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Tēnā koe Grant

OFFICE OF THE AUDITOR-GENERAL PEER REVIEW OF TWO PERFORMANCE AUDITS PUBLISHED BY THE AUSTRALIAN NATIONAL AUDIT OFFICE

In July-August 2022, the Office of the Auditor-General (OAG) peer reviewed two performance audits that were tabled by the Australian National Audit Office (ANAO) in 2020/21.

This review forms part of a longstanding reciprocal arrangement, where we review each other's performance audit processes and practices on an alternating basis. It seeks to strengthen performance auditing through constructive feedback, sharing of better practices, and identifying areas of improvement.

This letter discusses the key observations from our 2020/21 review.

Scope of this year's peer review

This peer review involved an assessment of two published audit reports and supporting documentation against the ANAO's Quality Assurance Test Program and Evidence Linkage Test.

The Quality Assurance Test Program assesses the audit team's compliance with:

- the ANAO's Auditing Standards and other legal and regulatory requirements;
- quality control policies and procedures; and
- the documentation requirements of ASAE 3500 and 3000.

The Evidence Linkage Test checks that audit teams have collected sufficient appropriate evidence to support the conclusions reached.

The two performance audit reports selected for review were:

- *Australian National University's Governance and Control Framework* (November 2021); and
- *Improving Immunisation Coverage* (September 2021).

This report makes high-level observations and suggests relatively minor opportunities for improvement.

I have attached the Quality Assurance Review Program and Evidence Linkage Test for each audit.

Our overall conclusion

The two audits are both important pieces of work. The reports clearly convey the key findings of the audits and the recommendations should lead to positive changes in the audited entities.

In my report on the 2018 review of ANAO audit files, we suggested that “a more structured approach to audit documentation would help to address some [documentation] issues, allow for easier quality assurance, and provide stronger risk management for the audits. Performance audit teams were piloting TeamMate at that time.

Since then, TeamMate has become part of business as usual. At a minimum, we understand the audit TeamMate file for each audit must include the documents required to demonstrate compliance with the standards set by the Quality Assurance Review Program and Evidence Linkage Test.

In our view, using TeamMate in this way has been successful in supporting improved audit documentation, has allowed for easier quality assurance, and has contributed to stronger risk management for the audits.

Findings

The review team assessed both sets of audit files as “Satisfactory” with only minor departures from requirements that pose a low risk to the ANAO’s reputation and the audits themselves.

The departures were that:

- One audit file was not finalised in accordance with the ANAO’s policy, evidenced by the lack of a black and white “finish” flag in TeamMate. This is a breach of the file finalisation policy.
- The other audit involved SADA staff. There was evidence on file that the SADA project lead and team member had reviewed key documents and working papers. SADA Executive also needed to review key documents and working papers. However, there was no evidence on file that they had done so.

Area for improvement

Demonstrating how materiality has been addressed

Recent ACAG discussion groups among performance audit staff have highlighted that the various audit offices are trying to find effective ways to more consistently document how materiality is addressed during fieldwork and analysis.

For the audit files we reviewed, working papers sometimes explicitly discussed materiality, such as whether minor non-compliance with organisational policies would affect the ANAO’s audit findings.

In our view, a more structured approach would improve the ANAO’s ability to demonstrate how materiality has been addressed for the audit criteria. For example, the audit test program could be enhanced to include a column documenting the materiality benchmark (or performance expectation) for each audit question, and what factors would constitute an unsatisfactory audit finding.

Sharing practices

The OAG review team valued the opportunity to gain another perspective on performance auditing. In particular:

- The ANAO’s audit test program provides a clear link between the audit questions and criteria, the sources of evidence and analytical work done, and the audit findings and conclusions. In addition, the document facilitates Executive Directors’ review of the adequacy of their audit teams’ work.
- The PASG storyline enables audit teams to clearly summarise audit conclusions for each audit criteria, with key supporting evidence. This enables senior management to constructively engage with the audit findings and as needed, provide direction to the audit team about whether more fieldwork and analysis is needed and how to best document the audit findings.

I thank you and your staff for the help they gave my team during our review and the continuing useful exchange of performance audit practices. I would particularly like to acknowledge the co-operation and help received from Amelia Pomery, Ingrid Wilkins, Joyce Knight, Jennifer Eddie, Elizabeth Robinson, and your IT support staff.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'JMR Ryan', with a stylized flourish at the end.

John Ryan
Controller and Auditor-General

Attachments

1. Quality Assurance Test Program for Australian National University's Governance and Control Framework
2. Evidence Linkage Test for Australian National University's Governance and Control Framework
3. Quality Assurance Test Program for Improving Immunisation Coverage
4. Evidence Linkage Test for Improving Immunisation Coverage