

The Auditor-General
Audit Report No.50 1999–2000
Performance Audit

**Management Audit Branch
—Follow-up**

Department of Defence

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ISSN 1036-7632
ISBN 0 642 44219 3

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Canberra ACT
29 June 2000

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a follow-up performance audit in the Department of Defence in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Management Audit Branch —Follow-up*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—
<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

AMIS	Audit Management Information System
ANAO	Australian National Audit Office
ARMS	Audit Recommendations Management System
AWP	Audit Work Program
DAEWG	The Defence Audit Evaluation Working Group
DAPEC	Defence Audit and Program Evaluation Committee
DPP	Director of Public Prosecutions
FMA Act	<i>Financial Management and Accountability Act 1997</i>
GAIN	Global Audit Information Network
JCPA	Joint Committee of Public Accounts
MAB	Management Audit Branch
MABI	Management Audit Branch Instructions
MAP	Management Action Plan
MTAS	Medium Term Audit Strategy
SES	Senior Executive Officers
WSLMS	Weapons Systems Logistic Management Squadrons

Summary and Recommendations

Audit Summary

Introduction

1. The Australian National Audit Office (ANAO) has conducted a follow-up of its 1995 Audit Report No.11 *Department of Defence—Management Audit*. That report concerned the Department's Management Audit Branch (MAB), which is responsible for internal audit in Defence. In summary, the report commented that: MAB was providing a useful and competent service to Defence; it had developed alternative audit approaches such as national audits (covering all Defence regions); its audits were generally appreciated by auditees; its reports were generally well presented; and its planning for future audits appeared to be effective. The 1995 audit also found that the quality of the audit working papers varied and there was too little follow-up on audit recommendations. Information from MAB's Audit Management Information System (AMIS) was noted as unreliable.

2. The ANAO's 1995 report made recommendations designed to improve MAB's audits and management. Defence accepted virtually all of these. The objective of this follow-up audit was to assess whether Defence had taken appropriate action on the recommendations in the 1995 audit report and to assess whether the effectiveness of the internal audit function could be improved.

Audit conclusions

3. The ANAO considers that most of the recommendations in the 1995 report have been implemented to some degree. There is also evidence that MAB has endeavoured to make improvements to its services. The follow-up audit has prompted action on some of the 1995 recommendations where implementation had been slow. MAB should complete their implementation where still relevant, and give particular attention to enhancing identified procedures to make the branch more efficient and effective and to achieve a better outcome from its work. These enhancements are indicated in new recommendations made in this report.

4. It would be beneficial for MAB, and for Defence as a whole, if Defence's audit committee, known as the Defence Audit and Program Evaluation Committee (DAPEC), took more interest in reviewing both internal and external audit reports as part of its corporate governance responsibilities.

Audit findings

5. Like the 1995 audit, the follow-up audit focused on MAB management processes. Although the MAB audits that the ANAO examined appeared to be competent and useful, it is not practicable to make an overall assessment of audit quality and cost-effectiveness in the absence of regular feedback from senior managers and DAPEC, as well as reliable time-charging and costing information for audit activities.

6. The quality of the working papers and reports reviewed in this audit indicates that MAB has staff with the appropriate ability and knowledge to develop a good product but the application of this ability is not consistent across MAB's Directorates. Introduction of appropriate independent quality assurance, as distinct from ongoing quality control, would assist in achieving a greater degree of consistency in MAB's work. There would also be benefits in preparing a plan for each audit as well as requiring timely responses from auditees to draft audit reports. MAB could assist DAPEC, in its overseeing and advocacy role, by preparing performance indicators of its audit work for monitoring and review.

7. Normal audit committee practice in the public and private sectors is to review audit reports and provide appropriate advice as part of corporate governance. The Finance Minister's Orders under the *Financial Management and Accountability Act* increased this responsibility for Commonwealth agencies' audit committees by requiring them to review audit reports involving matters of concern to senior management and to advise the chief executive on action to be taken. DAPEC has not yet adopted this responsibility. To a large extent, as a consequence, Defence has not yet capitalised effectively on audit work undertaken.

8. When recent measures introduced by DAPEC to track progress on implementation of audit recommendations and to consider selected audit reports take effect, MAB's products will be likely to be more effective in enhancing management in Defence. DAPEC members should be encouraged to attend all DAPEC meetings, to review the full range of audit reports and to promote its work as a valued part of Defence's corporate governance. The recent appointment of a second independent member as chair of DAPEC is a positive development, consistent with better practice.

Response to the audit

9. The ANAO made several recommendations arising from the follow-up audit. Defence indicated that it had implemented one recommendation; would endeavour to implement another; and was taking action to implement the others.

Recommendations

Set out below are the ANAO's new recommendations arising from the follow-up audit, with the report paragraph reference and an indication of Defence's response.

Recommendation No.1 The ANAO *recommends* that Management Audit Branch (MAB):

Para. 2.72

- (a) develop an effective system for auditors to record the time spent on audits;
- (b) develop appropriate quantitative performance indicators relating to the cost and duration of its audits in relation to approved budgets;
- (c) introduce an audit quality assurance system; and
- (d) endeavour to gain responses to draft audit reports within four weeks.

Defence response: (a) Agreed.

(b) Agreed in principle.

(c) Agreed.

(d) Agreed.

Recommendation No.2 The ANAO *recommends* that MAB institute a requirement for a plan to be developed for each audit, approved by management and maintained as part of the audit working papers to guide the audit.

Para. 3.12

Defence response: Agreed.

Recommendation No.3 The ANAO *recommends* that the charter for the Defence Audit and Program Evaluation Committee (DAPEC) emphasise the need to review audit reports involving matters of concern to senior management and to advise the Chief Executive on action to be taken on them.

Para. 4.10

Defence response: Agreed.

Recommendation No.4
Para. 4.14 The ANAO *recommends* that the charter for DAPEC stress the importance of members' attendance at DAPEC meetings, given the importance of the committee's role in terms of the effectiveness of Defence's corporate governance framework.

Defence response: Agreed.

Audit Findings and Conclusions

1. Introduction

Internal audit

1.1 Internal audit in any organisation can be an important adjunct to the organisation's administrative and accounting control systems. Among other activities, internal audit aims to identify any system weaknesses and control breakdowns and bring them to the attention of senior management. This enables management to take corrective or preventative action to ensure that the organisation is best able to meet its objectives. A vigorous internal audit function can be an effective means of preventing fraud and waste and improving efficiency. How well an organisation performs can be a measure of the effectiveness of internal audit. The outcome of a strong, well-directed, internal audit function is an efficient, effective and ethical organisation.

1.2 Internal audit is crucial to sound corporate governance by the provision of assurance to management and by its focus on clients and reporting. It is an appraisal activity established as a service that needs to be independent from direct day to day operations and to have a direct functional relationship with the chief executive and/or governing body. It helps to promote structures that enable the development of a more credible corporate governance framework. As a service, however, it needs to be scrutinised and evaluated, to ensure that it maximises the benefits flowing from its independent status.¹

Management Audit Branch

1.3 The internal audit function in Defence² is performed by Management Audit Branch (MAB) within the Inspector-General Division. The organisational structure provides for the Branch Head (Assistant Secretary, Management Audit) to report to the Secretary through the Inspector-General and Defence's audit committee, known as the Defence Audit and Program Evaluation Committee (DAPEC). MAB's main office is in Canberra and it has an office (Directorate) in all State capitals except Hobart. MAB is responsible for all Defence's internal audit activity, from compliance and financial regularity to effectiveness and efficiency auditing. Performance evaluation is conducted by another Branch in the Inspector-General Division.

¹ *New Directions For Internal Audit—A Guide for Public Sector Managers*, ANAO July 1998.

² 'Defence' comprises the Department of Defence and the Australian Defence Force (Navy, Army and Air Force).

1.4 MAB has 63 personnel and is estimated to cost \$4.2 million per annum (comprising salaries \$3.6 million and additional expenditure \$0.6 million). In the absence of full-costing details, the ANAO, using costing guidelines, estimated that the full costs of MAB would exceed \$9 million per annum.³ MAB produces over 100 internal audit reports⁴ a year and also supports fraud investigations and carries out other investigative tasks.

Commonwealth agencies' internal audit and GAIN

1.5 The ANAO periodically examines Commonwealth agencies' internal audit as a group in order to make comparisons. As part of such an audit in 1997–98, the ANAO utilised an international database maintained by the Institute of Internal Auditors in the United States—the Global Audit Information Network (GAIN)—to benchmark the audited organisations against international best practice. The GAIN survey is conducted every three years and MAB has participated in each survey. MAB is one of 50 Commonwealth agencies included in the 1997–98 survey and is participating in a further survey that is expected to be reported in 2001.

1.6 The 1997–98 survey results were reported in 1998. The report did not disclose data on individual agencies' internal audit. In summary, the report commented that:

- management support for internal audit was not as strong as could be expected for such a fundamental component of the control environment of an organisation;
- there was an apparent lack of effective communication between a number of heads of internal audit and their audit committees;
- there was a need to develop a culture that encourages continuous improvement, and systematic measurement and reporting of performance effectiveness; and
- a majority of internal audit units capture and report some useful timeliness and quality performance information, but less attention is paid to the cost-effectiveness of the function itself.⁵

³ The Department of Finance *Guidelines for Costing of Government Activities* July 1991 indicate that labour on-costs for superannuation, accommodation, administrative expenses and corporate support can be estimated by applying a factor of 154.4 per cent to salaries.

⁴ This includes 'capping reports'. A capping report is the culmination of separate internal audit reports not included in the total.

⁵ Auditor-General Audit Report No.46 1997–98 *Internal Audit* May 1998 pp. 6, 17, 19 and 26.

1.7 Data for the GAIN's surveys are provided to the ANAO in response to a questionnaire. Since the basis of the GAIN's report is self-assessment, the responses to the survey are subject to limited quality assurance by the ANAO that is not sufficient to guarantee integrity of the data. Nevertheless the ANAO considers the four points mentioned above are relevant in MAB's case.

The 1995 audit

1.8 The ANAO conducted a performance audit of MAB in 1995.⁶ In summary, the ANAO commented that: MAB was providing a useful and competent service to ANAO report Defence; it had developed alternative audit approaches such as national audits; its audits were generally appreciated by auditees; its reports were generally well presented; and its planning for future audits appeared to be effective. The 1995 audit also found that the quality of the audit working papers varied and there was too little follow-up on audit recommendations. Information from MAB's Audit Management Information System was noted as unreliable. The 1995 report made 22 recommendations. Two were disagreed and the rest were agreed or agreed in principle.

1.9 The audit report was reviewed in 1997 by the then Joint Committee of Public Accounts (JCPA). In the report of its review, the JCPA commented as follows:

The ANAO audit and the subsequent audit report have performed an important quality control function for Defence's Management Audit Branch. The results have been satisfactory and the JCPA is pleased to note the constructive approach displayed by all parties in relation to this audit.⁷

The follow-up audit

1.10 There is significant potential benefit to be gained from a strong and effective internal audit function. Continuing findings in ANAO audits in many areas of Defence indicate scope for improvement in management. For this reason, it was considered timely to undertake a follow-up audit of the ANAO's 1995 report.

⁶ Auditor-General Audit Report No.11 1995–96 *Department of Defence—Management Audit*, tabled in the Parliament on 27 November 1995.

⁷ Joint Committee of Public Accounts *Report 349 Review of 1995–96 Auditor-General's Reports* (February 1997) p. 7.

1.11 The objective of this audit was to assess whether Defence, and MAB in particular, had taken appropriate action on the recommendations in the 1995 audit report and to assess whether the effectiveness of the internal audit function could be improved. The audit also considered MAB's apparent impact on management practices in Defence.

1.12 Recommendations in the 1995 audit report were used as the criteria in assessing the internal audit function. Audit fieldwork involved review of MAB working papers and reports in its Brisbane, Melbourne and Canberra offices and discussion with relevant personnel in those offices. Overall planning documentation and audit strategies were also reviewed, as was documentation associated with the role and functioning of DAPEC.

1.13 The audit began in January 2000. It was conducted in conformance with ANAO auditing standards. A draft report was discussed with the Inspector-General and MAB officers in April 2000. The proposed report was provided to Defence in May for comment. The cost of the audit was \$87 000.

1.14 This report has three other chapters. Chapter 2 reviews the implementation of the recommendations of the previous audit. Chapters 3 and 4 review two issues canvassed during the current audit. These concerned the quality of MAB working papers and the role of DAPEC in relation to MAB.

2. Implementation of the 1995 Recommendations

This chapter reviews progress in implementing recommendations made in the ANAO's 1995 report on Management Audit Branch.

Introduction

2.1 The main focus of the follow-up audit was to review MAB's progress in implementing recommendations made in the ANAO's 1995 report on Management Audit Branch.⁸ Set out below are the 1995 recommendations, the Department's response at the time, MAB's latest advice and the ANAO's comments on the follow-up findings. From the follow-up findings, the ANAO has formulated some further recommendations, set out at the end of this chapter. The latter are designed to prompt further implementation action on the main issues that are outstanding.

Implementation of the recommendations

1995 Recommendation No.1—The ANAO recommends that the Department give serious consideration to inviting an expert independent outsider to be a member of the Defence Audit and Program Evaluation Committee (DAPEC).

1995 Departmental response—Not agreed. The committee has considered this proposal but, after noting ANAO observer status, decided on balance against the addition of external members on a full-time basis at this time, noting that external advice and representation could be sought when necessary. The Department notes also that few other agencies have appointed external members to their audit committees.

MAB advice in 2000

2.2 Defence has appointed an independent member. The appointment was made late in 1997.

ANAO comment

2.3 At the JCPA hearing on the ANAO report in 1996, Defence indicated that it did not object to the recommendation.⁹ See further comment on independent members in Chapter 4.

⁸ Auditor-General Audit Report No.11 1995–96 *Department of Defence—Management Audit*.

⁹ Joint Committee of Public Accounts *Report 349 Review of 1995–96 Auditor-General's Reports* p. 6.

1995 Recommendation No.2—The ANAO recommends that MAB ensure DAPEC’s role of guiding audit selection is reinforced by measures such as regularly reporting on audit topics which have not attracted management support, and providing DAPEC with more options when choosing audit topics to better determine overall priorities.

1995 Departmental response—Agreed. However there should be no question of DAPEC’s current capacity to adjust priorities and direct topics for audit attention.

MAB advice in 2000

2.4 MAB has undertaken considerable consultation with Defence Groups in identifying and ranking audit topics. A Medium Term Audit Strategy (MTAS) has been developed to better identify key emerging issues and ensure a holistic approach to identification of risk and materiality in the Department. This, in turn, enables an integrated overall priority list to be set. No audit topics identified by MAB have been opposed by management. If such a situation were to arise, the Inspector-General would raise the matter with the Secretary or the Chief of the Defence Force to consider.

ANAO comment

2.5 The ANAO review found that suggestions for audits come from a number of sources: the DAPEC; the risk profile from the Medium Term Audit Strategy (see 1995 Recommendation No.10); MAB’s Directors and their staff; and the Defence Audit Evaluation Working Group (DAEWG).¹⁰ Although the ANAO did not find any instances where management opposed an audit topic formally proposed in the Audit Work Program, management has an opportunity to dissuade MAB from programming an audit before it enters the program.

2.6 MAB’s Mission Statement is to ensure all material high-risk areas are identified and audited in order to minimise inefficiency and fraud.¹¹ A section of Defence’s *Chief Executive Instructions* fulfils the role of an internal audit charter and notes that audit coverage is to be based on ‘a risk management approach.’¹² The Medium Term Audit Strategy is prepared on the basis of a risk analysis of Defence activity but the analysis process is still in its early stages of development.

¹⁰ DAEWG was formed as an amalgamation of the Defence Audit Working Group and the Defence Evaluation Working Group in March 1999. It provides input to the annual schedule of proposed portfolio evaluations and the annual Audit Work Program before they are presented to DAPEC.

¹¹ MAB Orientation Program 31 January 2000—Part 3-2.

¹² Defence’s *Chief Executive Instructions* Part 1, Chapter 2.

2.7 MAB policy provides that the Head of MAB (Assistant Secretary, Management Audit) is responsible for the annual Audit Work Program submitted to DAPEC for consideration and approval.¹³ The objectivity of the Audit Work Program would be more evident if there were a more formal process for collating a list of possible audit topics proposed from all sources and annotating the list to indicate whether particular topics had been excluded from the Audit Work Program. The list could be submitted to DAPEC to enable it to consider options and review any topics excluded from the Audit Work Program. This would also enhance MAB's independence and credibility.

2.8 The audit also found that MAB reporting to DAPEC would benefit from a more disciplined approach and continuity in its execution. From 1998–1999 to 1999–2000, 47 audit topics were removed from the Audit Work Program without notification or explanation to DAPEC.¹⁴ If DAPEC is to have effective responsibility for the audit work program, it should be advised of decisions that affect that program.

2.9 The ANAO considers that DAPEC needs to give more guidance in developing the audit program and more support in the implementation of the program. This is discussed further in Chapter 4.

1995 Recommendation No.3—The ANAO recommends that the Department strengthen MAB's mandate by clearly defining the obligations of Defence personnel to provide information to MAB auditors.

1995 Departmental response—Agreed. The Inspector-General, to whom MAB reports, operates under a joint directive from the Secretary and the Chief of the Defence Force, which provides for unfettered access to Departmental information and material. There has been no case of a Defence officer refusing access on the grounds of some claimed exemption. However, the Department accepts that the Directive is now four years old and could benefit from review and improved definition.

MAB advice in 2000

2.10 MAB's mandate has been included in Defence's *Chief Executive Instructions* (Volume 2, Part 1, Chapter 2), which receive wide circulation in Defence.

¹³ MABI (Plan) 1 February 2000 *Development of the Medium Term Audit Strategy and the Audit Work Program* paragraph 9.

¹⁴ This was from a sample of MAB's Directorates tested against the 1998–99 Audit Work Program. A total of 47 audit topics were not reported to DAPEC as completed, suspended or cancelled. Nor were they carried over to the 1999–2000 work program.

ANAO comment

2.11 The *Chief Executive Instructions* provide for the Inspector-General to have:

...unfettered access to information, data, establishments and personnel. Accordingly, MAB auditors are to have access to all information and material required for the conduct of MAB audits, provided they hold the relevant clearances. Disputes over access are to be referred to the I-G.

2.12 Although the joint Directive of 1991 has not been updated, the recommendation in effect has been implemented by means of the Chief Executive Instructions. MAB auditors reported that they had been given ready access to information and that any problems were minor in nature and dealt with informally.

1995 Recommendation No.4—The ANAO recommends that the Inspector-General Division promote greater interaction between audit and evaluation through improved sharing of plans and other information to ensure greater effectiveness of review functions.

*1995 Departmental Response—*Agreed in principle. It is agreed that there are similarities between the skills of audit and evaluation, particularly as regards the cooperative, client-service orientated performance end of the audit spectrum. There is a greater separation, however, between evaluation and the more formal arm's length process of compliance-focused audits. For these, and for organisational reasons, particularly in an agency as large as Defence, there is a compelling case for separate resourcing of two functions. Program evaluation reviews and most audits are planned well ahead in time, the schedule of planned work is presented to the same high-level committee, the DAPEC, and adjustments to work schedules are thereby facilitated. It is believed that plans and information are currently being adequately shared, but opportunities to improve this interchange will be taken.

MAB advice in 2000

2.13 MAB consults the Program Evaluation Directorate in developing the Audit Work Program and, where appropriate, they share information. There is considerable informal consultation between the heads of MAB and the Performance Evaluation Directorate.

ANAO comment

2.14 Information interchange between audit and evaluation is limited. The Defence Audit Evaluation Working Group (DAEWG) was intended to be the main formal point of liaison between audit and evaluation.

Under the DAEWG terms of reference, senior managers are '*directly involved in determining the Schedule of Portfolio Evaluations and the Audit Work Program for the next financial year.*' DAEWG has met once (March 1999). The ANAO found no evidence of any other significant exchange of planning information between MAB and the Performance Evaluation Directorate. The ANAO is unable to comment on the level of informal interaction between the two areas.

1995 Recommendation No.5—The ANAO recommends that MAB, in order to establish a workable database of lessons learnt from capital investment audits, use the existing Audit Management Information System (AMIS) database and also contribute to the database being developed by the Acquisition and Logistics Program.

1995 Departmental Response—Agreed. Over the past few years, as part of its program of continuous improvement, MAB has put significant investment into the development of IT support, including a lessons learnt database in Paradox, then a state-of-the-art PC database. The Paradox lessons learnt database now has data loaded and is in use particularly by the Capital Investment Directorate, for which it was primarily designed. Developments associated with the Lotus Notes based Audit Management Information System (AMIS), begun later, are continuing. As familiarity with this software has grown, its flexibility and potential have been recognised. Applications as an extension of the MIS are continuously being identified and developed, and migration from the current Paradox based system may well be justified at some point. In parallel with this, continuing discussions are being held with the A&L [Acquisition and Logistics] organisation, which is developing a Lotus Notes based MIS, concerning data and application sharing between the two groups.

MAB advice in 2000

2.15 This recommendation had been overtaken by events. AMIS is not regarded as the appropriate mechanism for recording lessons learnt, as this would involve writing a new program onto it. The Acquisition and Logistics Program, now Defence Acquisition Organisation, has established its own lessons learnt database called ProMIS.¹⁵ All Capital Investment audit reports that contain lessons learnt receive wide circulation within DAO, which records MAB lessons learnt onto ProMIS.

¹⁵ Project Reporting and Monitoring System.

ANAO comment

2.16 ProMIS is not readily accessible to MAB, though access can be gained if required. The main benefit of a lessons learnt database is to provide an information resource for managers to benefit from better practice and to avoid past mistakes. Auditors can also use lessons learnt on earlier projects to test whether the lessons are being applied. The utility of the ProMIS database would be enhanced if MAB had direct access to it.

2.17 An ANAO report last year expressed reservations about DAO's ProMIS and lessons learnt database. That report commented that the database contained little by way of lessons learnt from major acquisition projects such as the New Submarine Project.¹⁶ That aside, the ANAO considers that DAO should provide MAB with ready access to ProMIS, in order to achieve the benefits of a lessons learnt database on capital acquisition projects.

1995 Recommendation No.6—The ANAO recommends that MAB record the results of Commanders' audits¹⁷ and include general lessons learnt from these audits in MAB's summary reports to Program Managers and the audit committee.

1995 Departmental Response—Agreed.

MAB advice in 2000

2.18 Findings, system strengths and weaknesses, and audit recommendations are included in MAB's biannual *Report to Group Managers*, which is now a comprehensive document. MAB's annual report to DAPEC also contains a summary of completed audits, significant lessons learnt and trends identified during the year.

ANAO comment

2.19 MAB's *Reports to Group Managers* provide summary information about MAB's reports under various headings such as findings, strengths, weaknesses and outcomes. These reports are distributed to all Defence's SES¹⁸ officers and equivalent military officers. However, the reports do not provide enough detail to be useful except as a pointer to a potential source of information. They provide a means of advising Defence personnel of the subject and broad findings of MAB's audits, and this

¹⁶ Auditor-General Audit Report No.13 1999–2000 *Management of Major Acquisition Projects—Department of Defence* (p. 53).

¹⁷ Audits conducted by MAB for unit commanders.

¹⁸ Senior Executive Service.

allows personnel to seek further information on areas relevant to current issues. The reports could do more to highlight lessons learnt from audit findings.

1995 Recommendation No.7—The ANAO recommends that MAB take steps to give a more national focus to its compliance work.

1995 Departmental Response—Agreed. This has in fact been under way for some time. The financial management audit strategy, proposed by MAB in 1994 and now in place, is perhaps the primary example. The development of standard audit action packages and moves to standardise planning for major reviews of units are others.

MAB advice in 2000

2.20 MAB advised that greater attention has been given to a more national focus on compliance/assurance work undertaken by its Directorates. A number of national audits have been programmed, based on risks identified in the course of audits undertaken in one region and considered likely to exist in units in other regions. National audits on *Stores Administration* and *Financial Administration at Reserve Units* are current examples of such audits that were extended Australia-wide. Audits of *Weapons Systems Logistic Management Squadrons (WSLMS)* are currently being undertaken on a similar basis. A compliance audit of *Weapons and Ammunition Security* at all armouries is near completion.

ANAO comment

2.21 There are indications of a more national focus to MAB's compliance work¹⁹ but it could be more structured for greater effectiveness. A recent ANAO audit in Defence Estate Organisation found frequent instances of payments to contractors towards the end of the financial year that did not comply with the Chief Executive's Instructions.²⁰ A stronger national focus by MAB on compliance work would help to identify the extent of this practice and to gauge the seriousness of the problem. An overall plan to highlight significant compliance issues when they arise, and to review them across Defence, would provide the attention to compliance issues sought by the recommendation.

¹⁹ 'Compliance work' is essentially the same as 'assurance work'. Compliance auditing checks compliance with relevant rules, procedures, guidelines and laws, as well as good business practice.

²⁰ Auditor-General Audit Report No.37 1999–2000 *Defence Estate Project Delivery*.

1995 Recommendation No.8—The ANAO recommends that MAB reduce its range of non-audit services, and market its core services more vigorously.

1995 Departmental Response—Agreed.

MAB advice in 2000

2.22 The biannual *Reports to Group Managers* are now distributed to all Senior Executive Officers (SES) officers and their military equivalents in Defence. In each edition, the frontispiece markets MAB's core service and invites potential clients to contact MAB to see how MAB may be of assistance. In addition, members of the Defence Audit and Evaluation Working Group (DAEWG), which meets to discuss audit topics for the following year, are aware of the services that MAB can provide.

ANAO comment

2.23 Use of the *Reports to Group Managers* as the prime means of advertising internal audit services is of limited benefit and a passive approach to marketing. The only personnel who would see the frontispiece are those for whom the report itself is relevant, and this limits the advertising potential of the frontispiece. A more effective way of marketing MAB's core services would be for MAB's senior management to promote MAB services by more openly canvassing potential clients.

1995 Recommendation No.9—The ANAO recommends that MAB avoid undue delays in issuing its formal Management Audit Branch Instructions (MABIs) to staff.

1995 Departmental Response—Agreed in principle. The only significant instance underpinning this recommendation related to the need to clear legal aspects of the instruction concerned.

MAB advice in 2000

2.24 MABIs are now issued promptly.

ANAO comment

2.25 Some MABIs have taken a significant time to be issued. A proposed MABI arising from Recommendation No.3 (strengthening of MAB's mandate) was endorsed in 1996 but not issued until 1999. During the follow-up audit, MAB reviewed and up-dated the MABIs and, in March 2000, re-issued them. The ANAO noted MAB's efforts during the audit to bring the MABIs up to date.

1995 Recommendation No.10—The ANAO recommends that MAB develop a medium-term strategic plan setting out all elements of MAB's future directions, and submit it to DAPEC for consideration and approval.

1995 Departmental Response—Agreed in principle. The development of a useful strategic audit plan in an organisation as diverse and complex as Defence is not a straightforward task. To date it has been found more reliable to take a tactical, more subjective approach based on adequate coverage of audit categories, defence functions and issues of priority to management. However, greater attention will be given to development of a more strategic framework for MAB audit functions, including the programming of audits.

MAB advice in 2000

2.26 A *Medium Term Audit Strategy* (MTAS) based on materiality and risk and covering a three-year time-frame has been developed. In addition, separate detailed risk assessments are conducted each year for major capital acquisitions and the Defence financial statements. The latter risk assessment is conducted and agreed in conjunction with the ANAO. Audit topics identified from the MTAS, and the other risk assessments feed into the annual Audit Work Program (AWP). Both the MTAS and AWP are approved by DAPEC.

ANAO comment

2.27 MAB's 1998–99 Annual Report to DAPEC identified, as a key initiative for the year, the development of a medium term audit strategy. DAPEC suggested increasing the AWP time-frame from 12–18 months to a three-year outlook.²¹ DAPEC decided (August 1998) that the medium-term strategy needed to evolve further and incorporate other factors including risk, materiality and scope for impact.

2.28 The MTAS is a good starting point for developing a medium-term strategic plan, as envisaged in the recommendation. Risk-assessments in MAB's Capital Investment and Financial Management Directorates adequately address the recommendation in relation to these areas. It would be worthwhile if such risk assessments were undertaken for all areas of Defence and linked to current and expected future audit resources and coverage of the main risks identified by this process.

1995 Recommendation No.11—The ANAO recommends that MAB use its revised audit management information system (AMIS) to record time spent on audits accurately and to review time spent against budget.

1995 Departmental Response—Agreed in principle. The recommendation does not recognise the fact that AMIS has been under development in the Lotus Notes environment since 1993. It did not adequately measure performance in the year to which the ANAO has given primary attention, but is now operational, and from 1995–96 is recording the information recommended.

²¹ MAB Orientation 2000 pp. 3, 14.

MAB advice in 2000

2.29 AMIS now allows MAB's Directors to record actual time spent on audits against budget.

ANAO comment

2.30 A MAB instruction requires MAB staff to record and report time usage fortnightly. Directors are to '*ensure that staff are recording time usage and updating the Time Monitoring module of AMIS*'. The purpose is said to be to '*actively plan, monitor and review the allocation of audit resources*.'²²

2.31 The time-recording requirements are appropriate but implementation is inadequate. For a clear picture of audit resource usage, it is important that all time spent be recorded. The only data available on time spent related to 1998–99 and are summarised in Table 1. The data indicate that the number of days spent on audits in that year was only 56 per cent of days allocated. If the data for days spent on audits are accurate, MAB spent a very large proportion of its resources on non-audit tasks. If, as is more likely, times were not accurately recorded, MAB should take action to ensure that all time spent on audits is recorded against those audits.²³ Without reliable and suitable time-charging, there must be some doubt about the validity of audit costings. New Recommendation No.1 at the end of this chapter incorporates a suggestion for better time recording.

²² Department of Defence Inspector-General Division March 2000 *Availability and Monitoring of Audit Resources* MABI (Gen) 3.

²³ In response to the ANAO's draft audit report, MAB in May 2000 produced data indicating that in 1999–2000 the number of days spent on audits in that year would be 86 per cent of days allocated, which it said was an improvement on the picture gained from the previous year. However, MAB accepted the need for better time recording.

Table 1**MAB auditors' days spent on audits 1 July 1998 to 1 May 1999**

<i>MAB Directorate</i>	<i>A Days spent 1/7/98–1/5/99</i>	<i>B Days allocated 1/7/98–30/6/99</i>	<i>C Pro-rata days allocated 1/7/98–1/5/99</i>	<i>D Days spent as % of pro rata days allocated</i>
Capital Investment	153	1700	1417	11
Financial Management	595	1320	1100	54
Information Technology	718	1325	1104	65
Australian Capital Territory	358	1000	833	43
South Australia	6	350	292	2
New South Wales	562	1275	1063	53
Northern Territory / Kimberleys	148	300	250	60
Queensland	1412	1650	1375	103
Victoria / Tasmania	602	1000	833	72
Western Australia	410	700	583	70
Total	4964	10 620	8850	56

Note: A and B come from *Management Audit Branch 1998/99 Reconciliation Audit Work Program by Directorate, Resource Allocation & Origin as at 1 May 1999.*

C estimated as $10/12^{\text{ths}}$ of B.

D calculated as A/C .

1995 Recommendation No.12—The ANAO recommends that MAB reinstitute a program of internal quality assurance if annual external reviews are not maintained.

1995 Departmental Response—Agreed.

MAB advice in 2000

2.32 Some cross-directorate reviews have been undertaken. The Policy and Operations Directorate has reviewed reports produced by the NSW Directorate, and the then Policy, Research and Training Directorate QA'd reports from most regional directorates.

ANAO comment

2.33 Management Audit Branch Instruction (MABI) 1/97 *Policy on Quality Control System* set out the quality control measures to be undertaken. However, the instruction was not re-issued in the 2000 series MABIs. Reporting Requirements²⁴ do, however, require that MAB's Directors take responsibility for quality control of the reports, and there is some evidence that they do so.

2.34 Quality control is distinct from quality assurance. As the ANAO noted in the 1995 report, there are two basic forms of quality review:

- quality control—a system of procedures in normal production to check quality on a day to day basis; and
- quality assurance—independent assessment that the quality control system is effective and consistent.

2.35 MAB lacks the latter. It needs quality assurance to ensure the maintenance of consistent quality across all Directorates. Professional accounting requirements call for inspection procedures to provide reasonable assurance that quality control policies and practices are operating effectively. These inspection procedures can be carried out by personnel external to the practice (in this case MAB).²⁵

2.36 MAB could implement quality assurance by a cross-directorate peer review process whereby an experienced auditor/audit manager could review audits from another directorate. Alternatively, MAB could seek to arrange for an exchange of review with another organisation's internal audit group, subject to appropriate security clearances.

2.37 The recommendation has still to be implemented and is incorporated in new Recommendation No.1 at the end of this chapter.

²⁴ Department of Defence Inspector-General Division March 2000 *Reporting Requirements MABI (Report)* 1 paragraph 1.

²⁵ Australian accounting professional statement APS5 *Quality Control Policies and Procedures General Guidelines* states as follows:

50 A practice should establish policies and procedures for inspection and review to provide reasonable assurance that the other procedures designed to maintain the quality of the practice are being effectively applied. Inspection and review policies and procedures should be related to the nature and extent of controls and monitoring procedures established for the other elements of quality control. While this function is normally performed by the practice's personnel, procedures for inspection may be developed and performed by persons other than the practice's personnel acting on behalf of the practice.

51 Determine the inspection procedures necessary to provide reasonable assurance that the practice's other quality control policies and procedures are operating effectively...etc.

1995 Recommendation No.13 – The ANAO recommends that MAB ensure all working papers reach a satisfactory standard by taking steps such as training, direction of staff by managers, inclusion of advice in the audit manual and a program of quality assurance.

1995 Departmental Response—Agreed. The MAB policy manual contains substantial guidance on maintenance of working papers. MAB provides training courses for new starters on the concepts and practices of audit. This program is undergoing revision and a policy is being developed on a self-paced learning package for new starters. MAB managers are required to review audits under way and on completion and to comment on the adequacy of the working papers.

MAB advice in 2000

2.38 MAB's Directors are responsible for achieving their component of the Audit Work Program and for quality assurance of reports and working papers in their directorate. MABIs are issued centrally on policy and operational matters where consistency of information is necessary to produce management reports.

ANAO comment

2.39 MAB's *Orientation 2000* program provides for staff training on: the Audit Management Information System (AMIS); Audit Recommendations Management System (ARMS); MABI database; and the Future Audit Topic Database. It also has information on Lotus Notes, contact names and web sites. MABIs give direction to staff on matters such as '*Availability and Monitoring of Audit Resources*' and '*Reporting Requirements*.'

2.40 MAB has made some progress in improving the training and development of auditors. Guidance provided by the MABIs, although not yet comprehensive, is useful. Further development of the MABIs will provide an improved technical resource base for auditors. However, as indicated in relation to Recommendation No.12, the issue of quality assurance has not been addressed. See also Chapter 3.

1995 Recommendation No.14—The ANAO recommends that MAB ensure that performance against its performance objectives is measured and reported to the DAPEC.

1995 Departmental Response—Agreed. Substantial work has been done to refine performance measures for 1995–96. The Branch Management Plan and Directorate Action Plan now contain clear statements about performance targets, and AMIS now has the capabilities required for proper measurement.

MAB advice in 2000

2.41 *Qualitative* performance indicators are a more important and relevant measure of MAB's performance than *quantitative* ones. Consequently, MAB places more emphasis on DAPEC's assessment and feedback from clients, as to its performance and the quality of its services. MAB receives more requests for audits, advice and assistance than it can satisfy, which is an indicator of clients' confidence in the quality, usefulness and timeliness of its services.

2.42 In respect of quantitative performance indicators, MAB *does* report the number of audits completed in its annual report to DAPEC. However, MAB does not complete all the audits in its AWP because:

- it has deliberately set tight budgets for audits to maximise staff efficiency; and
- it is willing to replace audits in the AWP with new ones of higher priority that may have emerged during the year.

ANAO comment

2.43 Interviews with MAB auditors indicate that some proposed audits are replaced with others that emerge throughout the year. Although higher-risk audits may require immediate attention, it is essential that the visibility of original audits is not lost in the process. MAB should report changes in the audit program to DAPEC. DAPEC is given insufficient information about MAB's audits to enable an informed assessment of MAB's performance. MAB/DAPEC interaction and feedback on audits are limited. DAPEC could have an important role in checking that audits are not sidelined or deleted from the program without reason and explanation to DAPEC. This is discussed further in Chapter 4.

2.44 MAB's two six-monthly *Reports to Group Managers* for the 12 months to September 1999 reported a total cost of audits of \$2.2 million. This is substantially less than MAB's estimated direct annual cost of \$4.2 million. Although these figures are not directly comparable²⁶, they indicate substantial under-reporting of MAB costs, even on a direct cost basis.²⁷ As indicated under 1995 Recommendation No.11 above, there must be some doubt about the validity of audit costings without reliable and suitable time-charging.

²⁶ Some MAB tasks are not reported in MAB's six-monthly *Reports to Group Managers*.

²⁷ See paragraph 1.4 regarding direct costs and full costs.

2.45 Information on the cost and duration of work is necessary for planning and budgeting and for assessing performance against expectations or targets. DAPEC's responsibility for monitoring the internal audit function requires that MAB institute a reporting discipline to enable it to report at least the following performance information to DAPEC:

- total cost of providing audit services;
- cost of each audit, with explanation of costing method;
- total cost not charged to audits, and a breakdown of these costs;
- average length of time from audit initiation to issue of final report; and
- percentage of auditors time that is allocated to audits.

2.46 The requirement for better time-recording and costing has been incorporated in new Recommendation No.1 at the end of this chapter.

1995 Recommendation No.15—The ANAO recommends that MAB ensure the basic information about each audit's timing, conduct and cost is included in the relevant audit report.

1995 Departmental Response—Agreed in principle. MAB considers that basic information about each audit's timing, conduct and resource usage should be included in the audit report. The degree of detail to be included is a matter for further consideration.

MAB advice in 2000

2.47 Basic information about each audit's timing and the staff who conducted the audit are included in relevant audit reports. The cost of audits is included in MAB's *Reports to Group Managers*.

ANAO comment

2.48 Defence addressed this recommendation through a MABI that requires each audit report to itemise: the background areas to the audit; focusing and supporting questions; audit coverage; audit methodology; timing of field work; and audit resources.²⁸ However, MAB audit reports do not, as a general practice, adhere to these requirements.

²⁸ Department of Defence Inspector-General Division March 2000 *Reporting Requirements MABI (Report) Part 2—The Audit*.

2.49 Although costing of audits is still under-developed, available information on audits indicates that there have been some time and cost overruns. MAB's most recent six-monthly *Report to Group Managers*, showed, in respect of 39 completed audits, the 'actual cost' including the number of days used. In total, the actual cost of the audits was 29 per cent in excess of the initial estimates.²⁹ The costing basis was not specified but the cost appeared to be calculated on the basis of days spent. It was unclear whether other costs such as travel were included. The Report also summarised two national audits but indicated that, due to limitations of the audit management information system, cost details could not be accurately provided.

2.50 MAB has still some way to go in implementing the recommendation. But, before data on the timing and cost of individual audits can be included in audit reports, MAB will need to implement better time and cost recording systems. See comment under 1995 Recommendations Nos.11 and 14. The need for better time-recording and costing has been incorporated in new Recommendation No.1 at the end of this chapter.

1995 Recommendation No.16—The ANAO recommends that MAB implement a policy of internal formal review before a report is issued. This review should focus on the arguments leading to recommendations.

1995 Departmental Response—Agreed in principle. MAB has an established framework of review at Director, Branch head and, in some cases, peer level, depending on the nature and relevance of the reports. Steps are to be taken to consolidate that framework more formally.

MAB advice in 2000

2.51 MAB's Directors are responsible for reviewing reports for logic, robustness and internal consistency, as part of a quality checking process.

²⁹ *MAB Report to Group Managers and Selected Senior Officers on Audit Activity during the Period 1 April 1999 to 30 September 1999* showed, in respect of 39 completed audits, the 'initial estimate' and 'actual cost' of each audit in days and dollars. Total 'initial estimates' amounted to 2298 days and \$1 019 702. Total 'actual costs' amounted to 2970 days and \$1 318 342. Total actual days and cost were both 29 per cent in excess of initial estimates. The report said, in respect of another five completed audits (including two national audits), that cost details were not available.

ANAO comment

2.52 MAB's regional Directors have an overview of the audits in their region. One regional Director maintained effective overview by means of a 'sign-off' sheet attached to audit working papers. A quality control sheet of this kind assists in maintaining audit quality. It would be beneficial for MAB if all its Directors signed a standard quality check form for each audit report and associated working papers as a prompt to ensure formal review before a report is issued and as evidence that such a review had been carried out.

1995 Recommendation No.17—The ANAO recommends that MAB develop a policy for endorsement by DAPEC of giving auditees no more than four working weeks to comment on draft reports, with possible extensions if there are sound reasons. Thereafter, MAB should proceed to distribute the final report, noting the lack of response.

1995 Departmental Response—Agreed in principle. The timing to be met may be dependent on the nature of the report and the relevant circumstances, taking account of Defence complexities. Such a policy may need endorsement by the DAPEC.

MAB advice in 2000

2.53 The scope of the audits, particularly national audits, and the size and complexity of Defence, might make it impractical for responses to be provided to draft reports within four weeks, given that extensive consultation might have to occur. However, audit reports will nevertheless contain a standard paragraph requesting responses to be provided within four weeks of receipt of the draft report.

ANAO comment

2.54 As recommended, MAB developed a policy that required the audited area to indicate, within four weeks of receiving a final audit report, whether it agreed to the audit recommendations.³⁰ However, the current MABIs, which cancelled all previous MABIs, do not mention this requirement. The *Auditor-General Act 1997* gives agencies 28 days to provide any comments on the ANAO's proposed reports of performance audits. The ANAO has found that agencies have generally been able to meet this time limit. MAB has advised that it will ask auditees to respond within four weeks. However, auditees are still likely to be slow to respond without a formally-endorsed policy requiring responses within four weeks.

³⁰ MABI 1/99 paragraphs 5.42 and 5.43.

2.55 The ANAO considers that the recommendation is still valid and that omission of the four-weeks' requirement in the current instructions is likely to reduce the effectiveness of the internal audit function. The need to endeavour to gain responses within four weeks has been incorporated in new Recommendation No.1 at the end of this chapter.

1995 Recommendation No.18—The ANAO recommends that, when seeking comments, MAB specifically request that each recommendation be noted as agreed or otherwise. Responses to recommendations should then be included in the final report.

1995 Departmental Response—Agreed. It should be noted that MAB has a policy of agreeing action plans with management where possible and incorporating these action plans in final reports.

MAB advice in 2000

2.56 The *Management Action Plan* (MAP), which is an integral part of the audit report, now requires the auditee to address each recommendation and to state the time-frame when each recommendation will be implemented.

ANAO comment

2.57 The MAP requires a target date for management action to the recommendations but does not require that the auditee's comments be included in the report.³¹ The ANAO recommendation was that the auditee's responses to each MAB recommendation (for example, agree or disagree) be included in the report.

2.58 MAB implementation of this recommendation addresses the issue in a roundabout way. If the auditee does not accept the recommendation, the MAP will reflect this fact.

1995 Recommendation No.19—The ANAO recommends that MAB, with auditees, estimate any budget savings that are possible as a result of agreed action plans.

1995 Departmental Response—Disagree. Although savings or possible savings come to light routinely in compliance-orientated audits, the outcomes of performance audits, which necessarily entail qualitative as well as quantitative issues, are primarily matters for management. The value of the audit effort, which is provided as a service to management, particularly in the performance context, should not be diluted by a concentration on issues which are primarily of management concern. There may, however, be occasions on which it would be appropriate to report savings, and these will be taken.

³¹ Department of Defence Inspector-General Division March 2000 *Reporting Requirements* MABI (Report) 1.

MAB advice in 2000

2.59 Auditors are encouraged to estimate any resource savings, wherever possible. A MABI has been issued for the guidance of staff in quantifying such savings.

ANAO comment

2.60 The audit found that the MABI 2000 Series clarifies savings as being actual savings or potential gains (or revenues).³² This followed an earlier MABI³³ that called for areas of savings to be identified. However, the audit reports reviewed made little mention of savings. The ANAO acknowledges that, for many audits, recommendations are not directed at savings and, where they are, quantification is often difficult. Where considered available and significant, a minimum level of savings should be agreed with the auditee. In its annual reports, MAB provides estimates of overall savings said to be initiated by MAB recommendations, but these are not included in individual audit reports and it is unclear whether the savings estimates have been agreed with auditees. It is desirable that MAB agree any potential savings from its audit work with auditees and report them in the relevant audit report.

1995 Recommendation No.20—The ANAO recommends that MAB ensure that effective follow-up action be taken on its audits to ensure the integrity and usefulness of the internal audit function.

1995 Departmental Response—Agreed.

MAB advice in 2000

2.61 MAB's *Audit Recommendations Management System* (ARMS) has been developed to track recommendations until they are fully implemented. Follow-up audits, based on samples selected, are also programmed in the AWP to confirm the veracity of management comments where they have 'signed-off' the full implementation of recommendations.

ANAO comment

2.62 Recently developed at DAPEC's request, ARMS has required a significant effort by MAB to make it a comprehensive recommendation tracking system. It has yet to take full effect, but, if maintained appropriately, it should ensure that recommendations remain in view until they are implemented.

³² Department of Defence Inspector-General Division March 2000 *The Treatment of Resource Based Audit Findings* MABI (Field) 1.

³³ Inspector-General Division 1 September 1998 Management Audit Branch Instruction (No.2/98) *The Treatment of Resource-Based Audit Findings*.

2.63 MAB auditors may recommend in an audit report that there be a follow-up audit later. MAB’s Directors may also ask for an audit to be followed up. The Inspector-General has commented as follows:

In any case it is good management practice to follow-up on the implementation of audit recommendations....Management Audit Branch is likely to conduct follow-up audits in cases where Groups appear to be tardy in implementing recommendations, or where advice on the status of recommendations appears overstated. [Minute IG 293/99]

2.64 Analysis of MAB’s Audit Work Program found a significant variation in the proportion of follow-up audits among the Directorates, as can be seen in Table 2. Overall, follow-up audits amounted to eight per cent of all MAB audits in the Audit Work Program. By the way of comparison, the ANAO’s Performance Audit Services Group (PASG) will produce seven follow-up reports, or 14 per cent of performance audits reports, in 1999–2000.

Table 2

Follow-up audits as a proportion of all MAB audits programmed in the 1999–2000 Audit Work Program—by Directorate

	Cap Inv	Inf Tech	ACT	SA	NSW	NT/K	Qld	Vic	WA	Overall
Total audits	8	18	16	4	29	13	19	13	18	138
Follow-up audits	3	1	1	0	5	0	0	0	1	11
Follow-up audits as % of total	37.5	.5.5	6.3	0	17.2	0	0	0	5.6	8.0

Source: *Audit Work Program, Audit Tasks Approved by DAPEC 1999/2000 Management Audit Branch*³⁴

2.65 There is scope for increasing the amount of follow up work performed by MAB. Follow-up audits are useful in checking that recommendations have been implemented and ensuring a better audit result and are especially desirable in high-risk areas. It may be beneficial to require that each MAB Directorate perform a designated number of follow-up audits, particularly in high-risk areas.

³⁴ MAB’s Financial Management Directorate audits have been excluded from this table as many of those audits are similar to follow-up audits in that the same areas are revisited. The ANAO does not include financial audits in its performance indicator for follow-up audits.

1995 Recommendation No.21—The ANAO recommends that MAB consider enhancing the marketing of its services and its results by, for example, producing a more comprehensive quarterly report to Program Managers.

1995 Departmental Response—Agreed in principle. The Quarterly Report to Program Managers has been a feature of MAB operations for some time. This report is currently being expanded in its scope and detail, and the complete report is now being sent to all Program Managers.

MAB advice in 2000

2.66 Comprehensive six-monthly *Reports to Group Managers* are issued to all Defence's Senior Executive Service and equivalent military officers and the ANAO.

ANAO comment

2.67 The *Reports to Group Managers* give a summary of audits performed, with the full audit report available if required.

1995 Recommendation No.22—The ANAO recommends that MAB more actively explore the possibility of attaching auditors to relevant positions in Defence or elsewhere for staff development purposes.

1995 Departmental Response in 1995—Agreed in principle. MAB has actively promoted the secondment of good Defence staff to MAB for audit experience, and there is a steady flow of Defence staff through the Branch. Conversely MAB is keen to promote the development of its staff, including by secondment to other Defence areas. In Canberra only some 16 per cent of staff have been with the Branch in excess of five years, and less than 10 per cent for more than 10 years, which demonstrates a significant level of mobility. However, the task is not as easy in the regional offices, where the comparable figures are higher, because of the more limited opportunity for staff transfer. Nevertheless, additional steps will be taken to meet the spirit of the recommendation.

MAB advice in 2000

2.68 It is difficult implementing a vigorous staff exchange program during a period of downsizing. However, in terms of invigorating regional offices, graduate staff have been recruited and posted to those regional directorates. In addition, there is a successful exchange program between I-G Division and the Department of National Defense, Canada.³⁵

³⁵ To date, two MAB officers have been hosted by the Department of National Defense and three Canadian officers have been seconded to the Inspector-General Division.

ANAO comment

2.69 A MAB officer was also seconded to the ANAO. Some MAB auditors have pursued professional development by means of appropriate training courses. MAB and the ANAO have had discussions with regard to MAB auditors participating in the ANAO's audit methodology training courses.

Conclusion

2.70 The ANAO considers that most of the recommendations in the 1995 report have been implemented to some degree. There is evidence that MAB has endeavoured to make improvements. The follow-up audit has prompted action on some of the ANAO's 1995 recommendations where implementation had been slow. MAB should complete their implementation where relevant.

2.71 MAB should also give particular attention to enhancing certain procedures to make MAB more efficient and effective and to achieve a better outcome from its work. These relate to the need for:

- a good time-charging system to help in MAB audit management;
- quantitative performance indicators of the cost and duration of MAB's work to assist in assessing MAB's cost-effectiveness;
- a quality assurance system to check and maintain audit quality; and
- auditees' responses to draft audit reports within four weeks to ensure the relevance of audit findings.

Recommendation No.1

2.72 The ANAO *recommends* that MAB:

- (a) develop an effective system for auditors to record the time spent on audits;
- (b) develop appropriate quantitative performance indicators relating to the cost and duration of its audits in relation to approved budgets;
- (c) introduce an audit quality assurance system; and
- (d) endeavour to gain responses to draft audit reports within four weeks.

Defence response

2.73 (a) Agreed. MAB has been working during 1999–00 on improving its time system, and full implementation of the time charging guidelines in a recent Branch Instruction should achieve this recommendation.

(b) Agreed in principle. Full implementation of this recommendation has resource implications and MAB will endeavour to meet these in competition with other priorities during 2000–01.

(c) Agreed. MAB will introduce a system of cross-directorate peer reviews.

(d) Agreed. MAB will reissue a Branch Instruction, which requires responses to draft audit reports to be sought within four weeks. MAB will also follow up auditees in an endeavour to ensure that this time frame is met.

3. Audit Working Papers

This chapter discusses the sample of MAB working papers and associated reports reviewed during the course of the audit.

Introduction

3.1 Like the 1995 audit, the follow-up audit focused on MAB management processes. Although the MAB audits that the ANAO examined appeared to be performed competently and were useful, it is not practicable to make an overall assessment of audit quality and cost-effectiveness in the absence of regular feedback from senior managers and DAPEC, and reliable time-charging and costing information. This chapter focuses on certain aspects of audits that contribute to audit quality.

3.2 During the audit, the ANAO examined a sample of the working papers³⁶ from Management Audit Branch (MAB) offices in Melbourne, Brisbane and Canberra. These included papers for all classes of audit produced by MAB, including national audits, functional audits and commanders audits.³⁷ The areas that the ANAO examined included: audit initiation; objectives; findings; recommendations; and resulting action. The audits were implemented from the Audit Work Program or were initiated as a result of other stimuli, such as a letter of complaint from a member of the public. The papers were examined for soundness and their relationship to the final report.

Queensland Directorate

3.3 The Director of Management Audit in charge of MAB's Queensland office quality certifies the audit working papers produced in that office. The process of quality certification is undertaken as a continuous process implemented by the Director, who takes 'a hands on' approach throughout the progress of the audit.

3.4 Audit papers were generally sound and well researched, with some style differences among the auditors. In some reports, summary sheets were used. It would be useful to add to these the date and name of the auditor as points of reference.

³⁶ Audit working papers provide a record of the work done to plan and undertake an audit and provide factual support for the audit report.

³⁷ MAB's national audits review topics of importance in more than one region and are co-ordinated by the head (Director) of one of MAB's regional offices involved in the audit.

3.5 Overall, the audit reports associated from those working papers were well written, and the audit objectives, findings and recommendations flowed logically. However, at times, the recommendations were lost in the report or found at the back of the report in a table. Giving prominence to recommendations in an audit report helps to prompt action to implement them. Most of the audits generated sound results and some had the potential to produce savings for Defence.

Victoria/Tasmania Directorate

3.6 The working papers in MAB's Melbourne office (the Victoria/Tasmania Directorate) were of a similar standard to those in Brisbane; that is, sound and well researched. Again, different audit styles were evident amongst the auditors undertaking the work. Working papers at times lacked a working plan, and some notes were difficult to follow because of occasional discrepancies between written and typed notes. However, the final reports were productive, and some indicated a potential for savings for Defence.

Financial Management and Capital Investment Directorates

3.7 There was a greater variation in the standard of the working papers reviewed in the two Canberra-based MAB Directorates examined. Audit reports in these two Directorates were comparable in standard. Sound research work was evident, but some recommendations seemed to be cursory and obscured in the audit working papers. Some recommendations could have been more strongly worded, and placed at the front of the report. Findings alluded to in the working papers were sometimes skimmed over or softened in the final report for reasons unclear in the working papers. Although there may be valid reasons for an audit report not to refer to all audit findings, it is important that MAB maintain its independence and not allow reports to be softened unnecessarily.

Overall assessment of working papers

3.8 Working papers were generally sound but often lacked a table of contents. Some audit working papers did not include a copy of the final report. Few working papers had clearly identified the goal of the audit and most lacked a clear test program. Given the size of Defence and possible flow of audit staff between offices, working papers need to be clear and logical, easily picked up and followed by another MAB auditor. There is also the possibility, particularly where an audit covers an area subject to fraud investigation, that audit working papers will be used as evidence in a court case. This increases the need for them to be clear and

accurate. Working papers should incorporate an 'audit trail' that indicates the links between audit goals, objectives, evidence, findings, recommendations and costings.

3.9 Audit objectives were not always clearly planned and defined in the working papers. However, in some cases hand-written notes alongside correspondence or other documents could be interpreted as the audit objectives. Generally, the objectives, whether documented or only deduced from the work done, were comprehensively addressed in an orderly fashion. Research on the objectives was often instrumental in further clarifying the focusing question.

3.10 Audit findings were thoughtful, balanced and relevant to the objective, and identified levels of risk and cause. Recommendations were often clearly set out at the front of a report, but in some cases were found at the end of a report in a table or obscured in the text of the report. At times the recommendations had been softened and lacked clarity.

3.11 A useful addition to MAB working papers would be a plan indicating: how the objectives were to be met; who was to do the work; and the proposed schedule of events. This plan would enable reviewers to assess whether planned action was achieved. The ANAO develops such a plan for its audits prior to an audit receiving commencement approval and, apart from its usefulness in the conduct of the audit, it provides evidence of appropriate planning as required by auditing standards. Guidance for internal auditing is available in the ANAO's Audit Report No.46 1997–98 *Internal Audit*.

Recommendation No.2

3.12 The ANAO recommends that MAB institute a requirement for a plan to be developed for each audit, approved by management and maintained as part of the audit working papers to guide the audit.

Defence response

3.13 Agreed. MAB usually has an Audit Plan (or assignment memorandum) for its less straightforward audits, and this practice will be continued. Action will be taken to develop standardised plans for the more straightforward audits.

Management Audit Branch Instructions

3.14 During the course of this audit the latest version of Management Audit Branch Instructions was issued. Approved on 30 March 2000, they take precedence over the *General Policy Audit Manual* and cancel all previous MABIs. They are structured to cover General, Planning, Fieldwork and Reporting topics, with headings such as, '*The Audit Management Information System (AMIS)*', '*Development of the Medium Term Audit Strategy (MTAS)*' and the *Audit Work program (AWP)*' and '*The Treatment of Resource-Based Audit Findings.*'

3.15 Previously, MABI 1/97 addressed '*Policy on Quality Control System*' and outlined the required quality control measures, which included a checklist for the working papers. This was replaced by the MABI on '*Reporting Requirements*',³⁸ and which covers the areas of layout, distribution and post-audit tasks for the report but omits reference to working papers. Nor does the MABI refer to a need for an audit report to include comments from the auditee, although the ANAO considers that inclusion of audit comments is necessary to give balance to the final report.

3.16 MAB's required report layout refers to the identification of key high-level issues but not recommendations. If the objective of the audit is to promote improvement in procedures and practices, recommendations need to be clearly laid out at the front of the report.

3.17 Auditors' names were mentioned in working papers and audit reports only infrequently. Omission of names makes it necessary to rely on the memory of office staff for information when an audit file is needed for a follow-up audit or other review. Inclusion of auditors' names in reports and other audit documents would engender ownership of the report and accountability.

3.18 Audit reports are read by a variety of people with varying needs. These could include staff from the audited area, senior management, the ANAO, Director of Public Prosecutions (DPP) and the JCPAA. It would be preferable for MAB report layouts to be standardised. For example, recommendations and summaries are a critical part of the report and therefore need to be at the front of the report, not dispersed throughout the report or at the end of the report as proposed by the MABIs.³⁹ The summary and recommendations also need to be understood in isolation without reference to other parts of the report.

³⁸ Department of Defence. March (2000) Management Audit Branch Instructions Series 2000 MABI (Report) 1.

³⁹ Department of Defence. MABI (Report) 1. Part 3. p. 7.

3.19 Another benefit that can be gained from a good internal audit function is the dissemination of good practice. When auditors note an example of innovative practices which may have application in other areas, the discussion and dissemination of these practices in audit reports can result in improvements in areas beyond the audited area.

Conclusion

3.20 The working papers and reports reviewed in this audit indicate that MAB has staff with the appropriate ability and knowledge to develop a sound product but the application of this ability is not consistent across MAB's Directorates. MAB could do more to enhance and standardise the way that its auditors prepare working papers and audit reports. Introduction of appropriate independent quality assurance, as distinct from ongoing quality control, would assist in achieving a greater degree of consistency in MAB's work. Recommendation No.1(c) of this report, if implemented well, would be significant in developing a generally high standard of audit work and documentation. There would be benefits from preparing a plan for each audit.

4. Defence Audit and Program Evaluation Committee

This chapter considers the role of the Defence Audit and Program Evaluation Committee and the need for the Committee to support the work and findings of Management Audit Branch.

Introduction

4.1 The role of a public-sector agency's audit committee is to promote accountability and effectiveness of the agency, and best practice in the use of public resources. An active audit committee is an important part of an agency's corporate governance. Given Defence's size, complexity and budget, Defence's audit committee, known as the Defence Audit and Program Evaluation Committee (DAPEC), has an important role in helping Defence achieve its mission.

4.2 The support that senior management, through DAPEC provide to MAB will be a major determinant of the effectiveness of internal audit as an agent for improvement. If MAB is perceived as being unsupported by DAPEC, the results from work performed by internal audit will be taken less seriously. DAPEC's leadership and demonstrated support of internal audit are essential if the underlying principles of the *Financial Management and Accountability Act 1997* (FMA Act) are to be complied with.

4.3 In this context it is noted that:

- DAPEC does not review audit reports, although normal audit committee practice is to do so, and Commonwealth agencies' audit committees have obligations to review certain audit reports under the FMA Act; and
- attendance by Defence members of DAPEC at DAPEC meetings has been irregular, although members of senior Defence committees are required to attend meetings unless they are on leave or absent from Canberra on duty.⁴⁰

⁴⁰ Defence Reference Book 4 (Senior Defence Committees) Edn 12.

Chief Executive's and DAPEC's responsibilities

4.4 The FMA Act provides that an agency's Chief Executive must manage the affairs of the agency in a way that promotes efficient, effective and ethical use of the resources for which the Chief Executive is responsible. It also provides that a Chief Executive must establish and maintain an audit committee for the agency, with the functions and responsibilities required by the Finance Minister's Orders (FMOs).⁴¹ The FMOs relating to audit committees are as follows:

2.1.1 *The terms of reference for an Audit Committee established under section 46 of the Act must include particulars of membership, frequency of meetings, functions and responsibilities of the Committee.*

2.1.2 *The functions and responsibilities of an Audit Committee include:*

- (a) the approval of internal annual and strategic audit plans of the Agency;*
- (b) the review of all audit reports involving matters of concern to senior management of the Agency, including the identification and dissemination of good practices;*
- (c) the provision of advice to the Chief Executive on action to be taken on matters of concern raised in a report of the internal auditors or in a report of the Auditor-General concerning the Agency;*
- (d) as far as practicable, the coordination of audit programs conducted by internal auditors and the programs conducted by the Auditor-General; and*
- (e) the provision of advice to the Chief Executive on the preparation and review of financial statements of the Agency.*

⁴¹ FMA Act, Part 7—*Special responsibilities of Chief Executives*, sections 44 and 46.

4.5 The FMA Act and the Finance Minister's Orders came into operation on 1 January 1998. It is clear from the provision for audit committees in the FMA Act that they are intended to be an important part of corporate governance and an aid to Chief Executives in meeting their responsibilities under section 44. An ANAO report in 1999 commented that DAPEC has been slow to give effect to the functions set out in the FMOs regarding review of audit reports and advice to the Chief Executive.⁴² The current audit found that DAPEC still does not review MAB audit reports or ANAO performance audit reports, although many involve matters of management concern. DAPEC did not, for example, review the ANAO's 1998 report on the New Submarine Project⁴³ or the ANAO's 1999 report that commented on DAPEC.⁴⁴ Both reports were reviewed by Parliament's 'audit committee', the Joint Committee of Public Accounts and Audit.

4.6 In his public statement on the project to acquire and refit two ex-US Navy amphibious transport ships, the Minister said that there were important lessons for Defence from the handling of that project. He said that these included the need for more active involvement by senior oversight committees.⁴⁵ The Minister released two reports on the project. One was a summary of two reports by MAB that had not been reviewed by DAPEC.

4.7 The Secretary, in a recent wide-ranging address to the National Press Club, said that: there was widespread dissatisfaction with Defence's performance in Canberra; the current state of Defence's financial situation against the Forward Estimates might best be described as parlous; the state of Defence's financial situation has come as a shock to the Government; Defence must shift the concentration of its management and decision-making from a short-term cash driven input-based approach to a focus on outputs and financial sustainability; there was poor performance accountability; and a need to get corporate processes and systems right to enable and sustain a substantial improvement.⁴⁶ The ANAO considers that these issues indicate need for DAPEC to take more interest in audit matters and to advise the Secretary on action to be taken on matters of concern raised in audit reports.

⁴² Auditor-General Audit Report No.13 1999–2000 *Management of Major Equipment Acquisition Projects—Department of Defence* (October 1999), p. 49.

⁴³ Auditor-General Audit Report No.34 1997–98 *New Submarine Project—Department of Defence* (March 1998).

⁴⁴ DAPEC considered the paragraphs in the 1999 report that referred to DAPEC and decided to receive MAB reports, with a view to considering selected MAB reports.

⁴⁵ The Hon John Moore MP, Minister for Defence, media release, *Reports on Amphibious Transport Ships* 3 February 2000.

⁴⁶ Allan Hawke, Secretary, Department of Defence *What's the Matter—A Due Diligence Report* 17 February 2000, The National Press Club.

4.8 Although it is normal practice for an audit committee to review audit reports, DAPEC does not review MAB (or ANAO) audit reports. DAPEC members now receive copies of MAB's six-monthly Reports to Group Managers summarising MAB audit activity. These summary reports have not prompted DAPEC to call for any audit reports. The Audit Recommendations Management System developed recently by MAB at DAPEC's request has yet to take full effect.⁴⁷

4.9 DAPEC has a responsibility for deciding whether an audit report involves matters of concern to senior management and should be reviewed. MAB, which produces the internal audit reports, and the senior officers in Defence who receive MAB reports, should assist in this regard. MAB could, for example, highlight reports that raise significant issues. In this way, MAB could actively assist DAPEC meet its obligations under the FMOs. DAPEC, in turn, can become a powerful ally supporting MAB in its operations. Internal audit can only gain credibility through support from senior management and the audit committee. An audit committee in virtual partnership with internal audit is an important element of corporate governance.

Recommendation No.3

4.10 The ANAO *recommends* that the charter for the Defence Audit and Program Evaluation Committee (DAPEC) emphasise the need to review audit reports involving matters of concern to senior management and to advise the Chief Executive on action to be taken on them.

Defence response

4.11 Agreed. Implemented prior to completion of the audit. DAPEC's *Terms of Reference* have been revised to ensure that DAPEC members and other involved parties raise issues of significant concern for appropriate scrutiny.

⁴⁷ See paragraph 2.61. The system was proposed some time ago by DAPEC's independent member.

DAPEC meetings

4.12 DAPEC has five members: the Chair, Deputy Chair and three other members. One member is independent and, as from 17 May 2000, the Chair is also independent.⁴⁸ The recent appointment of a second independent member as Chair is a positive development, consistent with better practice.⁴⁹ The other three members are senior Defence officers. A quorum consists of three members including the Chair or Deputy Chair. Members are not to be represented by a proxy unless they are absent overseas or on leave. The Inspector-General and certain other officers are invited to attend DAPEC meetings. ANAO officers are invited to attend as observers. DAPEC meets several times each year.

4.13 Since April 1999, when the number of members was reduced to five, DAPEC meetings have been attended by only a quorum of members, and on at least one occasion a quorum was not achieved. It is desirable that members attend in person and not by proxy. Despite efforts by the former Chair of DAPEC⁵⁰, two members have each personally attended only two of the eleven DAPEC meetings to February 2000.⁵¹ The only member who has attended every meeting was the former Chair. The independent member missed only one meeting. Unlike public companies, Commonwealth agencies such as Defence are not required to disclose in their annual reports details of audit committee members' attendance at meetings.⁵² The ANAO considers that DAPEC's charter should promote DAPEC's role by emphasising the need for members to attend meetings.

⁴⁸ All members of DAPEC are appointed by Defence, but the 'independent' members are appointed from outside Defence.

⁴⁹ There may be scope to enhance DAPEC further by appointing additional independent members. An audit committee comprised wholly or by a majority of executive of management is, by definition, not independent. The challenge facing such a committee is for all of the members to maintain objectivity in a corporate sense while at the same time recognising the potential for conflict that may arise between management and committee roles. (Auditor General Audit Report No.39 1996-97 *Audit Committees* June 1997 p. 5).

⁵⁰ Deputy Secretary Resources and Management.

⁵¹ Records supplied by the Inspector-General.

⁵² Section 300(10) of the *Corporations Law* requires that a public company's annual report is to include details of the number of meetings of each board committee held during the year and each director's attendance at those meetings.

Recommendation No.4

4.14 The ANAO *recommends* that the charter for DAPEC stress the importance of the member's attendance at DAPEC meetings, given the importance of the committee's role in terms of the effectiveness of Defence's corporate governance framework.

Defence response

4.15 Agreed. The new Chairman of DAPEC has formally raised this matter with the Secretary and will seek to achieve appropriate and consistent attendance by DAPEC members.

Conclusion

4.16 Normal audit committee practice in the public and private sectors is to review audit reports and provide appropriate advice as part of corporate governance. The Finance Minister's Orders under the *Financial Management and Accountability Act* increased this responsibility for Commonwealth agencies' audit committees by requiring them to review audit reports involving matters of concern to senior management and to advise the chief executive on action to be taken. DAPEC has not yet adopted this responsibility. To a large extent, as a consequence, Defence has not yet capitalised effectively on audit work undertaken.

4.17 When recent measures introduced by DAPEC to track progress on implementation of audit recommendations and to consider selected audit reports take effect, MAB's products will be likely to be more effective in enhancing management in Defence. DAPEC members should be encouraged to attend all DAPEC meetings, to review the full range of audit reports and to promote its work as a valued part of Defence's corporate governance. The recent appointment of a second independent member as chair of DAPEC is a positive development, consistent with better practice.

4.18 After the proposed report of this audit was sent to Defence for comment, the Secretary of the Department of Defence was asked at Senate 'estimates hearings' about Defence's relationship with the ANAO. The Secretary replied as follows:

Dr Hawke—I am not sure it is a question of the relationship between us and the ANAO. I think it goes to something that perhaps might be a little more fundamental than that, and that is: to what extent can I, as the Chief Executive Officer responsible for these issues, be satisfied that ANAO reports have been considered and acted upon? I will tell you now that I have not been satisfied that we have had the proper

processes to do that, so we will be saying something more about this later in June, but in the meantime I have moved to reinvigorate our internal audit committee. It will be chaired by a retired public servant, a fellow by the name of Paul McGrath who has some experience in audit matters and as a chief executive officer in his own right. He will bring a more rigorous approach to what happens in terms of both the internal audit processes and, a particular concern of mine, making sure that we follow up on all audit recommendations to ensure that they are implemented or that we are satisfied about the reasons why the ANAO recommendations have been varied or not implemented and that we make that absolutely clear to the ANAO as well. (Senate Foreign Affairs, Defence and Trade Legislation Committee, Hansard 29 May 2000, pFAD&T 7).

4.19 The actions taken by the Secretary of the Department to reinvigorate DAPEC send a very clear signal on the importance he places on an effective audit committee as a key element of the corporate governance of the department. The ANAO will continue to work closely with the committee to facilitate the performance of its role.



Canberra ACT
29 June 2000

P. J. Barrett
Auditor-General

Appendix

Appendix 1

Performance audits in Defence

Set out below are the titles of the ANAO's previous performance audit reports on the Department of Defence and the Australian Defence Force (ADF) tabled in the Parliament in the last five years.

Audit Report No.8 1995-96
Explosive Ordnance (follow-up audit)

Audit Report No.11 1995-96
Management Audit

Audit Report No.17 1995-96
Management of ADF Preparedness

Audit Report No.26 1995-96
Defence Export Facilitation and Control

Audit Report No.28 1995-96
Jindalee Operational Radar Network Project [JORN]

Audit Report No.31 1995-96
Environmental Management of Commonwealth Land

Audit Report No.15 1996-97
Food Provisioning in the ADF

Audit Report No.17 1996-97
Workforce Planning in the ADF

Audit Report No.27 1996-97
Army Presence in the North

Audit Report No.34 1996-97
ADF Health Services

Audit Report No.5 1997-98
Performance Management of Defence Inventory

Audit Report No.34 1997-98
New Submarine Project

Audit Report No.43 1997-98
Life-cycle Costing in Defence

Audit Report No.2 1998-99
Commercial Support Program

Audit Report No.17 1998-99
Acquisition of Aerospace Simulators

Audit Report No.41 1998-99
General Service Vehicle Fleet

Audit Report No.44 1998-99
Naval Aviation Force

Audit Report No.46 1998-99
Redress of Grievances in the ADF

Audit Report No.13 1999-00
Management of Major Equipment Acquisition Projects

Audit Report No.26 1999-00
Army Individual Readiness Notice

Audit Report No.35 1999-00
Retention of Military Personnel

Audit Report No.37 1999-00
Defence Estate Project Delivery

Audit Report No.40 1999-00
Tactical Fighter Operations

Audit Report No.41 1999-00
Commonwealth Emergency Management Arrangements

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Planning and Monitoring for Cost Effective Service Delivery—Staffing and Funding Arrangements
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Audit Report No.42 Performance Audit
Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation

Audit Report No.41 Performance Audit
Commonwealth Emergency Management Arrangements

Audit Report No.40 Performance Audit
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Department of Defence

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Defence Estate Project Delivery
Department of Defence

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Audit Report No.35 Performance Audit
Retention of Military Personnel
Australian Defence Force

Audit Report No.34 Performance Audit
Construction of the National Museum of Australia and the Australian Institute of Aboriginal and Torres Strait Islander Studies

Audit Report No.33 Performance Audit
Business Entry Program
Department of Immigration and Multicultural Affairs
Audit Report No.32 Performance Audit
Management of Commonwealth Non-primary Industries

Audit Report No.31 Performance Audit
Administration of Tax Penalties
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Audit Report No.30 Examination
Examination of the Federation Cultural and Heritage Projects Program

Audit Report No.29 Performance Audit
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Department of Veterans' Affairs

Audit Report No.28 Audit Activity Report
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Commonwealth Management and Regulation of Plasma Fractionation
Department of Health and Aged Care

Audit Report No.23 Performance Audit
The Management of Tax Debt Collection
Australian Taxation Office

Audit Report No.22 Performance Audit
Weather Services in the Bureau of Meteorology
Department of the Environment and Heritage

Audit Report No.21 Financial Statement Audit
Audits of the Financial Statements of Commonwealth Government Agencies for the Period Ended 30 June 1999.

Audit Report No.20 Performance Audit
Special Benefits
Department of Family and Community Services
Centrelink

Audit Report No.19 Performance Audit
Aviation Safety Compliance
Civil Aviation Safety Authority

Audit Report No.18 Performance Audit
Electronic Service Delivery, including Internet Use, by Commonwealth Government Agencies

Audit Report No.17 Performance Audit
Commonwealth/State Housing Agreement
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Audit Report No.16 Performance Audit
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Audit Report No.15 Performance Audit
Management of Australian Development Scholarships Scheme
Australian Agency for International Development (AusAID)

Audit Report No.14 Performance Audit
Commonwealth Debt Management

Audit Report No.13 Performance Audit
Management of Major Equipment Acquisition Projects
Department of Defence

Audit Report No.12 Financial Control and Administration Audit
Management of Contracted Business Support Processes

Audit Report No.11 Performance Audit
Financial Aspects of the Conversion to Digital Broadcasting
Australian Broadcasting Corporation
Special Broadcasting Service Corporation

Audit Report No.10 Financial Statement Audit
Control Structures as Part of Audits of Financial Statements of Major Commonwealth Agencies for the Period Ended 30 June 1999

Audit Report No.9 Performance Audit
Managing Pest and Disease Emergencies
Agriculture, Fisheries and Forestry—Australia

Audit Report No.8 Performance Audit
Managing Data Privacy in Centrelink
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Audit Report No.7 Financial Control and Administration Audit
Operation of the Classification System for Protecting Sensitive Information

Audit Report No.6 Audit Activity Report
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