

# Performance Audit of Attraction, Development, and Retention of Capability

**AUSTRALIAN NATIONAL AUDIT OFFICE**

*REPORT BY INDEPENDENT AUDITOR:*

*Eileen Hoggett*

*June 2022*

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15 August 2022

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear President  
Dear Speaker

As Independent Auditor, I have undertaken a performance audit of the Australian National Audit Office, in accordance with the authority contained in section 45 of the *Auditor-General Act 1997*.

The performance audit considered the Australian National Audit Office's attraction, development, and retention of capability practices and processes, and was conducted in accordance with the Australian National Audit Office Auditing Standards 2021.

The report is titled *Performance Audit of Attraction, Development, and Retention of Capability — Australian National Audit Office*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading 'Eileen Hoggett' in a cursive script.

Eileen Hoggett  
Independent Auditor  
Appointed under Clause 1, Schedule 2 of the *Auditor-General Act 1997*



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# Executive Summary

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## Background

- 1.0 The world of work is changing, and organisations globally are focused on the attraction, retention and development of skills, expertise and talent. In March 2021, the Australian Public Service (APS) established the first whole-of-enterprise approach to strategic workforce management, enabling effective delivery for the government and Australian communities.
- 2.0 The APS Workforce Strategy 2025 notes that in a competitive labour market, the APS needs:
- Best-practice approaches to recruitment, leveraging technology and innovation to attract and recruit high-performing, skilled employees at all stages of their careers
  - A more efficient and effective system of building capability in our people
  - A diverse workforce and inclusive workplace cultures.
- 3.0 Under this strategy agencies are encouraged to consider a range of initiatives to:
- Embrace data, technology, and flexible and responsive workforce models
  - Attract, build and retain skills, expertise and talent
  - Strengthen integrity and purposeful leadership (Australian Public Service Commission, 2021).
- 4.0 While the Australian National Audit Office (ANAO) is an APS entity, the agency faces competition for talent from the professional services industry, and increasingly the technology industry, as there is high demand in the marketplace for people with technical skills coupled with human skills such as agility, innovation, creativity, problem-solving and collaboration.

## Objective

- 5.0 The objective of this audit was to assess the effectiveness of the ANAO's **attraction, retention and development of capability** required to undertake the agency's core activities.

## Audit criteria and scope

- 6.0 The audit criteria considered whether:
- a) The ANAO has undertaken, as and when required, requisite activities to identify and quantify the capability required to undertake the core activities necessary to meet its required audits.
  - b) The ANAO has identified and implemented appropriate strategies, plans and processes to acquire, develop and retain such required capability.
  - c) There are appropriate governance arrangements to review, approve and oversight over capability acquisition, development and retention, and ensure the capability framework is appropriately formalised.
- 7.0 The scope of the audit was limited to the years of 2016 – 2021, in which all organisational documents and data were developed/obtained. Assessment was only performed against the management of the APS workforce. The use of contractors or consultants was not considered.

## Conclusion

- 8.0 Overall, the ANAO was found to have effective strategies, plans and processes in place to identify, quantify, attract, develop, and retain necessary capability required. Similarly, it was found that there are appropriate governance arrangements in place.
- 9.0 The review found additional opportunities to build upon current activities to mature these practices, including:

- a) Adopting the APS Job Family Framework to enhance workforce planning activities<sup>1</sup>
- b) Defining and assessing person-organisation fit through the identification of capability
- c) Enhancing focus on building local culture
- d) Continue to invest in the Human Resources/Leadership focus on implementation through the introduction of a HR business partner model.

10.0 A number of workforce strategies are early in their implementation, and therefore it is important for the ANAO to continue to monitor implementation and evaluate the impact of identified strategies regularly. This will ensure investment in workforce attraction, development and retention continue to deliver the expected outcomes.

### Supporting environmental observations

11.0 The ANAO is operating in an industry facing a critical shortage of auditors, not only within the Australian context, but globally. COVID-19 exacerbated a pre-existing problem of audit professionals seeking to avoid the heavy workload and potential burnout associated with the reporting season by leaving the audit industry, once appropriately qualified. In years past, these movements would have been replaced from a global talent pool. The reduction of skilled migration during COVID-19 has resulted in a further reduction of the national talent pool, increasing competition between organisations.

12.0 A survey of 16 Australian audit firms by Chartered Accountants Australia and New Zealand, in April 2021, found there was a total of 888 vacancies in the auditor market with an average of 3-6 months lead time needed to recruit new talent (Chartered Accountants Australia and New Zealand, 2021). Ensuring the necessary supply of auditors and other expertise involves attracting people to the profession, upskilling them, and ensuring suitable levels of staff retention by audit firms (Australian Securities and Investment Commission, 2021).

13.0 In recognition of this challenge, the Australian corporate regulator ASIC, in June 2021, gave companies longer to report their financial results recognising the shortage of auditors in the marketplace. Similarly, New Zealand's Financial Markets Authority provided "temporary relief to give some businesses additional time to comply with certain regulatory reporting requirements" (Financial Markets Authority, 2021).

14.0 The shortage is also exacerbated by a general shortage in a range of capabilities, leading to significant pay rises across professional services. For example, EY has brought forward its remuneration review and promotion process and KPMG announced a 4 per cent COVID-19 bonus. PwC Australia disclosed their 2023 financial year pay ranges for staff while Accenture followed suit announcing their minimum base salaries. Professional service firms also offer thousands of dollars to their staff when they refer someone who is then employed and retained by the firm.

15.0 While career acceleration, increased flexibility and cultural fit are important factors sighted by professional job seekers, mid-tier accounting firms are offering a bonus incentive scheme of 10 per cent on top of normal remuneration to be paid during the busy period for specific discipline areas. The ANAO faces additional challenges in this environment, specifically the need for Australian citizenship and less flexibility to compete in regard to bonuses and pay rises compared to private sector organisations. This indicates that non-financial drivers for ANAO are arguably, even more critical for the ANAO to retain the workforce required to undertake the agency's core activities.

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<sup>1</sup> The Job Family Framework is a workforce segmentation tool used for workforce planning purposes. It outlines an occupational grouping represented within an organisation. Occupations talk about the type of work performed. They are a way of defining and grouping roles that require the performance of similar or identical sets of tasks.



## Overview of Recommendations

16.0 The audit identified the following recommendations:

<p><i>Recommendation No 1:</i> <i>Introduction of demand forecasting aligned to job families</i></p>	<p>Workforce planning is a critical business process for addressing difficult workforce challenges. While the ANAO has undertaken workforce planning for several years, the identification of workforce demand, and analysis of supply, is currently based on hierarchical and organisational structures.</p> <p>To enhance current workforce planning practice within the ANAO, the introduction of demand forecasting based on the APS Job Family Framework is recommended.</p> <p>The International Standard for Workforce Planning (ISO 30409:2016) recommends workforce segmentation by Job Family. A Job Family Framework is a workforce segmentation tool used to define and group roles that require the performance of similar or identical sets of tasks. Segmentation of the workforce by Job Family enhances an organisation's ability to identify and quantify the capability required to undertake core activities, as well as enable effective external labour market analysis.</p>
<p>ANAO Comment</p>	<p>The ANAO agrees with this recommendation. The ANAO's new Workforce Plan identifies five audit job families. The ANAO has commenced demand forecasting on the basis of these to enable more focus on critical roles. Actions in the Workforce Plan will iteratively progress demand forecasting maturity, including introducing workforce metrics and embedding workforce intelligence into strategic talent management practices.</p>
<p><i>Recommendation No 2:</i> <i>Consideration of Person-Organisation Fit</i></p>	<p>Person–organisation fit is defined as the extent to which an individual's attributes (e.g., goals, values, personality) are consistent with those of the culture or climate of the organisation. When person-organisation fit is achieved, organisations see an increase in engagement and a reduced turnover intention and increased long term commitment, particularly in specialised organisations.</p> <p>While the ANAO have made recent changes to their strategies to attract staff, additional measures could be undertaken to ensure the best possible applicants, with the required individual attributes, are attracted to the opportunities offered by the ANAO.</p> <p>Given the specialised nature of the ANAO, and in line with current literature, it is suggested that the ANAO could increase person-organisation fit by:</p> <ul style="list-style-type: none"> <li>— Creating compelling job ads</li> <li>— Ensuring pre-selection process is appropriate and assesses individual attributes</li> <li>— Inviting candidates to the office to see what it is like to work at the ANAO</li> </ul>

	This investment is likely to improve retention, productivity, engagement, and future employee referrals.
ANAO Comment	The ANAO agrees with this recommendation. The ANAO has articulated the significance of cultural alignment in its new Workforce Plan and has committed to developing targeted candidate marketing approaches for critical job roles to encourage optimal person-organisation fit.
<i>Recommendation No 3: Enhancement of local culture across the organisation</i>	<p>Employee retention is a significant impediment for the ANAO (and the profession more broadly) due to the nature of workload pinch-points, requiring staff to work long hours leading to employee burnout. According to literature, social support, work environment, and work-life balance contribute to the experience of culture and can support staff during high periods of stress.</p> <p>The ANAO should encourage managers to invest in developing strong local cultures and team-based rituals, guided by the organisation's existing values and behaviours. While examples will vary depending on the personal circumstances of individuals in the group, it is important for these cultures to remain inclusive.</p>
ANAO Comment	The ANAO agrees with this recommendation. The ANAO is taking local and enterprise initiatives to enable a supportive, sustainable, and inclusive culture. Senior Executive (SES) and Executive Level (EL) leaders have identified the need for further effort now that the ANAO's premises have returned to being the principal place of work and opportunities to bring people together have increased. The ANAO will develop and deliver a leadership capability program for SES and EL leaders – workplace culture will feature in this program. This will be supported by organisational actions in the new Workforce Plan, such as refreshing the employee wellbeing program in response to APS Employee Census feedback, building opportunities to celebrate success within work groups and the events program managed by the Diversity Contact Officers.
<i>Recommendation No 4: Continuation of maturity of the the HR/Leadership relationship</i>	<p>The audit has highlighted the strong alignment between organisational strategies, plans, processes, and decision making of the ANAO leadership team.</p> <p>Given the importance of this alignment in achieving the ambitious strategic work plan, additional mechanisms are required to ensure ongoing focus and support to the Executive team.</p> <p>The ANAO should continue to mature the Human Resources (HR) / Executive team relationship with the development and implementation of the HR Business Partner model.</p> <p>The HR Business Partner role will support the ANAO executive to help guide and improve the overall workforce strategy based on regular analysis of HR data and insights</p>

	regarding employee satisfaction and emerging workforce risks.
ANAO Comment	The ANAO agrees with this recommendation. From 1 June 2022, the ANAO implemented an optimised Human Resources operating model that will enable the delivery of this recommendation, comprising dedicated functions for People Services, People Capability and People Business Partnering. The new model will strengthen the alignment of Human Resources and the ANAO leadership team in the delivery of organisational strategies and workforce management frameworks. The model will also be supported by a commitment to deliver workforce metrics and insights to evaluate strategic impact and inform workforce capability decisions.

## Entity Response

17.0 The ANAO welcomes the Independent Auditor's report. The timing of the audit has enabled the ANAO to consider the audit's insights in the development of its new Workforce Plan. All recommendations are agreed.

18.0 The current market for attracting, retaining and developing a professional auditing workforce poses many challenges. As set out in our new Workforce Plan, the ANAO will focus on training through the ANAO Academy. This recognises that competition in the market requires us to cast a wider net for talented people, many of whom will come to the ANAO without an auditing background. The areas for improvement contained in the audit report are under active consideration to assist in the implementation of this changed approach.

## Background and Considerations

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### *Methods and approaches to the identification and quantification of capability within the workforce*

- 19.0 The Australian Public Service Commission (APSC) identified the importance of an integrated strategic approach to workforce planning and developed an APS Workforce Strategy, *Delivering for Tomorrow: the APS Workforce Strategy 2025* (Australian Public Service Commission, 2021).
- 20.0 Workforce planning is a critical process for organisations within the Australian public sector. Strategic workforce plans enable agencies to identify capability and resources necessary to perform effectively, and deliver key outcomes for the Australian public, now and into the future.
- 21.0 Once established, the ongoing and proactive management of strategic workforce plans allows the organisation to be equipped for change.
- 22.0 Effective processes to support the identification and forecasting of capability gaps, and subsequently the attraction, retention, and development of employees to fill those gaps, is a critical component of any organisation's capability management framework.
- 23.0 Underpinning these processes, the International Standard for Workforce Planning highlights the importance of adopting Job Families. Understanding of Job Families across an organisation as opposed to work level standards allows agencies to assess demand and supply challenges within the relevant labour market, develop a targeted Employee Value Proposition, and inform investment in learning and development.
- 24.0 Additionally, having appropriate governance requirements in place to review these processes regularly, and amend when necessary, is a key element to the ongoing responsible management of capability across any Commonwealth entity.

### *Emerging approaches to talent acquisition, development, and determinants of retention*

- 25.0 The current literature regarding workforce talent acquisition, development, and determinants of retention, highlights several key considerations relevant for this audit:
- a) The nature of the workforce is changing
  - b) P-O Fit<sup>2</sup> is related to work engagement, and intention to leave
  - c) Employee retention is a complex, multi-faceted issue, faced by many organisations across Australia
  - d) Capability development, and learning opportunities are a known determinant of retention among the workforce.
- 26.0 It is evident that the nature of the workforce is continually evolving. Published in the 'Australia Welfare 2021' (Australian Institute of Health and Welfare, 2021) the proportion of people working part-time, casually, or on a contract basis has increased markedly, and flexible working arrangements are significantly more common. According to current research, in this labour led market, employees are looking for more than just remuneration. To attract and retain talent, it is critical that organisations continue to evolve with the workforce and technology, offering flexibility, and individualised approaches to achieving work-life balance.

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<sup>2</sup> Person–organisation fit is defined as the extent to which an individual's attributes (e.g., goals, values, personality) are consistent with those of the culture or climate of the organisation.

- 27.0 In addition, P-O Fit has been identified in the literature as related to an increase in engagement and a reduction in turnover intention. A number of recent research articles have supported this, indicating that measurements of P-O Fit has a positive impact on attitudes toward work (Berisha, & Lajci, 2020), and increase long term commitment (Moynihan, & Pandey, 2007), particularly in specialised organisations.
- 28.0 The topic of employee retention is a complex issue, one that many public sector organisations across Australia are navigating. Employee retention cannot be linked to one single factor, but a cluster of factors working in unison (Kossivi, Xu, & Kalgora, 2016).
- 29.0 Kossivi, Xu, and Kalgora (2016) conducted a meta-analysis of research investigating determinants of retention within the workforce globally. Eight key determinants were highlighted:
- a) Learning and development (L&D) opportunities
  - b) Career development and promotion
  - c) Remuneration
  - d) Work-life balance
  - e) Leadership commitment and capability
  - f) Work environment
  - g) Social support
  - h) Autonomy
- 30.0 Additionally, an analysis of skill shortages in the APS (Pierre Freyens, 2011) revealed that while almost all organisations across the public sector suffer from attraction and retention difficulties, the practical management responses and efficiency of these vary widely. This speaks to the complexity of attraction and retention of capability across the workforce.
- 31.0 The above analysis also highlights that APS agencies, while typically understanding the foundation of their own workforce well, have limited knowledge and understanding of external sources of skills, or organisational constraints and objectives that shape workforce demand (Pierre Freyens, 2011).
- 32.0 The development of the [Job Families Framework by the APSC](#) allows public sector agencies to better link their workforce with the Australian labour market and will also enable better understanding of external sources of skills to fill capability gaps within the workforce (Australian Public Service Commission, 2021).

### *The ANAO's purpose and outcomes*

- 33.0 The ANAO's purpose statement, as documented in the annual Portfolio Budget Statements (PBS) and the ANAO Corporate Plan 2021-22, is:
- "The purpose of the Australian National Audit Office is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance."***
- 34.0 To support overall performance measures, all Commonwealth entities are required to define relevant outcomes associated with their purpose, as well as the programs which are put in place to achieve these outcomes.
- 35.0 The ANAO has one outcome associated with this purpose, being:
- "To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the executive and the public."***

- 36.0 The ANAO has identified five core activities necessary to meet its required audits, including:
1. Financial statements audits of Australian Government entities
  2. Performance audits of Australian Government programs and entities
  3. Performance statements audits of Australian Government entities
  4. Parliamentary submissions, correspondence and briefings
  5. Communications and publications, including audits and audit insights.
- 37.0 Additionally, as detailed below, the ANAO has put in place three programs, and a shared activity, to deliver on the outcome of improved public sector performance and accountability, and core activities.

*Program 1.1 – Financial Statements Audit Services:*

- 38.0 This program contributes to the outcome through:
- Providing assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions for the Parliament, the executive and the public
  - Presenting two reports annually addressing the outcomes of the financial statement audits of Australian Government entities and the consolidated financial statements of the Australian Government, to provide the Parliament with an independent examination of the financial accounting and reporting of public sector entities
  - Contributing to improvements in the financial administration of Australian Government entities.

*Program 1.2 – Performance Audit Services*

- 39.0 This program contributes to the outcome through:
- Audits of the performance of Australian Government programs and entities, including identifying opportunities for improvement and lessons for the sector
  - Other assurance reviews and information reports to Parliament

*Program 1.3 – Performance Statement Audit Services*

- 40.0 This program contributes to the outcome through:
- Audits of the performance statements of selected Australian Government entities

*Shared Activity – Professional Services and Relationships*

- 41.0 Professional Services and Relationships (including corporate) are not a separate program in the ANAO's portfolio budget statements, and performance measures in this area are shared across the ANAO.
- 42.0 This area of activity contributes to the ANAO achieving its purpose through:
- Facilitating dissemination of the ANAO's findings to members of parliament, the executive and the public
  - Providing organisation-wide support services for the ANAO, based on specialised knowledge, professional practice, and technology
  - Ensuring ANAO audits are of high quality and compliant with auditing standards.
- 43.0 Through these programs, the ANAO provides support to the Parliament on its audit work via submissions, appearances, and briefings to committees and to individual Ministers.

44.0 The ANAO's Portfolio Budget Statements 2022-23 outline its performance measures and targets, which have been developed to measure overall performance against these program objectives. These KPIs provide a range of benchmarks through which demand for capability can be calculated.

## Employee Profile

This page provides a snapshot of the ANAO's employee data as at, 13<sup>th</sup> April 2022.

# 376

Employees

Working across six service groups:

### Audit service groups

103

Assurance Audit  
Services Group

134

Performance Audit  
Services group

23

Performance Statements  
Audit Service group

### Supporting service groups

58

Corporate  
Management  
Group

37

Systems Assurance  
and Data Analytics  
Group

21

Professional Services  
and Relationships  
Group

Note: 11 are not identified as part of the service groups

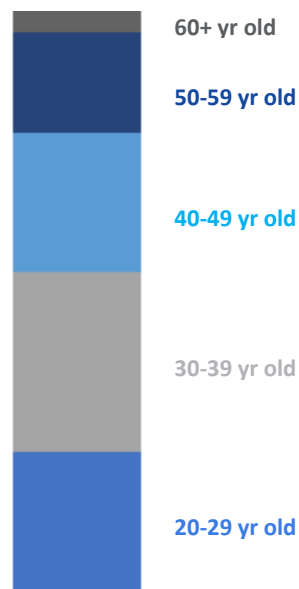


**10**  
casual  
employees

**333**  
full-time  
employees

**33**  
part-time  
employees

### Age distribution:



The **average tenure** across the  
organisation is

# 5.05 years

## Demographic and diversity data



**57.4%**

Women



**42.6%**

Men

**3**

Aboriginal or  
Torres Strait  
Islander

Culturally and  
linguistically  
diverse

**92**

**13**

With a  
Disability



## Audit Methodology

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45.0 The current performance audit evaluated the ANAO's performance against three audit criteria:

- a) The ANAO has undertaken, as and when required, requisite activities to identify and quantify the capability required to undertake the core activities necessary to meet its required audits.
- b) The ANAO has identified and implemented appropriate strategies, plans and processes to acquire, develop and retain such required capability.
- c) There are appropriate governance arrangements to review, approve and oversee capability acquisition, development and retention, and ensure the capability framework is appropriately formalised.

46.0 The review involved three key components: a document review and analysis, stakeholder consultations, and report writing.



### Document Review

To evaluate the current processes, plans and strategies in place with regard to audit criteria, the review involved a desktop analysis of several key documents and data sources including workforce plans, employee and termination data, and Average Staffing Level (ASL) reports (see *Appendix C* for complete list of items). Documents were cross examined systematically to establish consistencies or discrepancies between strategy and actions across several areas in the organisation – such as recruitment, learning and development – to evaluate the progress towards each of the three audit criteria.



### Consultations

Supplementary to the document review, a number of stakeholders were interviewed to develop a further understanding on how the ANAO is performing against each of the criteria. In total ten (10) senior executives, the HR Director, five (5) staff in the Talent Management Program, five (5) staff involved in recent recruitment processes, and three (3) staff who were recently recruited were interviewed.



### Reporting

Findings from the documentation review were consolidated with consideration of stakeholder insights, and current academic literature. The findings were then developed into the full report presented henceforth. The report is intended to communicate a primary understanding on the ANAO and the extent to which its current operations address the key audit criteria.

The report presents a view on the ANAO's progress towards each of the three key audit criteria outlined. Although our observations are based on examination of the available data and information, it may not include all the items relevant to each topic included in the report. It is also noted, that given the timing of the audit, the ANAO should continue to monitor the implementation of current strategies and approaches.

# Detailed Findings

## Assessment against criteria 1

### Identification and quantification of required capability

**Criteria 1:** *The ANAO has undertaken, as and when required, requisite activities to identify and quantify the capability required to undertake the core activities necessary to meet its required audits.*

47.0 Overall, the ANAO's approach to the identification of required capability has been sufficient to date as evidenced by the ANAO's achievement of its purpose. In addition, it was evident through consultation and document review that significant attention and focus has been given to mature these processes throughout the organisation. The review did identify some opportunities to continue to mature the ANAO's approach to the identification and quantification of required capability.

#### Identification and quantification of requisite capability

48.0 The identification of workforce requirements was found to be heavily demand based, particularly across the audit service groups. Demand forecasting is currently based on resourcing allocation and analysis of time required to complete previous audits, collected through employee timesheets.

49.0 The ANAO's core capability framework (Figure 1) is based on the APS core capability framework. Similarly, the Senior Executive Service capability requirements are informed by the APS Leadership Capability Framework (Figure 2).

50.0 While these frameworks identify the core capability required of employees across the organisation by work level standard, given the specialised, varied nature and technical capability required of much of the workforce, it does not inform the strategic workforce planning process to best effect.

ANAO Capability Framework APS6					
SUPPORTS STRATEGIC DIRECTION	ACHIEVES RESULTS	SUPPORTS PRODUCTIVE WORKING RELATIONSHIPS	DISPLAYS PERSONAL DRIVE AND INTEGRITY	COMMUNICATES WITH INFLUENCE	TECHNICAL PROFICIENCY
Supports the ANAO's strategic direction and understands how it relates to team goals	Sees projects and work tasks through to timely completion, generating a high quality result	Develops positive relationships with others that build trust and mutual respect	Upholds the ANAO and APS Values and Code of Conduct	Produces high quality, well-structured written work that is fit for purpose and requires minimal editorial correction	Researches, maintains knowledge of, interprets and applies relevant legislation
Understands and explains to others the reasons for decisions and recommendations	Is effective at prioritising tasks, time and resources	Supports a culture of co-operation and understanding in the team	Upholds the ANAO principles of integrity, independence, honesty, openness, accountability and courage	Provides advice and interpretation within technical or specialist area confidently to an audience	Provides advice and interpretation within technical or specialist area confidently to an audience
Initiates and develops well considered team plans and strategies	Reviews project progress and is responsive to changes in requirements	Shows an attitude of understanding of others' perceptions and behaviours	Develops and supports a team culture of integrity, setting an example for others	Speaks and presents information in plain English	Applies comprehensive knowledge of the technical field to address complex matters and/or undertake through analysis
Considers the long-term, broader impact of issues and decisions on own work and work area	Delegates or shares responsibilities and tasks according to work requirements and skills	Creates opportunities to work with others outside the team	Provides impartial advice and presents a strong and valid position in the face of opposition	Is discriminating when assessing the quality of evidence	Is discriminating when assessing the quality of evidence
Gathers and critically analyses information from a range of diverse sources	Monitors the quality of own outputs, seeks feedback from senior colleagues to ensure satisfaction with outputs	Builds respectful relationships through being approachable and understanding of others' points of view	Acknowledges mistakes and learns from them, seeking advice to guide improvement	Listens carefully and creates opportunities for others to contribute	Use current methods or tools to explore and resolve novel or complex issues
Discriminates between options based on objective, evidence-based analysis	Is self-disciplined and takes the initiative to solve new problems	Actively listens and identifies learning opportunities for others	Understands own strengths and development needs	Remains positive during challenging times and helps others to do the same	Finds and shares new ways to analyse or present information
Identifies causes and implications of problems and develops solutions	Seeks specialised expertise, knowledge and skills of others to inform and resolve problems	Agrees clear performance standards, provides regular feedback and deals with performance issues promptly	Facilitates compliance with recent keeping principles and procedures	Develops others' communication skills in and creates opportunities for contribution, discussion and debate	Shares specialised knowledge and experience with others and assists others to develop technical skills and locate relevant information
Makes good judgments about levels of risk, escalating issues appropriately				Enters discussions with a clear view of key issues, expectations, potential concerns and desired outcomes	

Figure 1. ANAO Core Capability Framework

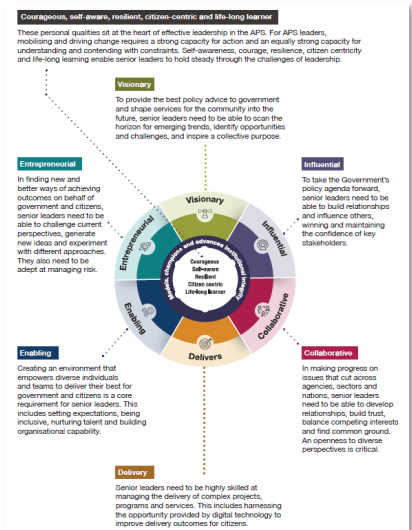


Figure 2. Australian Public Service Commission, Workforce Strategy 2025 – Core Capability Framework

51.0 The International Standards for Workforce Planning - ISO 30409:2016 (International Organisation for Standardisation, 2016) (henceforth referred to as *the standard*) notes segmenting the workforce by job family, as opposed to organisational structure, represents an increase in workforce planning maturity from low to medium. A job family model enables the workforce to be segmented into similar occupational grouping based on related competencies.

52.0 Use of a Job Family Framework would enhance the effectiveness of the ANAO's assessment of capability requirements through enabling effective labour market analysis. Job families have been introduced within the ANAO to inform other HR processes, however as of yet, they have not been implemented into the workforce plan. During the review, five job families were identified to deliver the ANAO's four programs:

- Financial Audit
- Data Analysis
- IT Audit
- Performance Analysis
- Performance Statement Audit

53.0 Systematic workforce segmentation, including the identification of requisite skills and capabilities within these groupings, as well as consideration of job criticality, can further enhance the value of the strategic workforce planning process. This could be done by validating the accuracy of mapping of the workforce to the job family model and enabling a dimension for assessing criticality to the achievement of organisational performance.

54.0 Key principles outlined in 6.3.9 in the standard include that an organisation's workforce segmentation model should:

- Be consistent across the organisation and its respective business units
- Cover all workforce elements in the organisation (including contractors and contingent workers)
- Keep the number of job families and occupations to a minimum and be defined by the nature of the work within the organisation.

55.0 Implementation of demand by job families would enable the ANAO to concentrate its workforce planning efforts on the most critical roles. This approach is preferred to the current aggregate level demand, as it enables the organisation to develop more targeted interventions based on the specific needs and demand factors of individual occupations. As an example, in a growth scenario, rather than forecasting an increase in demand of 10 x EL1s over three years, an organisation could refine this forecast to 4 x EL1 Financial Auditor, 2 x EL 1 Performance Analyst, 2x EL Data Analysts and 2 x Business Partner.

#### ***Alignment across strategic and operational planning***

56.0 Within this criterion, the performance audit also considered the extent to which there was alignment across all levels of the ANAO's Capability Planning Framework. A review of the Corporate Plan, Strategic Workforce Plan, Enabling Strategies (e.g. Graduate Strategy) and individual Service Group Plans showed a strong alignment.

57.0 The ANAO's capability planning framework enables the organisation to develop organisational level strategies to achieve its purpose, as well as to contextualise the business needs of each of the Service Groups. In addition, the annual staffing plan was found to be effectively informed by historical workforce trends enabling service groups recruit to a level that enables the achievement of the agency ASL cap.

58.0 Consultation with the the ANAO executive, and review of minutes from the Executive Board of Management, illustrated that there is commitment to the ongoing requirement to undertake the requisite activities to identify and quantify the capability required.

*The ANAO's approach to capability management*

59.0 Overall, the capability management process utilised by the ANAO was found to be sufficient. Guided by the ANAO's purpose, the process is supported by several key strategies and frameworks, illustrated in *figure 3*.

**ANAO's Capability Planning Framework**

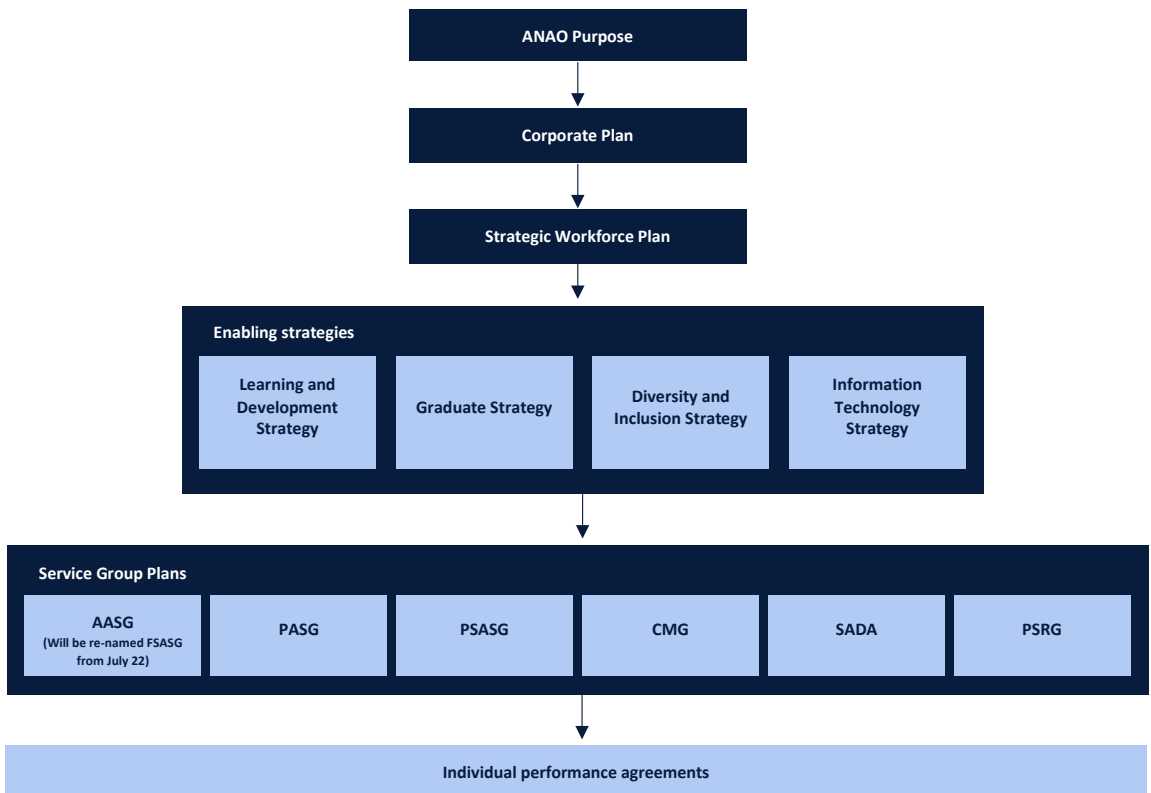


Figure 3. ANAO Capability Planning Framework

## *APS workforce management considerations*

60.0 The workforce management of the ANAO is influenced by a number of APS strategies and frameworks which were considered upon investigation of the current workforce and capability demand.

61.0 Particularly relevant is the APS Workforce Strategy 2025, which includes a number of considerations for agencies, aligned to the three criteria of this audit:

- Embrace data, technology, and flexible and responsive workforce models
- Attract, build, and retain skills, expertise, and talent
- Strengthen integrity and purposeful leadership.

62.0 A summary of the ANAO's progress against these considerations is provided at *Appendix B*.



### **Recommendation 1 – Introduction of workforce demand forecasting by job families**

Workforce planning is a critical business process for addressing difficult workforce challenges. While the ANAO has undertaken workforce planning for several years, the identification of workforce demand, and analysis of supply, is currently based on hierarchical and organisational structures.

To enhance current workforce planning practice within the ANAO, the introduction of demand forecasting based on the APS Job Family Framework is recommended.

The International Standard for Workforce Planning (ISO 30409:2016) recommends workforce segmentation by Job Family. A Job Family Framework is a workforce segmentation tool used to define and group roles that require the performance of similar or identical sets of tasks. Segmentation of the workforce by Job Family enhances an organisation's ability to identify and quantify the capability required to undertake core activities, as well as enable effective external labour market analysis.

#### **ANAO Comment:**

The ANAO agrees with this recommendation. The ANAO's new Workforce Plan identifies five audit job families. The ANAO has commenced demand forecasting on the basis of these to enable more focus on critical roles. Actions in the Workforce Plan will iteratively progress demand forecasting maturity, including introducing workforce metrics and embedding workforce intelligence into strategic talent management practices.

## Assessment against criteria 2

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### Attraction, Development, and Retention of Capability

**Criteria 2:** *The ANAO has identified and implemented appropriate strategies, plans and processes to acquire, develop and retain such required capability.*

63.0 The ANAO has identified and implemented a number of strategies, plans, and processes to **acquire, develop, and retain**, required capability. Furthermore, there are clearly defined roles and responsibilities for key personnel within the ANAO who play a part in the development and execution of these strategy and frameworks.

#### *Attraction*

##### Employee Value Proposition

64.0 Overall, the ANAO's approach to the acquisition of capability was found to be effective. While the ANAO has not documented its Employee Value Proposition (EVP), a review of the ANAO's career page clearly articulated the benefits potential employees can expect. Furthermore, these benefits align with the available analysis of what auditors are seeking from an employer. These include:

- Variety
- Training, learning and development
- Total reward packages
- Work life balance
- Relocation support, and
- Social activities.

65.0 Recent entrants to the audit profession have graduated at a time of climate action, social activism, corporate scandals, a pandemic and the Royal Commission into misconduct in the banking, superannuation and financial services industry, and are looking for opportunities to have an impact on social issues.

66.0 In this context, the ANAO has a unique employee value proposition, which is not currently formally documented. The ANAO's purpose is communicated through its careers page in a way that meets this desire:

***"Our staff add value to public sector effectiveness and the independent assurance of public sector administration and accountability, applying our professional and technical leadership to have a real impact on real issues."***



#### **Improvement Opportunity – Develop formal Employee Value proposition (EVP)**

While the ANAO EVP is implicit on the website, developing a formal EVP will allow the ANAO to track against measures of success and consistently communicate to their staff.

## Recruitment processes

67.0 ANAO's *Staffing Plan 2021-22* outlines that all recruitment processes, from applications closing to offers released, should be completed within 30 days. The recruitment processing time has seen considerable improvement since the release of the plan. Regular reporting to the Operations Committee has enabled the escalation and resolution of any delay within the recruitment process.

68.0 In addition to improved recruitment process times, during consultation, recently recruited staff reflected positively on their experience. Particularly, that their expectations of the role description are being met, and the personal approach to the onboarding experience provided by the hiring managers.

69.0 The acquisition of talent trends was analysed using data from the *Recruitment analysis – January 2022*, and *Terminations 2018-21*. Key findings from this data included:

- Overall, in the year 2021, the ANAO advertised 67 roles across target job families at all levels.
- While the ANAO are yet to meet the targeted 20 applications per job advertisement, there was a positive correlation between the targeted advertising process and an increased in applications.
- A total of 581 applications were received for target job family roles. This represents an increase of 45 per cent from 2020, in which a total of 401 applications were received. The total number of applications for each job family were:
  - Data Analysts, 42
  - Financial Auditors, 189
  - IT Analysts, 76
  - Performance Analysts, 249
  - Performance Statement Auditors, 25.
- Of total applications received, the percentage of candidates appointed has steadily increased from 3.51% in 2018 to 5.70% in 2021. This supports the finding through consultation, that there is an increase in the sharing of merit pools<sup>3</sup> across the ANAO and referral of candidates across service groups.
- Supporting the challenges of a limited supply of the capability required the number of commencements as a proportion of application by Job Family were:
  - Data Analyst, 4.76%
  - Financial Auditor, 6.88%
  - IT Auditor, 3.95%
  - Performance Analyst, 5.62%
  - Performance Statement Auditor, 8.00%.
- Ongoing commencements by number for 2021 was 88. Between 2014 and 2021, there was a total of 485 commencements (including re-hires).

70.0 The number of applications received could be negatively impacted by the limited approach to advertising. While all advertised roles were filled, consideration should be given to

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<sup>3</sup> A list of suitable candidates established whenever an agency completes a competitive selection process which can be drawn upon to fill the same or similar vacancies within a period of 18 months from the date the initial vacancy was advertised in the Public Service Gazette (the Gazette).

approaches to increase the number of applicants to ensure the best possible applicants available, have been attracted to apply. The ANAO primary approach to advertising of vacancies is on the [APS Jobs](#) website, Seek, and the [ANAO](#) website. Word of Mouth and LinkedIn were also reported, however, slightly less so.

- According to the recruitment analysis from January 2022 the lowest number of applications received per job advertisement are at APS Level 6 and Executive Level 1, particularly within the Data Analyst, Financial Auditor, and IT Auditor job families.
- The ANAO received, on average 3.8 applications per advertisement. While this hire rate is low compared to an average of 9 per cent hire rate across all industries (People Up (2020), many of the roles advertised were for single vacancies.
- Supply of potential employees within the Performance Analysts job families was higher, averaging 13.6 applications per job advertisement across all levels in 2021.



#### **Improvement Opportunity – Utilising niche advertising opportunities**

To increase visibility of current job advertisements, the ANAO should look to leverage niche marketing opportunities such as accounting communities of practice or professional magazines. Particularly, for the more specialised job roles that require specific technical experience and/or qualifications. (E.g., Data Analysts, Accountants, IT Specialists)

71.0 While there has been an increase in the use of merit pools, some managers involved in recruitment had limited visibility of merit pools across the organisation. Objective 3 of the *ANAO Staffing Plan 2021-22* outlined the intended use of the talent pool to fill critical roles. Consultation with hiring managers revealed that even when the effort was invested in exploring the talent pool, requisite capability was not available. In addition, managers reported that the talent pool register is not filtered regularly enough, making it difficult and time consuming to utilise. An evaluation of the benefits of the talent pool register should be undertaken to identify areas of improvement.

#### Graduate recruitment

72.0 Graduate recruitment is a substantial source of talent for the ANAO. There are four key objectives identified in the ANAO graduate strategy, as follows:

1. We think strategically about how we engage and mobilise our workforce to achieve outcomes for the ANAO
2. We build a workforce that supports and champions ANAO outcomes
3. We are a learning organisation committed to developing the capabilities of our people, so they are highly sought after and suitably skilled to maintain our success into the future
4. We consult, collaborate, and use data to accurately identify a problem and build solutions. We anticipate challenges and proactively plan for growth.

73.0 The Graduate Recruitment Strategy aims to attract graduates from a range of disciplines including:

- Accounting, economics and commerce
- Data analytics, business information systems, business informatics, engineering, IT security
- Law, HR, communication, and psychology



74.0 Consultation with staff revealed a strong organisational culture of professional scepticism. The Australian Securities and Investment Commission notes that “Exercising professional scepticism is a critical part of conducting quality audits. The auditor must critically assess, with a questioning mind, the validity of the audit evidence obtained and management’s judgements on accounting estimates and treatments.” (Australian Securities and Investment Commission, 2021)

75.0 These qualities are thought to remain timeless and essential, (Australian Securities and Investment Commission, 2021) therefore there is likely to be benefit from incorporating assessment of P-O Fit in the recruitment process, particularly focusing on lateral hires, to enhance retention and the return on investment made through the hiring and subsequent development made in the graduate cohort.



**Recommendation 2 – Develop an assessment of Person-Organisation Fit in future recruitment**

Person–organisation fit is defined as the extent to which an individual’s attributes (e.g., goals, values, personality) are consistent with those of the culture or climate of the organisation. When Person-organisation fit is achieved, organisations see an increase in engagement and a reduced turnover intention and increase long term commitment, particularly in specialised organisations.

While the ANAO have made recent changes to their strategies to attract staff, additional measures could be undertaken to ensure the best possible applicants, with the required individual attributes, are attracted to the opportunities offered by the ANAO.

Given the specialised nature of the ANAO, and in line with current literature, it is suggested that the ANAO could increase person-organisation fit by:

- Creating compelling job ads
- Ensuring pre-selection process is appropriate and assesses individual attributes
- Inviting candidates to the office to see what it’s like to work at the ANAO

This investment is likely to improve retention, productivity, engagement, and future employee referrals.

**ANAO Comment:**

The ANAO agrees with this recommendation. The ANAO has articulated the significance of cultural alignment in its new Workforce Plan and has committed to developing targeted candidate marketing approaches for critical job roles to encourage optimal person-organisation fit.

## Development

### Training hours

76.0 According to the *Australasian Council of Auditors-General, Macro Benchmarking Survey 2020-21*, the ANAO reported 86 training hours per FTE audit professional for 2020-21, remaining relatively stable since 2016-17.

77.0 Consultation with staff and the ANAO executive indicated investment in individual development is considered a key aspect of the ANAO EVP (see below).

#### Training, Learning & Development

We want to help you develop in your career, so we'll support you in undertaking further study and training relevant to your work with us. There are often opportunities to travel around Australia in the course of your work and some of our people have also taken part in overseas secondment or exchange programs.

We have three levels of leadership programs that staff can access, an internal mentor program as well as a suite of e-learning courses, which complement the face-to-face training you will be encouraged to attend. All this forms part of your Individual Development Plan, which is developed annually with your manager.

Experience a robust individual career development program to extend your skills, with full support for CA, CPA and CISA qualifications.

Figure 4. Excerpt from ANAO website - Careers page.

78.0 Outside of mandatory and technical training the ANAO's approach to L&D is primarily self-determined, underpinned by the L&D Strategy. While this is the case, the L&D budget is monitored by the Corporate Management Group who provide approval of non-technical training opportunities provided to staff. While this approach ensures staff development budgets can be more easily monitored and evaluated, it is difficult to ensure the agreements made between managers and staff are delivering the capability needed by the ANAO into the future, to best effect.



#### **Improvement Opportunity** – *Just in time communication of organisational capability development priorities*

Managers could be better supported to ensure staff are appropriately investing and developing skills in emerging capabilities required to future-proof the ANAO. By providing 'just in time' communication, regarding the organisational strategic focus, alongside the performance management cycle, will equip managers to ensure alignment between individual development goals and requirements of the ANAO into the future.

### Talent Management

79.0 The ANAO has also implemented a Talent Management Program (TMP) for emerging leaders. The TMP provides selected employees an opportunity to develop skills for long-term careers. Staff reported positively on the experience of the TMP, with particular emphasis on the coaching and mentoring aspects of the program.

80.0 Talent Programs can be difficult to execute, particularly within the APS merit-based system. Staff reported that they were not aware why they were selected and equally, there were a small number of reports that other staff had been curious about whether they had been considered, and if not selected wanted to understand why. While the intent of the program is worthwhile, there would be benefit in monitoring the retention and promotion rates of participants and monitor for unintended consequences of the program.



**Improvement Opportunity – Develop a TMP strategy and monitor measures of success**

In order to ensure clarity across the organisation around the role of the TMP, the ANAO should consider developing a TMP strategy and evaluation plan. In addition to the overarching strategy, data and analytics on retention and development of TMP participants should be monitored to ensure effectiveness of the program, and diversity data should be analysed to ensure unconscious bias is being considered and addressed.

*Secondments*

81.0 The ANAO careers page suggests the ANAO offers, as part of this suite of policies, support for staff to undertake secondments to other Government and international bodies with the aim of:

- Participating in capacity building and other development assistance programs funded by the Australian Government
- Undertaking projects or audit work with national and international audit organisations
- Developing staff expertise and skills to achieve a more flexible, dynamic workforce
- Promoting the work of the ANAO
- Encouraging retention through opportunity.

82.0 While secondments can be an effective way for organisations to build capability, as well as provide increased variety for staff, there can be a significant resourcing impost to coordinate these arrangements. Secondments at scale, where rapid implementation efforts are required, present the most impactful and efficient use of secondments.

***“Leveraging skills and knowledge from across the public sector through secondments can assist an entity to quickly build the skills needed to deliver program roles and functions where rapid implementation is needed (Performance audit report: Administration of the National Bushfire Recovery Agency (Auditor-General Report No. 46 of 2020–21)***

83.0 While the ANAO careers page suggests applications are sought on a bi-annual basis each year, consultation with staff indicated that there was a lack of understanding of the secondment process. Staff that had undertaken secondments reported these opportunities were self-driven and ad-hoc.

84.0 Consideration of the potential perceived conflict of interest which might arise from establishing formal and informal secondment opportunities were also raised through the consultation.



### **Improvement Opportunity** – *Communicate the secondment process and develop secondment partnerships*

Evaluate the benefit of secondment arrangements in relation to impact on workforce attraction, capability development and retention. If there is significant benefit found, the ANAO should reinvigorate its existing Professional Development Opportunities Package.

#### *ANAO Academy*

85.0 At the time of the audit, the ANAO was working to implement an ANAO Academy to “support building workforce capability by ensuring that everyone has access to the right learning at the right time. It will also ensure a cohesive approach to L&D at the ANAO, under one brand. This will form a tangible and identifiable part of the ANAO Employee Value Proposition (EVP) to attract graduates and lateral hires.”

86.0 This initiative was found to be consistent with the four pillars of the APS Learning Strategy (figure 5) and provides an opportunity to bring together, as a cohesive offering:

- All corporate and technical L&D
- All new starter induction programs
- The ANAO talent program
- The ANAO mentoring framework and programs
- Studies Assistance
- External development opportunities such as conferences, professional membership and APS Academy programs
- The ANAO Core Capability framework and
- Tools and resources.

#### **Culture**

Foster an organisational culture that encourages and supports APS people, teams, managers and leaders to learn and develop continuously.

#### **Governance**

Enable relevant, effective and contemporary learning and development initiatives through alignment with organisational needs, APS-wide collaboration, quality standards and evaluation practices.

#### **Capabilities**

Target priority capability-building aligned with APS Workforce Strategy. Strive for a common, yet contextualised, approach that enhances workforce adaptability, mobility and performance.

#### **Technology**

Provide access for all to high quality learning experiences, performance support and knowledge sharing anywhere and anytime.

Figure 5. APS L&D Strategy



**Improvement Opportunity** – *Develop an evaluation strategy to report on the effectiveness of the ANAO Academy*

To ensure the investment in the development of the ANAO Academy is achieving the expected outcomes, an evaluation strategy, aligned to the APS Learning Strategy measures of success should be developed.

*Our measures of success are:*

- 1. A high-performing APS workforce with the critical skills needed to deliver for the Government and Australians.*
- 2. APS people are aware of their capability and development needs and are committed to continuous learning and performance growth.*
- 3. APS employees with access to high quality and relevant learning opportunities anywhere, anytime.*
- 4. APS managers and leaders who invest in the development of their people.*
- 5. APS invests in and shares learning resources in the most effective and efficient way to develop common capabilities and build a future-ready workforce.*
- 6. Demonstrated effectiveness and impact of our contemporary learning solutions delivered at scale to support APS performance (APS Learning and Development Strategy)*

## Retention

### Retention rates

87.0 The ANAO's largest obstacle is employee retention, however, this is an issue facing the auditing profession globally. Auditor workloads tend to peak during reporting season (post-March and post-June), requiring staff to work long hours leading to employee burnout.

88.0 Over the last three years, retention data shows the ANAO has achieved significant improvement to the retention of junior staff (APS 1-3, Trainee and Graduates) in comparison to the APS. However, in 2021, the ANAO experienced a significant reduction in retention of APS 6 (-9%), and EL 1 (-10%) staff when compared to the APS average.

Difference in separation rate (ANAO compared to APS average) 2017 to 2021

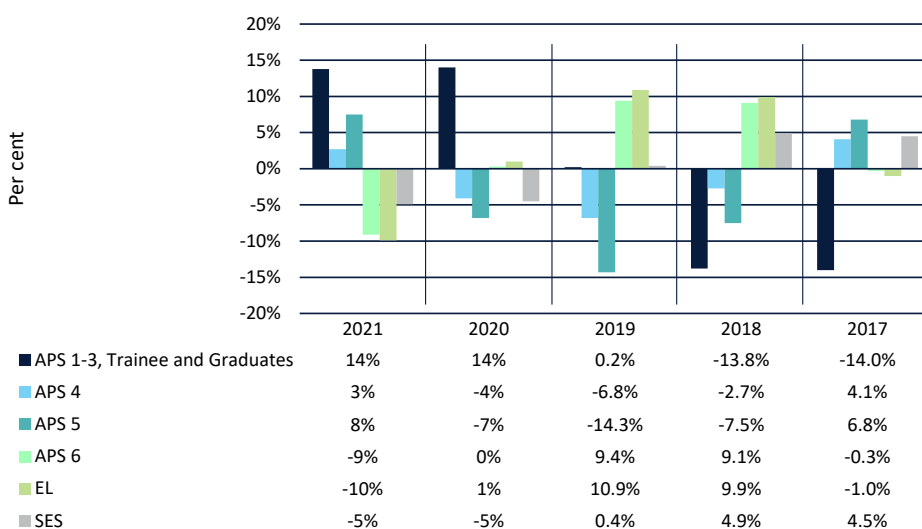


Figure 6. APS separation data (APSEDii - Separations at Agency Level)

89.0 While there is no optimum turnover rate, the APS benchmark provides some insight to assist the ANAO, strategically plan the flow of talent through the organisation.

### Drivers of separation

90.0 During the consultation phase, several reports of high workloads and lack of work-life balance were cited as key reasons for staff to leave the organisation. It is therefore surprising that only 31.43% of respondents to the ANAO exit survey reported that work-life balance was not promoted/practiced within the agency.

91.0 However, it is important to note that fewer than 50% of separating employees complete the exit survey; and those exiting due to poor work-life balance may be less likely to complete the survey.

92.0 It is not unusual for organisations to have a low response rate for exit surveys, however, the true reasons for leaving are arguably a critical data point for ANAO to inform their recruitment and retention efforts.



### **Improvement Opportunity – Enhance exit survey completion rates**

There is an opportunity to increase the rate of exit survey completion by:

1. Improve communication approaches explaining the value of the survey and clearly stating how the information will be utilised.
2. Engage a third-party partner to administer the survey to assure employees' confidentiality is protected.
3. Delay the exit interview (or similar) until a time when employees have placed some emotional distance between themselves and the organisation, which may encompass those not willing at an earlier time.

93.0 According to current literature, the experience of workplace culture, social support, and positive work environments have significant positive impacts on rates of retention in staff.

94.0 In terms of culture within the ANAO, reports of satisfaction and positive experience of culture in the supporting service groups (SADA, PSRG, CMG) was higher than that in the audit service groups (AASG, PASG, PSASG).

95.0 The commitment to the local manager is reflected in both the APS Census data and Exit Survey data. Seventy-four per cent of respondents of the exit survey felt recognised and supported by their direct supervisor, however the number drops to 64% when asked if they felt recognised by the whole agency. The APS Census showed that 85% of people feel their immediate supervisor cares about their health and wellbeing, however that number drops markedly to 57% when asked if the agency cares about individual health and wellbeing and overall, the ANAO sits below the overall APS index score for wellbeing.

96.0 Consultation revealed culture and experience of the ANAO was heavily manager and team dependant. Where positive culture was reported, staff indicated that if it was not for the people they worked with, they would leave.

97.0 Audit firms are exploring the workload and wellbeing challenges faced by the profession through several innovations, including:

- Investing in the technology to automate menial tasks
- Redesigning the audit processes to remove excessively stressful deadlines
- Moving to team-based auditing - where multi-disciplinary teams are formed based on members knowledge, experiences and expertise permitting high-quality audits and ability to meet evolving expectations.

98.0 The ANAO Information Technology Strategy 2020-2024 clearly reflects and responds to these challenges. ANAO investments in mobile computing, collaboration tools and automation are consistent with the emerging needs of the profession and expectations of employees.

99.0 At the time of concluding the field work of this Performance Audit, the Talent Management Programs (TMP) cohort was also conducting a review of retention within the ANAO. This indicates that staff are significantly impacted by this issue and committed to working with the organisations leadership to improve retention.



### **Improvement Opportunity – Coaching and mentoring across the organisation**

Given the positive reports from TMP participants, and in line with current literature which highlights career development opportunities as determinants of employee retention, the ANAO should consider offering additional mentoring to staff. For example, access to senior leadership mentoring or independent coaching.



### **Recommendation 3 – Enhancement of local culture across the organisation**

Employee retention is a significant impediment for the ANAO (and the profession more broadly) due to the nature of workload pinch-points, requiring staff to work long hours leading to employee burnout. According to literature social support, work environment, and work-life balance contribute to the experience of culture and can support staff during high period of stress.

The ANAO should encourage managers to invest in developing strong local cultures and team-based rituals, guided by the organisations existing values and behaviours. While examples will vary depending on the personal circumstances of individuals in the group, it is important for these cultures to remain inclusive.

#### **ANAO Comment:**

The ANAO agrees with this recommendation. The ANAO is taking local and enterprise initiatives to enable a supportive, sustainable and inclusive culture. Senior Executive (SES) and Executive Level (EL) leaders have identified the need for further effort now that the ANAO's premises have returned to being the principal place of work and opportunities to bring people together have increased. The ANAO will develop and deliver a leadership capability program for SES and EL leaders – workplace culture will feature in this program. This will be supported by organisational actions in the new Workforce Plan, such as refreshing the employee wellbeing program in response to APS Employee Census feedback, building opportunities to celebrate success within work groups and the events program managed by the Diversity Contact Officers.



## Assessment against criteria 3

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### Governance processes for capability framework

**Criteria 3:** *There are appropriate governance arrangements to review, approve and oversight capability acquisition, development and retention, and ensure the capability framework is appropriately formalised.*

#### *Governance arrangements within the ANAO*

100.0 The ANAO has established effective governance review, approval, and oversight mechanisms, each with clearly defined roles and responsibilities throughout the organisational strategy around attraction, development, and retention of capability. As a result, there were no significant findings in relation to criterion 3 of this Audit.

101.0 The key governance and oversight bodies with capability responsibilities include:

- the **Executive Board of Management** (EBOM)
- the **People and Change Committee**

102.0 The roles and responsibilities for each of these committees is documented within their respective Terms of Reference.

103.0 As discussed against criterion 1, the ANAO has implemented an integrated business process, aligned to other business strategy and planning cycles, as illustrated in *figure 3*. The standard suggests workforce planning generally takes two years to fully implement with the early stages focused on building the capacity of individuals and the leadership team in the business to establish appropriate frameworks, and a systematic and sustainable approach.

104.0 Consultation with members of the Executive Board of Management revealed a strongly aligned leadership team, highly attuned to the workforce issues, and committed to action. Given that many of the executive team have worked together to develop the current strategies, it will be important to ensure effective induction of new leaders, at all levels, to sustain this focus and alignment.

105.0 At the time of the development of this audit, the ANAO was scoping the implementation of a Human Resources Business Partner (HRBP) model. A HRBP model should be designed to enable ongoing, sustained alignment across the organisation, monitoring of business strategy and planning cycles.

106.0 A successful HRBP model relies on clear understanding of roles and responsibilities. The Australian Human Resource Institute Model of Excellence provides a useful framework for representation of what HR practitioners should know, what they are expected to do, and what their peers and leaders expect them to be, in terms of behaviours and capabilities.



#### **Recommendation 4 –Continuation of maturing the HR/leadership relationship**

The Audit has highlighted the strong alignment between organisational strategies, plans, processes and the decision making of the ANAO leadership team.

Given the importance of this alignment in achieving the ambitious strategic work plan, additional mechanisms are required to ensure ongoing focus and support to the executive team.

The ANAO should continue to mature the HR/ Executive team relationship with the development and implementation of the Human Resource Business Partner model.

The HR Business Partner role will support the ANAO executive to help guide and improve the overall workforce strategy based on regular analysis of HR data and insights regarding employee satisfaction and emerging workforce risks.

#### **ANAO Comment:**

The ANAO agrees with this recommendation. From 1 June 2022, the ANAO implemented an optimised Human Resources operating model that will enable the delivery of this recommendation, comprising dedicated functions for People Services, People Capability and People Business Partnering. The new model will strengthen the alignment of Human Resources and the ANAO leadership team in the delivery of organisational strategies and workforce management frameworks. The model will also be supported by a commitment to deliver workforce metrics and insights to evaluate strategic impact and inform workforce capability decisions.

## Appendix.

### Appendix A: Entity Response

OFFICIAL



Auditor-General for Australia



30 June 2022

Ms Eileen Hoggett  
Independent Auditor  
Email: [ehoggett@kpmg.com.au](mailto:ehoggett@kpmg.com.au)

Dear Ms Hoggett

Thank you for your correspondence on 2 June 2022 providing the ANAO with a proposed report on your performance audit of the ANAO's approach to the Attraction, Development and Retention of Capability. I note your overall conclusion that the ANAO was found to have effective strategies, plans and processes in place to identify, quantify, attract, develop and retain necessary capability required and that there are appropriate governance arrangements in place. The ANAO agrees to the recommendations you have made in the performance audit report.

The current market for attracting a professional auditing workforce poses many challenges. As set out in our new Workforce Plan, the ANAO will increase its focus on training through the ANAO Academy in recognition that competition in the market requires us to cast a wider net for talented people many of whom will come to the ANAO without an auditing background. The areas for improvement contained in the audit report are under active consideration to assist in this changed approach.

Thank you for the way in which you and your team conducted that audit. The performance audit's timing, including the engagement throughout was useful in the development of the ANAO's new Workforce Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir

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### Short response and responses to each recommendation

The ANAO welcomes the Independent Auditor's report. The timing of the audit has enabled the ANAO to consider the audit's insights in the development of its new Workforce Plan. All recommendations are agreed.

The current market for attracting, retaining and developing a professional auditing workforce poses many challenges. As set out in our new Workforce Plan, the ANAO will focus on training through the ANAO Academy. This recognises that competition in the market requires us to cast a wider net for talented people, many of whom will come to the ANAO without an auditing background. The areas for improvement contained in the audit report are under active consideration to assist in the implementation of this changed approach.

#### *Recommendation 1 – Introduction of demand forecasting aligned to job families*

The ANAO agrees with this recommendation. The ANAO's new Workforce Plan identifies five audit job families. The ANAO has commenced demand forecasting on the basis of these to enable more focus on critical roles. Actions in the WFP will iteratively progress demand forecasting maturity, including introducing workforce metrics and embedding workforce intelligence into strategic talent management practices.

#### *Recommendation 2 – Develop an assessment of Person-Organisation Fit in future recruitment*

The ANAO agrees with this recommendation. The ANAO has articulated the significance of cultural alignment in its new Workforce Plan and has committed to developing targeted candidate marketing approaches for critical job roles to encourage optimal person-organisation fit.

#### *Recommendation 3 – Enhancement of local culture across the organisation*

The ANAO agrees with this recommendation. The ANAO is taking local and enterprise initiatives to enable a supportive, sustainable and inclusive culture. Senior Executive (SES) and Executive Level (EL) leaders have identified the need for further effort now that the ANAO's premises have returned to being the principal place of work and opportunities to bring people together have increased. The ANAO will develop and deliver a leadership capability program for SES and EL leaders – workplace culture will feature in this program. This will be supported by organisational actions in the new Workforce Plan, such as refreshing the employee wellbeing program in response to APS Employee Census feedback, building opportunities to celebrate success within work groups and the events program managed by the Diversity Contact Officers.

#### *Recommendation 4 – Continuation of maturing the HR/leadership relationship*

The ANAO agrees with this recommendation. From 1 June 2022, the ANAO implemented an optimised Human Resources operating model that will enable the delivery of this recommendation, comprising dedicated functions for People Services, People Capability and People Business Partnering. The new model will strengthen the alignment of Human Resources and the ANAO leadership team in the delivery of organisational strategies and workforce management frameworks. The model will also be supported by a commitment to deliver workforce metrics and insights to evaluate strategic impact and inform workforce capability decisions.

## Appendix B: Summary of alignment to APS Workforce Strategy 2025

<b><i>Embrace data, technology and flexible and responsive workforce models</i></b>	
<b>What agencies should consider</b>	<b>Observed within current ANAO practice</b>
Prioritise upskilling and reskilling of employees and align development to emerging roles in data and digital, and roles augmented by technology	✓
Design agile work practices and operating models to support mobilisation of staff to key and critical functions.	✓
Review workforce management practices and promote flexibility to strengthen attraction and retention initiatives.	✓
<b><i>Attract, build and retain skills, expertise and talent</i></b>	
Building inclusive cultures to support diverse workforces. Strengthen workforce diversity through business-linked workforce planning, from hire through to retire.	<b><i>Links to Recommendation 3.</i></b>
Promote upskilling and the importance of life-long learning to employees. Build workforce engagement with modern learning practices.	✓
Design recruitment and L&D strategies around building priority capabilities for the APS.	✓
Incorporate the graduate employee value proposition into their marketing and attraction activities.	✓
Implement wellbeing programs that promote a safe working environment for employees to thrive.	<b><i>Links to Recommendation 3.</i></b>
<b><i>Strengthen integrity and purposeful leadership</i></b>	
Continue to upskill managers and employees to have effective performance and career conversations. Upskill people managers on managing underperformance and managing probation effectively.	<b><i>Links to Recommendation 4.</i></b>
Identify, develop and retain high-potential employees and succession management to build talent pipelines for critical and leadership pipelines	✓
Increase alignment between agency-level and central-level workforce management initiatives with a focus on efficiency to remove duplication and break down silos.	✓

## Appendix C: Detailed Methodology

The following table shows the detailed methodology approach to the current audit.

Component of review	Detailed approach to methodology
<b>Document review</b>	<p>Overall, a total of 50 organisational documents and data sets were reviewed as a desktop analysis.</p> <p><b>Organisational documents:</b></p> <p>ACAG MBM 2020-21 full report_FINAL          ANAO Workforce Plan 2018          ANAO Towards 2025 plan          ANAO – Workforce Plan Implementation review          ANAO Core Capability Framework          AASG Workforce Plan          ANAO Staffing Plan 2021-22          AASG Group Plan          PASG Group Plan          PSASG group Plan          SADA Group Plan          PSRG Group Plan          CMG Group Plan          Organisation structure chart          Attachment A - L&amp;D Strategy and ANAO Academy (DRAFT)          Attachment B – ANAO Draft Interim L&amp;D Strategy and Plan          ANAO recognition and Awards Guidelines          APS Census 2021 highlights report – ANAO          APS Census 2021 highlights report – AASG          APS Census 2021 highlights report – PASG          APS Census 2021 highlights report – PSASG          APS Census 2021 highlights report – PSRG          APS Census 2021 highlights report – SADA          APS Census 2021 highlights report – CMG          Diversity Inclusion Strategy 2021-23          Mentoring Program Guidelines          Mobility Policy Final Draft          Performance and career Development Policy          RAP – Reflect          Secondment Policy and Procedures          SES Remuneration Performance and Development Policy          TMP Timeline – APS          TMP Timeline – EL          ANAO roadmap (IT)          ANAO Information Technology Strategy          EBOM Minutes: 19/10/21, 21/09/21, 30/11          People &amp; Change Committee Meeting Minutes: 1/11/21, 29/09/21, 30/11/21          Graduate Strategy – Progress report          Graduate Strategy</p> <p><b>Data:</b></p> <p>2021-22 resource allocations final          ANAO Staff Exit Survey 2021          ASL Report January 22</p>

Component of review	Detailed approach to methodology
	Diversity Data Recruitment Analysis – January 2022 Terminations 2018-21
<b>Consultations</b>	10 Senior Executive HR Director 3 recently recruited staff 5 staff recently involved in recruitment 5 staff participants of the Talent Management Program

## Appendix D: Reference List

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