



22 February 2017

Martin Matthews

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2600
AUSTRALIA

Dear Grant

NEW ZEALAND OFFICE OF THE AUDITOR-GENERAL QUALITY ASSURANCE REVIEW – SEPTEMBER 2016

In September last year, my staff undertook a Quality Assurance Review of two performance audits under the reciprocal peer review arrangements between our offices. This letter presents our high-level findings and observations from our review. They are consistent with the debrief that my staff gave at the end of the review visit last September. We would have liked to send these to you earlier, but were delayed by a major earthquake that prevented office access for several weeks. I hope that you find the findings and observations helpful in continuing with practice improvements.

Review scope

We reviewed two performance audits:

- *Management of the Use of Force Regime* (May 2016), a performance audit that was completed in-house; and
- *Administration of Rehabilitation Services under the Military Rehabilitation and Compensation Act 2004* (May 2016), which was contracted out.

The main aim of the Quality Assurance Review was to assess whether the ANAO is producing performance audit reports in a way that follows the ANAO Auditing Standards and policy contained in the Performance Audit Manual, and to identify opportunities for improvement.

We also sought to:

- check that the selected audits' working papers supported the key audit findings, conclusions, and recommendations that were reported to Parliament;
- check for evidence that key quality controls had been effective;
- offer broader observations that you might find helpful; and
- share practices on matters of mutual benefit to both of our offices.

Standards used for the review

My staff were given the ANAO Performance Audit Quality Assurance Review test program (the test program) to assess each audit. The test program aims to:

- assess whether the ANAO is producing performance audits in accordance with the ANAO Auditing Standards and Performance Audit Manual policy; and
- identify opportunities for improvement and better practice for dissemination to audit staff.

At the time of the review, you were making changes to the way that your office delivers performance audits, and you were expecting to make more changes. My staff found that the test program had not always kept up with the changed practices that staff were expected to follow and needed to be updated. In these instances, my staff used their judgement to assess whether the relevant aim of the test had been achieved for the audit being reviewed.

Our high-level findings

Overall, we found that:

- for both audits, staff had followed most of the relevant ANAO standards and policies that were assessed by the test program;
- the reports contained findings and conclusions supported by the evidence;
- the audits were well managed against budgets and timeframes; and
- the audits had comprehensive files.

For both audits, sign-offs needed during the reporting phase of the audit were missing. However, it was clear from the files that senior staff had reviewed reports at important stages.

Individual reports

A summary and detailed report on each Quality Assurance Review is attached.

Observations and sharing practices

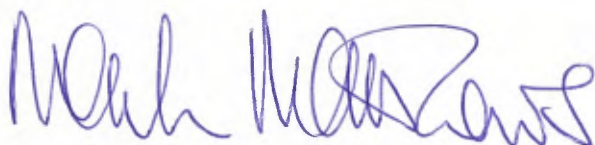
My staff appreciated the formal and informal discussions with you and your staff. I value the opportunity that the reciprocal reviews provide for sharing professional experience and practice developments. My staff come away from the reviews with useful knowledge and practices to draw on for their own practice improvements.

During the review in September, my staff found it useful to discuss how the Performance Audit and IT Audit groups work together. Our data analysis team is relatively new, and we are gradually finding our feet in this area. Your staff shared with us some of the documents used to detail plans for statistical analysis, to identify the data that they would need from the audit entity, and to make a bulk data request of an audit entity. They also shared information about how to provide assurance over the quality of evidence for audits. This collaboration is appreciated.

My staff shared two important tools that we use to help our writing – our in-house *Writing Style Guide* (June 2015) and information about the editing software that we use (called Stylewriter).

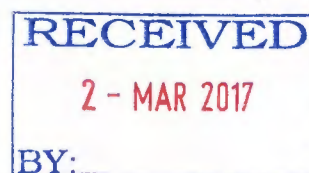
I thank you and your staff for the help they gave my team during our review and the continuing useful exchange of performance audit practices. In particular, I thank Kris Arnold, Peta Martyn, Mark Simpson, Fiona Knight, and Meegan Reinhard.

Yours sincerely



Martin Matthews
Controller and Auditor-General

Attached: Summary and detailed reports for both audits



Summary: Management of the use of force regime

The working papers for this audit were easy to follow and met the standards, except that:

- email sign-offs needed on the draft report were not obtained (see items 45-47 in the test program), but it was clear from the files that relevant senior staff had commented on the draft report and the audit team had considered the comments; and
- the published report did not include a statement on matters excluded from the audit scope that could have been part of the audit (see item 53 in the test program).

The report is relatively short, reasonably concise, and easy to read. There were some confusing sentences where the author's meaning was not as clear as it could be. We consider that using more active language (that is, reducing the quantity of passive language) would help further improve clarity and readability.

After discussion with the lead auditor for this report, we compared it with two of our reports by running it through the Stylewriter software. We compared the reports for passive language, sentence length, jargon, and reading grade. The table below shows the results.

Measures	Whānau Ora: The first four years	Collecting and using information about suicide	Management of the Use of Force Regime
Total words	17,935	12,934	17,991
Passive	23 good	33 fair	48 poor
Average sentence length	15 excellent	17 excellent	21.2 fair
Jargon	1.5% excellent	1% excellent	5.7% bad
Reading grade	11.1 standard	10.0 fairly easy	16.0 difficult

Summary: Administration of Rehabilitation Services under the Military Rehabilitation and Compensation Act 2004

We found that the audit was a solid piece of work that was well planned, well run, and followed the audit manual and audit standards.

There was enough evidence that the audit was managed against the agreed budget and timeframes. This included evidence that:

- an audit plan was completed;
- enough evidence was gathered to support the audit findings;
- there was enough audit oversight and key milestones were reviewed;
- the audit team's work was well directed, supervised, and reviewed;
- issues papers were prepared and reviewed;
- there was a good working relationship with the entity; and
- auditee comments on the issues papers supported the audit findings.

The report was balanced, recognised positive findings, and included constructive comments on matters needing improvement. The report's structure followed the main criteria. However, we thought that the report was long and there were places where shorter paragraphs and sentences would have broken up complex issues and aided readers' understanding.

This audit was contracted out to Vista Advisory. We were particularly interested to see how the ANAO ensured that the contractors complied with ANAO Auditing Standards and Performance Audit Manual policy. We wanted to see what the OAG could learn for when we contract out our performance audits.

The contractors were expected to comply with ANAO standards and policies, including using the same key documents and templates. They were also expected to use E-Hive as a document management system. The contractors largely complied with these expectations. The ANAO's executive director was closely involved with the audit and we had no concerns about the way the audit was conducted and managed. We found that some sign-offs were missing. This may have been due to the contractors not being kept up to date with changes made to the ANAO's sign-off requirements after the audit started.