedback.
- We analyse the survey results in detail to assess whether we need to refine any of our current strategies for delivering audit services to improve the performance of the ANAO.
- The ANAO is an important institution in our Parliamentary system:
 - I am conscious, as are the staff in the ANAO, of the importance of the role we have in reporting to the Parliament on public administration, and encouraging stronger performance, through our recommendations, by public sector agencies.