

Audit Reports Summaries

Audit Report No. 11 1995-96

Summary

Department of Defence

MANAGEMENT AUDIT

Performance Audit

Background

The Management Audit Branch (MAB) of the Department of Defence provides internal audit and related services to the Department including the Australian Defence Force. MAB conducts a wide range of internal audits. These include audits of financial management, military units, cross-Program functions and capital investment projects. Audits are conducted in each State and Territory. MAB audits are not available to the Parliament or the public.

Audit Objectives

The objectives of this audit were to assess planning, management, conduct and staffing of internal audit in the Department of Defence, with a view to providing assurance as to the standard of its work. Opportunities were taken to identify specific policies and practices that would improve the efficiency and effectiveness of MAB audit. Fieldwork for the ANAO audit was performed between May and August 1995.

Audit Findings

The ANAO last reviewed Defence internal audit in 1988. Substantial progress has been made since then towards meeting the improvements suggested, but the ANAO considers that about half the matters raised require continuing further improvement.

MAB has developed alternative audit approaches and reviewed their success in that period. For example, in 1993, it instituted a program of large across department audits (known within the Department as 'national' audits) and commissioned a review to assess its effectiveness. It has also developed a new management information system and conducted an evaluation of it. In addition, MAB has reviewed the quality of its reports and is seeking to improve its overall performance.

The ANAO audit found that:

Planning

- MAB's planning for future audits appears effective, combining audit judgment and the need for consultation with the Defence Organisation.
- Information from MAB's Audit Management Information System (AMIS) was noted as unreliable in 1994-95. This was the result of data input to AMIS being unreliable

and incomplete. The outcome was uncertainty about the number of productive audit hours worked by MAB auditors. A revised AMIS was being introduced in 1995-96 to overcome these deficiencies.

Working Papers

- The quality of audit working papers varied. Some were of a high standard. Other working papers could have been better organised and have provided stronger evidence to support audit findings. Quality control needs to be more rigorously applied and internal quality assurance needs to be resumed.

Reports

- Audit reports were generally presented well. MAB is seeking to improve presentation further.
- MAB needs to check and report back to the audit committee on management's implementation of the audit recommendations that the latter agreed to implement. A program of follow-up audits is required to monitor implementation to ensure the integrity and usefulness of the internal audit function.

Overall

- MAB's audits were generally appreciated by auditees, especially in the area of smaller compliance audits. However, the ANAO had some concerns about the efficiency and impact of the larger across department audits. In general, MAB was providing a useful and competent service to the Defence organisation.

Recommendations

The ANAO has made 22 recommendations designed to improve MAB's performance. The Department agreed, or agreed in principle, with all but two of the recommendations. ANAO's priority recommendations are that the Defence audit committee should give serious consideration to inviting an expert independent outsider to be a member and be given more options when choosing audit topics. As well, MAB should develop a medium-term strategic plan, improve its time-recording and management information systems, measure its own performance against agreed performance indicators, give auditees no more than four weeks to respond to audit reports and have an agreed program of follow-up audits. The Department disagreed with the first of the priority recommendations, but agreed or agreed in principle with the other priority recommendations.