

OFFICIAL

Introduction to Performance Audit

Who is the Auditor-General?

The Auditor-General for the ACT is a statutory position created by the ACT Legislative Assembly under the *Auditor-General Act 1996* (the Audit Act).

The Auditor-General is responsible for promoting public accountability in the public administration of the Territory.

What is the Audit Office?

The Audit Office supports the Auditor-General. The Office audits the financial statements and the performance of ACT public sector agencies.

The Audit Office also prepares information reports on different matters from time to time and publishes twice-yearly *Insights Publications* on matters of public administration.

What is the authority of the Auditor-General?

The Audit Act establishes that the Auditor-General:

- is an independent Officer of the Legislative Assembly;
- has complete discretion in the exercise of their functions; and
- is not subject to direction by anyone in relation to whether a particular audit is to be carried out, the way in which a particular audit is to be carried out or the priority to be given to any matter.

What is the purpose of a performance audit?

Performance audits aim to enhance ACT public sector performance and accountability by reporting on whether public resources are being managed appropriately by ACT public sector agencies.

The Audit Office produces independent performance audit reports to promote:

- a well-informed community by ensuring that Legislative Assembly members, as the elected representatives of the people, are provided with accurate, complete and relevant information about the management of public sector resources; and
- the economic, efficient and effective use of public resources by providing the Legislative Assembly, Executive and public sector officials with independent advice relating to the management of those resources.

How are performance audit topics identified?

Each year the Audit Office publishes on its website a Performance Audit Program that outlines the performance audits that may be conducted over the next 12 to 24 months.

Topics for performance audits are identified through the Audit Office's annual planning process of research and consultation with ACT government agencies, members of the Legislative Assembly and community organisations. Issues raised, and information provided, by members of the community and other stakeholders also informs this process.

From time to time an issue of significance may be identified by the Audit Office that causes a performance audit to be conducted that was not on the Performance Audit Program.

The Auditor-General may choose to conduct a performance audit at any time.

What happens during a performance audit?

The attached diagram shows the activities that occur in the course of a performance audit.

Performance audits have three main phases:

1. Planning the audit

Through the planning and scoping phase, the Audit Office seeks to gain an understanding of the audit subject matter. The Office will engage with the relevant agency (or agencies) as part of this process and will typically share the proposed objective, scope and criteria with the agency and other stakeholders for feedback.

Once the objective and scope have been settled, the Auditor-General will write to the Director General or Chief Executive to advise the performance audit has started.

The main point of contact for the audit will be the Audit Office's Engagement Leader. The Engagement Leader will meet with key agency staff to explain the objective, scope and criteria for the audit and answer any questions.

The agency will be asked to nominate a contact person. Audits usually proceed smoothly when the agency's contact person has sufficient authority and seniority to facilitate the conduct of the audit and has the capacity to be in regular contact with the Engagement Leader.

2. Conducting audit fieldwork

Fieldwork is the process of collecting and examining information for the audit. The Engagement Leader will meet with relevant personnel from the agency and collect information. The agency's nominated contact person will be asked to help facilitate this.

Depending on the nature of the performance audit, the audit team may also meet with stakeholders external to the ACT Government, such as relevant industry, community and advocacy stakeholders.

To support audit fieldwork, it is common for the Audit Office to request information from the agency. If your agency has trouble meeting the timeframes for requests for information, then early advice to the Engagement Leader will allow for appropriate planning and alternatives to be considered.

The Audit Act allows the Auditor-General to access Cabinet documents. The Audit Office liaises with the Chief Minister, Treasury and Economic Development Directorate to obtain these when necessary.

Towards the end of fieldwork, the Engagement Leader will seek to communicate issues, findings and conclusions arising from the audit. This is an opportunity for the agency to hear what the emerging findings and conclusions are and to discuss the timeline for the reporting phase of the audit.

3. Preparing the audit report

The findings of the audit are conveyed in a report. A **draft proposed report** (or relevant extracts of the report) is provided to the head of the relevant agency (or agencies), and other key stakeholders as necessary, to seek feedback on the findings and conclusions. Feedback is also sought on proposed recommendations to ensure they are achievable and able to be implemented.

Recipients of the draft proposed report typically have two weeks to provide comment.

A **final proposed report** is then prepared. The report (or relevant extracts of the report) is provided to the head of the relevant agency (or agencies), and other key stakeholders if necessary, to demonstrate any changes that have been made in response to earlier feedback. This is a further opportunity to comment on findings and proposed recommendations. Agencies are also invited to provide comments for inclusion in the Summary Chapter of the report.

Recipients of the final proposed report typically have one week to provide comment.

The **final report** is tabled in the ACT Legislative Assembly by the Speaker. An embargoed copy is also sent to the relevant agency (or agencies) in advance of tabling.

All reports are automatically referred to the Standing Committee on Public Accounts for consideration. The Audit Office will also issue a media release so that the media and the ACT community is aware that the report is publicly available.

4. Government Response

The ACT Government is required to prepare a response to the Auditor-General's report which must be prepared within four months of the report being tabled.

Can I share the draft proposed report or final report in my agency?

Provided there is no section 35 direction, the draft and final proposed reports can be shared within an agency if this is necessary for the agency to effectively prepare a response. The distribution of the reports within an agency for the purpose of preparing a response is a matter for the Director-General or their delegate.

What is a section 35 direction?

From time to time the Auditor-General decides it is appropriate to maintain the confidentiality of the audit and issues a direction under section 35 of the Audit Act.

A section 35 direction prohibits an individual (who is named in the direction) from disclosing the information that is referred to in the direction. Directions are only issued for some audits. When they are issued in relation to a draft proposed report or final proposed report, they prohibit the sharing of information contained in the report.

How do I communicate with the Audit Office during the performance audit?

The Engagement Leader is the main person that agencies communicate with during a performance audit. The Engagement Leader will be able to answer any questions about the audit.

How can I ensure the audit runs smoothly?

You can support the audit by:

- nominating someone to be the main contact for the audit. Ideally this is someone familiar with the subject matter of the audit and easily able to respond to questions, arrange interviews and locate documents;
- ensuring senior officers attend key meetings and come prepared with any questions about the objective, scope and conduct of the audit, including any risks they foresee;
- ensuring the relevant business areas provide the documents and information the Audit Office requests as quickly as possible. It is not necessary for requested documents and information to be 'cleared' by senior officers before being provided to the Audit Office; and
- meeting the Audit Office's timelines for providing comments on the draft proposed and final proposed reports.

How long does a performance audit take?

The length of time for a performance audit depends on the complexity of the subject matter, the number of parties involved and the level of cooperation with the Audit Office.

Performance audits can take up to 12 months (or longer sometimes). Most of the agency's intensive involvement is in the fieldwork phase, which usually takes 4-6 months, and in responding to the draft proposed report.

What is the role of my internal audit team or governance team in a performance audit?

The level of involvement and role of the internal audit or governance team is at the discretion of the agency.

It is general practice for the Audit Office to inform the agency's internal audit or governance team when a performance audit has commenced, and to advise it of formal correspondence between the Auditor-General and the head of the agency.

Representatives of the Audit Office also attend agencies' audit and risk committee meetings to provide updates and briefings on performance audits.

What can I expect from the ACT Audit Office?

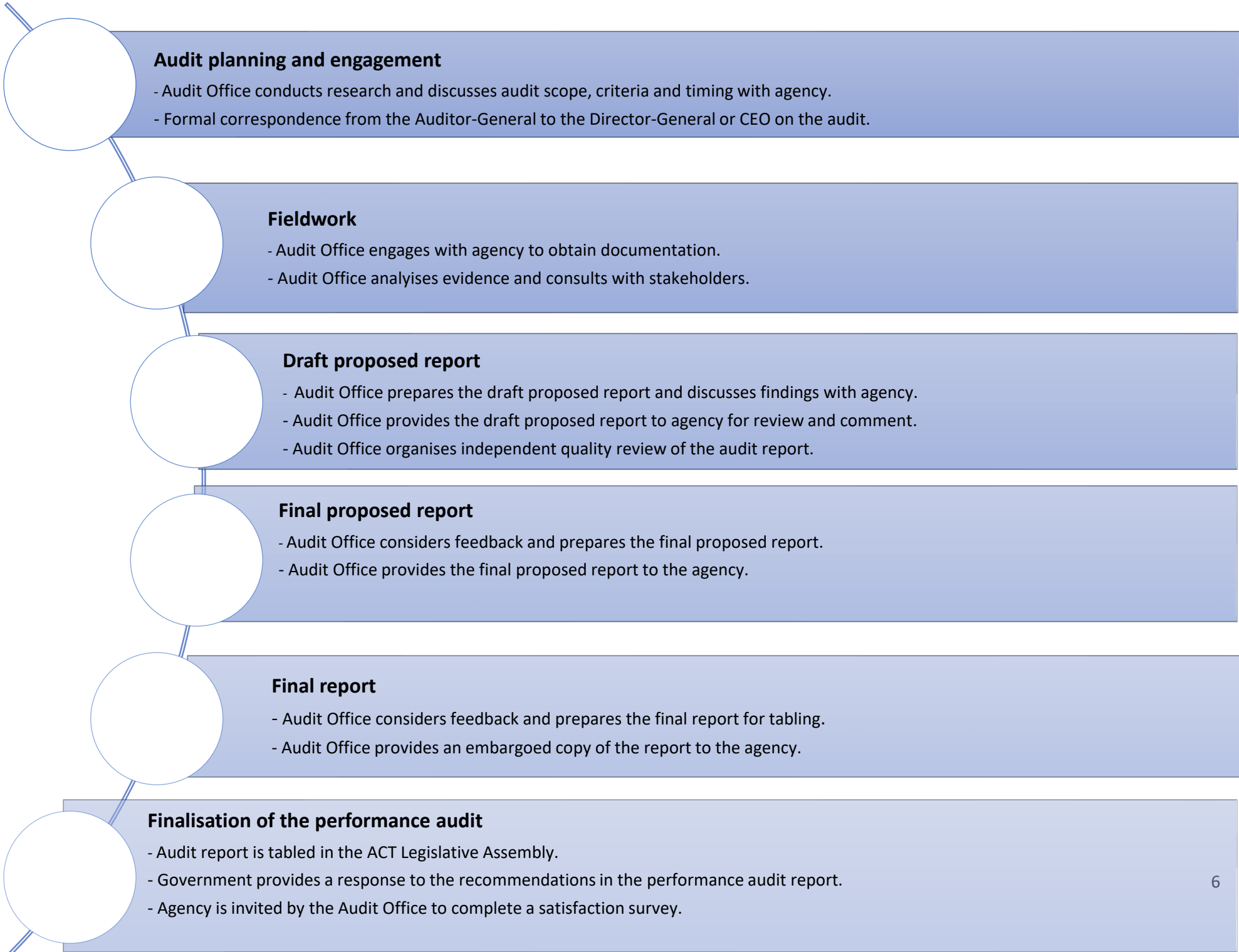
Performance auditors, whether they are staff of the Audit Office or engaged contractors, will comply with the ethical conduct obligations of public employees set out in the *Public Sector Management Act 1994* and the Audit Office's values.

Audit Office staff will be honest and forthright in all dealings and will endeavour to resolve, at an early stage, differences of opinion, interpretation of facts and conclusions to be drawn from them.

The Audit Office's values are:

- Independence: impartial and evidenced-based reporting is our most powerful influence.
- Integrity: we are honest, truthful and fair.
- Professionalism: we fulfil our obligations.
- Respect: we seek to understand and be trusted by our stakeholders.
- Learning and innovation: we strive to realise our full potential.

At the conclusion of the audit, the Audit Office will provide the agency with a survey to provide feedback on the conduct of the audit.



Audit planning and engagement

- Audit Office conducts research and discusses audit scope, criteria and timing with agency.
- Formal correspondence from the Auditor-General to the Director-General or CEO on the audit.

Fieldwork

- Audit Office engages with agency to obtain documentation.
- Audit Office analyses evidence and consults with stakeholders.

Draft proposed report

- Audit Office prepares the draft proposed report and discusses findings with agency.
- Audit Office provides the draft proposed report to agency for review and comment.
- Audit Office organises independent quality review of the audit report.

Final proposed report

- Audit Office considers feedback and prepares the final proposed report.
- Audit Office provides the final proposed report to the agency.

Final report

- Audit Office considers feedback and prepares the final report for tabling.
- Audit Office provides an embargoed copy of the report to the agency.

Finalisation of the performance audit

- Audit report is tabled in the ACT Legislative Assembly.
- Government provides a response to the recommendations in the performance audit report.
- Agency is invited by the Audit Office to complete a satisfaction survey.