



20 December 2018

John Ryan

Mr Grant Hehir
Auditor-General
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Dear Grant

NEW ZEALAND OFFICE OF THE AUDITOR-GENERAL PEER REVIEW – SEPTEMBER 2018

In September, my staff undertook a Quality Assurance Review of two performance audits under the reciprocal peer review arrangements between our offices. The attached report contains our high-level findings and observations from our review, as well as more detailed comments using the ANAO test programme format. I hope that the findings and observations are helpful in your practice improvement work.

Review scope

My staff reviewed two performance audits:

- *Managing mental health in the Australian Federal Police* (March 2018); and
- *Australian Electoral Commission's procurement of Services for the Conduct of the 2016 Federal Election* (January 2018).

Standards used for the review

My staff used the ANAO Performance Audit Manual and the ANAO Performance Audit Quality Assurance Review test program (the test program) to assess each audit.

Their focus was assessing whether the ANAO is producing its performance audit reports in a way that follows the ANAO auditing standards and policy contained in the Performance Audit Manual, and identifying opportunities for improvement.

They 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 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.

Our overall conclusion

The two reports are both important pieces of work, and the evidence collected during the audit supports the report findings well. The reports clearly convey the key findings of the audits and the recommendations should lead to positive changes in the audited entities. In both audits, the audit teams managed the relationships well.

In both audits my staff reviewed, they identified some parts of the audit management process that could be documented more consistently. These matters were more significant for the Australian Federal Police Audit. In our view, there was heightened risk of this audit not meeting the ANAO's requirements because of the documentation issues we found.

In our view, a more structured approach to audit documentation would help to address some of these issues, allow for easier quality assurance and provide stronger risk management for the audits. We understand that performance audit teams are piloting TeamMate as an option.

Sharing practice

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

My staff found it useful to discuss your approach to assessing value for money in performance audits and a recent ANAO publication, *Australian Government Procurement Contract Reporting*, which was published in December 2017. Your staff shared some of their experience and insights from this work. This collaboration is appreciated.

We hope the lunchtime session on the changes taking place in the New Zealand public sector accountability landscape, and sharing my office's early thinking on what that means for public sector auditing, was useful. My staff were also able to share some of our practice relating to their engagement with Parliamentary select committees.

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 would like to thank Amelia Pomery, Peta Martyn, Brian Boyd, Michael White, Paul Bryant, and Tracey Bremner.

We look forward to a team from the ANAO coming to peer review our performance audits in 2019.

Yours sincerely

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

John Ryan
Controller and Auditor-General

Attach. Summary and test programs

NEW ZEALAND OFFICE OF THE AUDITOR-GENERAL

PEER REVIEW

December 2018

In September 2018, the New Zealand Office of the Auditor-General (OAG) peer reviewed two Australian National Audit Office (ANAO) performance audits. This report provides the main findings of the reviews and some recommendations. The detailed reviews against the ANAO Performance Audit Quality Assurance Review test program (the test program) follow.

Peer review scope

The two audits reviewed were:

- *Managing mental health in the Australian Federal Police* (March 2018)
- *Australian Electoral Commission's procurement of services for the conduct of the 2016 Federal Election* (January 2018)

The main aim of the Peer Review was to assess whether the ANAO's performance audit reports follow the ANAO Auditing Standards and policy contained in the Performance Audit Manual. Opportunities for improvement are also identified.

The OAG selected two audits from those tabled by the ANAO between January 2018 and August 2018. The OAG selected one audit already peer reviewed by the ANAO and one that had not been peer reviewed.

OAG staff used the ANAO Performance Audit Quality Assurance Review test program (the test program) provided by the ANAO to assess each audit.

Our findings

The two reports are both important pieces of work, and the evidence collected during the audit supports the report findings well. The reports clearly convey the key findings of the audits and the recommendations should lead to positive changes in the audited entities. In both audits, the audit teams managed the relationships well.

In both audits, the reviewers found steps of the audit management process where documentation could be improved. These matters were more significant for the Australian Federal Police audit. Documentation was less consistent with the ANAO requirements than in the audit of the Australian Electoral Commission's procurement of services. In our view, there was heightened risk of the Australian Federal Police audit not meeting the ANAO's requirements because of the issues we found.

Improved documentation would allow for easier quality assurance and help provide stronger risk management for the audits. The recommendations for better practice below detail some areas where we feel documentation could be improved.

The completed test program for each audit containing our detailed findings are attached at the end of this summary.

Recommendations for better practice

1. Locating key documents and sign-offs

The reviewers sometimes found it difficult to find documentation for significant stages of the audit (for example, some sign-offs could not be found). It is possible these documents are on the ehive system. At times, it was unclear which file was a final version (for example, the Audit Work Plan or the draft report (S19 report)). We suggest having a more structured approach to audit documentation including consistent naming conventions and putting the important documents in one place in the filing system. We understand that performance audit teams are piloting TeamMate as an option.

2. IT audit services

Both the audits had used IT audit services. Clearer documentation of the IT service specifications of the services would be useful. This includes naming the IT audit staff assigned, and describing how they will work with the audit team (for example, in the team or independently with set outputs). It would also be useful for documentation to include a description of the tasks, lines of responsibility, relevant outputs, and time frames.

3. Independence declarations

It was difficult to assess the completeness of Independence Declaration documentation for the audits. As team members and senior staff changed through an audit, the Audit Work Plan did not necessarily have the full list of people who may have worked on the audit. Ensuring staff put their job title on the declarations would help.

4. Test Programmes

The audits reviewed did not prepare test programmes after completing their Audit Work Plans. Even if a test programme is not prepared, detailing how the intended methodology will ensure the evidence collected will address the audit criteria would be useful. This can provide extra assurance that the planned fieldwork will generate the evidence needed to address the audit criteria.

5. Fact checking the audit reports

There was clear evidence of fact checking in the audit of the Australian Electoral Commission's procurement of services, with endnotes and the scan of a hand-reviewed document. It was not clear how fact checking for the audit of managing mental health in the Australian Federal Police was done. Our inquiries suggest that the reports are not independently substantiated by someone outside of the audit team. Carrying this out for all performance audits may reduce risk to the ANAO.

Managing Mental Health in the Australian Federal Police

The final report is an important piece of work, and is well articulated. Based on our sampling, the report findings were grounded in the evidence collected. The recommendations, if acted on, should lead to positive changes in the way the Australian Federal Police governs and manages its mental health services. The team managed the relationship well on what was a challenging audit.

The process for the audit team to get to the final report was challenging, with a number of factors contributing to that challenge, including the availability of sufficient experienced staff in the early stages and the pressure this placed on the team due to the late start. These are some of the factors why, in our view, the risk rating for this audit was understated. The risk

was reconsidered at the Progress Review 1 meeting, but not updated. A higher risk rating would have triggered greater oversight of later stages of the audit.

In our opinion, the audit file has departures from ANAO requirements up to the point that the report working papers were prepared. We could not locate documentation that evidenced the process of reviewing and analysing the evidence against the audit criteria prior to the compilation of the “report preparation papers” which are provided to the auditee for discussion and comment. This process ensures that all evidence collected, both confirming and disconfirming, is considered. The Audit Work Plan (AWP) did not contain sufficient detail to understand the audit methodology/procedures that would be undertaken, or how these would be brought together and analysed. Although we recognise that ANAO considers planning to be a continuous process, we would have expected to see more specificity by the PR1 stage.

We are aware that our observations are based on what we were able to retrieve from the ehive system. Where we have commented on an absence of documentation, there is a possibility that it exists in ehive but it was not easily identifiable (or accessible – we experienced numerous access issues). Evidence could also be sitting on staff’s hard drives and not uploaded. This will always be a risk when processes are created or carried out outside of the “record keeping” system. We understand that the ANAO is piloting TeamMate for performance audits. A more structured documentation approach could resolve many of the issues we identified if implemented well. In the meantime, we would suggest a greater focus on naming conventions for documents uploaded to ehive, and perhaps one folder for all final versions of sign-off emails/AWP/Report Preparation Paper/S19 reports etc.

Australian Electoral Commission’s Procurement of Services for the Conduct of the 2016 Federal Election

This audit is a solid piece of work that comprehensively addressed the audit criteria. The report is written clearly and the report findings and evidence strongly supports the recommendations. The report recommendations will be useful for the Australian Electoral Commission to improve procurement processes. All stages of the audit were well documented. There was also evidence to demonstrate that the audit was managed to budget and given timeframes. The audit met the standards and followed the guidance set out in the audit manual.

The audit work plan was clear and provided evidence of understanding of the topic by the audit team. During the planning phase, the team assessed the most appropriate scope for the audit. In the audit plan, it may have been useful to describe in more detail why the scope for the audit was chosen in the rationale section.

The audit team collected and analysed a large amount of information for this audit. In general, the evidence was well organised and collated in the ehive filing system. There could have been more collation of evidence looking at the IT security risk assessments undertaken of the senate scanning system. The links between the evidence, analysis, and final report would be easier to see if this evidence was in one document. However, there were, overall, clear links between the evidence, Report Preparation Paper, and final report.

Although several sign-offs for significant stages of the audit could not be found, it was clear that senior staff had reviewed reports at the relevant stages.

The final report summarised the audit evidence in a way the reader could easily follow and see the links to the findings, conclusions, and recommendations made.