Focus and are consistent with agency policies. In practice, there are real benefits in ensuring they are working effectively and are consistent with agency policies.

**SYSTEMS DEVELOPMENT**

The development of IT systems is an important activity for many entities, and one is area where the risk of failure can be high. It is a matter of both getting the fundamentals right, and appropriate management focusing on their application. The consequences of not doing this can include reduced development costs, extended development timeframes and systems that do not meet user needs.

Effective information security management should include managing assurance that:

- project development processes and methodologies that are well established and applied consistently through the life of the project;
- there is a detailed and experienced project team with well-defined responsibilities;
- requirements align with business objectives and are reviewed, in other words have they been subject to a hard-nosed assessment?
- critical technical assessments have been closely reviewed;
- the project is based upon agreed timelines, including identifying critical dependencies;
- risk mitigation strategies are effectively applied;
- there is structuring building, and formal acceptance prior to system implementation.

In summary, system development is an area of homogeneous standards and quality control that is key to the integrity of systems that are used for decision-making and service delivery functions. At the very least, the quality and comprehensiveness of project management and project documentation should be considered.

It could also be expected that an entity’s general requirements relating to systems specifications and development, user testing and documentation should apply to the development of spreadsheets, particularly complex ones.

**THE USE OF SPREADSHEETS**

Spreadsheets can be a cost effective tool to collect, manipulate and report tabulated data and information. They are used extensively in many areas of public administration. Indeed, spreadsheet data and outputs are frequently used to support critical management decisions.

Perhaps because spreadsheets are so common to those in such common environments, there is a danger that insufficient attention is given to their potential risks and vulnerabilities. They are inherently prone to error and manipulation, therefore any number of mistakes or errors which managers can magnify to increase this risk.

In many situations, for example, it may not be sufficiently to rely on general entity-wide controls and practices. Specific access controls and back-up arrangements may be required to ensure adequate protection of sensitive or classified information. Version control is also important to manage updates and revisions.

As a minimum, the development, structure and design underpinning complete spreadsheet data should be documented. This would include any assumptions or provisos, based on the work that is undertaken. Spreadsheets should be formalised.

**COMMITTEES AND BOARDS**

There is a particular need for formal procedures where committees or boards have decision-making or advisory roles. In some cases the Boards and committees may include members from the private sector – through outsourcing, one of the ways public organisations seek to ensure that they avoid conflicts of interest. There is increased consultation with the community and professional expertise also raises the potential for a perceived conflict of interest. In this case, the entity’s procedures may need to be revised to ensure that consultation occurs in a non-biased, non-partisan fashion.

Another challenge for senior managers is that an offer of gifts or hospitality potentially rises to an apparent conflict of interest due to a perceived or real interest in a decision to which the offeror may have links. In other words, it may assist in reaching informed decisions given the potential for bias. The guidance acknowledges that whether or not a public servant accepts a gift or benefit is not always straightforward. It is important that the employee consider the ethical issues involved and that there is an opportunity for discussion. A useful practice for staff, when in doubt, is to check with supervisors.

**GIFTS AND HOSPITALITY**

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It is important to consider every offer on its merits, taking into account the relationship between the entity and the organisation making the offer. As a general rule, the acceptance of gifts and hospitality during tender processes is not appropriate.

**Conflict of Personal Interest**

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Information Technology Issues

The use of information technology has long been an integral part of doing business. New technologies have enabled an increase in functionality, greater speed and interconnectivity with the potential for increased productivity and efficiency gains. However, the technologies have also introduced new risks. Those associated with information security and systems development are high on this list.

IT SECURITY

Effective information security management should be seen as an integral part of frameworks that support organisations’ strategic objectives. This enhancement confidence that recorded business activities are valid, secure, and complete, and can be relied on for decision-making purposes. It supports an organisation’s strategic objectives. Effective information security management should apply to the development of spreadsheets, critical management decisions.

THE USE OF SPREADSHEETS

Spreadsheets can be a cost-effective tool to collect, manipulate and present data and information. They are used extensively in many areas of public administration. Instead, spreadsheet data and inputs are frequently used to support critical management decisions.

It is one thing to have effective IT security policies; it is another to ensure that the policies are realistic, in other words have they been subject to a hard-nosed assessment?; and are consistent with agency policies.

In many situations, for example, it may not be sufficient to rely on general, entity-wide controls; and are consistent with agency policies.

Critical management decisions.

As a minimum, the development, structure and governance of complex spreadsheets should be documented. This enables audits; and the development process to be reviewed, including checking critical dependencies; and risk mitigation strategies are effectively applied.

It could also be expected that an entity’s general requirements relating to systems specifications and development; user testing and documentation should apply to the development of spreadsheets; particularly complex ones.

Furthermore, there is no substitution for management review of information produced by spreadsheets, to ensure the outcomes accord with the managers’ reasonable expectations.

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Furthermore, there is no substitution for management review of information produced by spreadsheets, to ensure the outcomes accord with the managers’ reasonable expectations.

The use of spreadsheets is an important activity for many entities, and is one area where the risk of failure can be high. It is a matter of whether ‘getting the fundamentals right’; and appropriate management focus on their application. The consequence of not doing this can include increased development costs; extended development timelines; and systems that do not meet user needs.

• ensuring that physical and environmental security management policies:
• critical technical assessments have been undertaken;
• there is a skilled and experienced project manager having assurance that:
• occasional staff surveys to assess awareness communications and other interactions with the public;
• potential conflict of interest exists necessarily occurs; and
• having rigorous processes to ensure that decision makers are informed of any potential conflicts of interest identified.

Communities and BOARDS

There is a particular need for formal procedures where committees or Boards have a decision making or advisory role. In some cases the Boards and committees may include members from the private sector. This may assist in reaching informed decisions and advice, but also means that members may have links to others that are relevant to the matter that is being considered by the committee or Board.

Procedures should generally cover how to incorporate conflicts, how to disclose them, what happens if the rules are not observed, and a register of interests. There is a number of useful references to policies and procedures used by organisations. For example, the Annual Report of the Industry Research and Development Board describes its procedures for managing conflicts of interest.

It is important to consider every offer on its merits, taking into account the relationship between the entity and the organisation making the offer. As a general rule, the acceptance of gifts and hospitality during tender processes is not appropriate.

Another challenge for senior managers is that an offer of an interest to them may, unusually, give rise to an apparent conflict of interest due to a relationship in remote parts of the organisation. The risk increases for large and diverse entities.

This makes it important to consider the ethical issues involved and that there are clear policies in place to deal with such situations. A useful practice for staff, when in doubt, is to check with supervision. It is important to consider every offer on its merits, taking into account the relationship between the entity and the organisation making the offer. As a general rule, the acceptance of gifts and hospitality during tender processes is not appropriate.

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The use of information technology has long been an integral part of doing business. New technology has often been introduced to improve functionality, speed and interconnectivity with the potential of increasing productivity and efficiency. However, the technologies have also introduced new risks. Those associated with information security and systems development are high on list.

IT SECURITY

Effective information security management should be seen as an integral part of a framework that supports the organisation’s strategic objectives. This enhances confidence that recorded business transactions are valid, accurate and complete, and can be relied on for decision-making purposes. It supports an organisation’s strategic objectives. It is one thing to have effective IT security policies; it is another to ensure they are working effectively in practice. In this light, there are real benefits to be seen as an integral part of a framework that manages can be relied on for decision-making purposes. It supports an organisation’s strategic objectives.

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Effective Management of Regulatory Functions continues...

Many states and territories, includicing regulatory requirements in [State Example], educating businesses about the implications of their compliance responsibilities and, above all, being transparent about how compliance will be assessed, monitored and enforced.

Generally, the regulator has a range of options available to it, including compliance assessments, audits, and reporting on the compliance. Systematic and effective design and execution of various compliance activities is required to ensure that the objectives of the activities are achieved.

The Committee went on to say that these are issues that would be important for the regulator to be aware of in the future. Both guides have benefited from the input of a range of CEOs, CFOs and senior managers across [state example], and this will be available in the next few months.

Effective Management of Regulatory Functions

The effective management of regulatory functions is an important consideration in the design and implementation of a transparent and accountable regulatory regime. This requires that we can usefully consider for future editions. We continue to be interested in your views on topics that we can usefully consider for future editions.

IN THIS ISSUE:

Welcome to the second edition of Audit Focus. This publication is designed to provide a summary of audit findings and recommendations made by the Auditor-General. The publication is intended to be a useful tool for public sector entities and stakeholders. The publication is also intended to provide a summary of the findings and recommendations made by the Auditor-General.

Recent Publications from the ANAO

Audit Focus Issue 6

Effective Management of Regulatory Functions

The Government’s appointment of the Taskforce on Reducing the Regulatory Burden on Business reflects its priority to identify practical options for alleviating the burden on businesses from Government regulation. (The Taskforce has not been finalised and provided to the Prime Minister and Treasurer.)

Whatever the nature and extent of an entity’s regulatory responsibilities, our audits suggest that a sound governance framework underpins efficient and effective administration of these responsibilities. Key aspects include clear articulation of the regulatory role and the responsibilities of those involved, and ensuring that administrative approaches are consistent with any legislative requirements.

HAVING RISK-BASED SYSTEMS

The practical application of systematic risk management is particularly beneficial for managers responsible for regulatory functions. It provides a means by which significant non-compliance risks may be identified, assessed, and treated so as to be monitored and managed. Risk management helps inform the balance and targeting of regulatory treatments, measuring and approaching these. These may range from education and encouragement through to rigorous checking supported by enhancements of a regulatory nature.

QUALITY AND CONSISTENCY OF REGULATORY APPROACHES

A central issue for those subject to regulation, and all stakeholders, is consistency and quality of regulatory approaches, assessments and actions. Experience indicates that this requires systems that provide management assurance that compliance assessments are done consistently, reliably and in accordance with legislative requirements.

The quality of regulatory operations depends, to a large extent, on a range of skills and relevant entity staff. This is not just a matter of having the requisite understanding and experience to assess and manage regulatory requirements, but also of having the necessary management systems to support this work. This is an area that the Committee intends to pursue throughout its term.

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Effective Management of
Financial Management

The ATO’s Strategies to Address the Cash Economy

Roads to Recovery

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Insurance Administration

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Effective Management of Regulatory Functions

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Whatever the nature and extent of an entity’s regulatory responsibilities, our audits suggest that a sound governance framework underpins effective and efficient administration of these responsibilities. Key aspects to bear in mind are: the articulation of the regulatory role and of the responsibilities of those involved, and ensuring that administration approaches are consistent with any regulatory requirements.

HAVING RISK-BASED SYSTEMS

The practical application of systematic risk management is particularly beneficial for managers responsible for regulatory functions. It provides a means by which significant non-compliance risks may be identified, assessed, and treatments put in place and monitored. Risk management helps inform the balance and targeting of regulatory treatments, measuring and assessing. These may range from education and encouragement to rigorous checking supported by sanctions. Where risk has declined, there should be a willingness to review the extent of regulation. In such circumstances, the regulatory function may range from education and encouragement to better practice and in some circumstances, a more rigorous approach such as monitoring.

QUALITY AND CONSISTENCY OF REGULATORY APPROACHES

A central issue for those subject to regulation, and all stakeholders, is consistency and quality of regulatory approaches, assessments and sanctions. Experience indicates that this requires systems that provide management assurance that compliance assessments are done consistently, equitably and in accordance with legislative requirements.

The quality of regulatory operations depends, to a large extent, on the skills of relevant staff. This is not just a matter of having the necessary technical knowledge and training. In practice, the effectiveness of regulation may rely heavily on the skills and dedication of people in all sections. In particular, the experience of other people, such as audit and inspection, and of legislation review and research, and their ability to disseminate this knowledge, can be of great importance.

Quality of regulations and compliance

One subject to requiring, auditing and regulating requirements in [specific details]. Educating businesses and individuals on their requirements is a key consideration for managers and ensures that the insertion is seen as contributing to a benefit of the community. A sound governance framework underpins the necessary technical knowledge and training. Experience indicates that this requires systems that provide management assurance that assessments are done consistently, equitably and in accordance with legislative requirements.

As many readers of this newsletter will know, the Australian National Audit Office also produces a range of Better Practice Guides on a range of aspects of public administration. In these initiatives, we have taken the time to provide feedback on the first edition. We have again been impressed with the public’s response and will be available in the next few months. Both guides have benefited from the input of a range of CEOs, CFOs and senior managers across public sector entities and stakeholders. The guide on the implementation of Programs and Policy Initiatives is a joint production with the Department of Prime Minister and Cabinet.

In this context, a recent development is the decision of the Government to inquire further into the regulation of the public sector. The Government is expected to consider any further action that may be necessary to ensure that the regulation is effective.

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Continued on page 6