### Speaking Notes

***IMAGE 1***

Canberra Evaluation Forum 21 March 2013

***Auditor-General Performance Audits; catalyst for change*** ***or hurdles to be overcome?***

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### Introduction

***IMAGE 2***

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* Canberra and Performance Audits have two big things in common. They are both comparatively young and are about people. This year we celebrate Canberra being 100! In terms of Cities, this is very young.
* Performance Audits have their genesis in 1976, some 37 years ago with the Coombs *Royal Commission into Australian Government Administration*.
* ACT performance audits - first audit for the ACT was on the *ACT Government Service*, which was tabled in 1991. Only have 22 years of audit history.
* Honour to be first speaker for the Canberra Evaluation Forum Centenary program.
* Acknowledge the Ngunnawal people and also reflect on the contribution many other people have made to Canberra and the Australian Capital Territory.

***IMAGE 3 WALTER BURLEY GRIFFIN AND MARION MAHONEY AND CANBERRA PLAN***

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* Walter Burley Griffin and Marion Mahoney - first architects and designers of Canberra.
* Given today’s forum and the fact that we are celebrating our 100th birthday, it is timely to ponder what conclusion might emerge from a performance audit on the implementation of their plan or even an evaluation of whether or not Canberra should have ever been created?

***IMAGE 4 CANBERRA FROM GRASSLAND PLAIN TO CAPITAL CITY AND OUR HOME***

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* The Griffin’s plan shaped the landscape and social change in the last 100 years.
* A grassland plain has been transformed into the national capital which is also home to 370 000.
* These 370 000 people are the centre of our performance audit work. While our performance reports go to the ACT Legislative Assembly, always at the forefront of my mind when we do them are the people who will directly or indirectly benefit from them.
* Direct relationship between the people of Canberra and auditing.
* In doing audits, I call on my staff to always try to be tough, fair and caring.

***IMAGE 5 Today’s Talk***

***PERFORMANCE AUDITS; CATLAYST FOR CHANGE OR HURDLES TO BE OVERCOME?***

* ***PERFORMANCE AUDITING TODAY***
* ***COMMUNICATION***
* ***BIG EARED SUPERHEROES***
* ***CASE STUDIES***
* ***TOMORROW’S PERFORMANCE AUDITS***
* ***QUESTIONS AND DISCUSSIONS***
* In doing audits, I call on my staff to always try to be tough, fair and caring.
* As today we are meeting as a forum, I propose to share some of my perspectives with you and then invite a discussion so you have the opportunity to share your views.
* In preparation for our discussion, I invite you to think about what has been your experience with performance auditing, either as an auditor, auditee or simply as a Canberran. And, how might you answer the question of whether performance audits are a catalyst for change or hurdles to be overcome? You may wish to share with us what performance audit you best remember and why, or share your ideas on what you think should be on the next ACT performance audit program for the 2013-14 financial year.

### Performance Auditing Today

***IMAGE 6 HEADLINES - High profile***

* Performance auditing compared with financial auditing tends to be high profile as they are focused on specific areas of public administration, are accessible and often deal sensitive issues.
* Performance audit topics - politicians and the community can readily relate and understand.
* They have the potential to directly and indirectly affect many people in our community even though they are about government systems, programs and/or services. They therefore can be personally relevant.
* Most people will be able to understand a performance audit but this is unlikely to be the case for a financial audit.
* While performance audits have had a short history, like Canberra as a city, they will be here well into the future. A 100 years from now they are likely to dominate the auditing work in Auditors’-General offices.

***IMAGE 7 PERFORMANCE AUDIT REPORTS - Overview of ACT performance audits***

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* Performance audits involve the systematic and objective examination of government or government funded programs, services and activities. There are two main objectives of the ACT Audit Office’s performance audits:
* To provide the ACT Legislative Assembly with an independent assessment of the performance of government activities and the quality of management of public resources. That is holding the Government to account; and
* To assist agencies improve the efficiency and effectiveness of their delivery of programs and services. That is enhancing Government service delivery.
* The *Auditor-General Act 1996* defines:

***performance audit****, in relation to a person, body or thing, means a review or examination of any aspect of the operations of the person, body or thing.*

* Performance auditing can cover a wide a wide range of matters. It may include consideration of a single government program or activity (such as emergency waiting times) to an area of responsibility that involves several agencies (such as development application processes) or an issue that affects many agencies (such as recruitment practices).
* Performance audits are conducted under the authority of the *Auditor-General Act 1996*, like other Government Audit Offices, we use the Australian Standard on Assurance Engagements (ASAE) 3500 *Performance Engagements* by the Auditing and Assurance Standards Board to guide our work. This standard provides the discipline for undertaking performance audits in accordance with directions specified by the auditing profession. It adds rigor to the processes used for this relatively new type of auditing.
* Considerable flexibility in what is the subject of a performance audit and its scope. In this regard performance audits are very power tools that an Auditor-General can use.

***IMAGE 8 CANBERRA 2013 COIN***

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##### Performance Auditing and Evaluation

* Performance auditing and evaluation- two sides of a coin.
* There really is a 2013 coin. I haven’t found one yet but I am still looking.
* Performance auditing and evaluations have similarities - both can consider efficiency, effectiveness and compliance. However, a point of difference is that a performance audit does not consider the merits of government policy whereas this maybe the very point of an evaluation.
* A performance audit can highlight how well things are working and an evaluation can determine if better or different results might be achieved if a policy were changed. A performance audit may however, consider information used in the development of a policy and comment on its comprehensiveness. Having both is likely to increase the level of assurance that can be given regarding the effectiveness, efficiency and appropriateness of a program or service.

***IMAGE 9 ETHOS***

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### ACT Audit Office

* Ethos stands outside the ACT Legislative Assembly in a dish bearing a relief map of Canberra and holds a bursting sun representing our community and culture. This statute by Tom Bass (1961) powerfully symbolises how all what happens in the Legislative Assembly and therefore by my office’s relationship with the Assembly, in our work, links to the community.
* I place a strong emphasis on the connection between performance audits and people.
* 39 people in my office, of which 10 are in the performance audit area and are charged with producing 7 performance reports a year.
* The Australian National Office has around 117 performance audit staff with a target of 55 performance audits.
* My office is small with budget revenue of $6.135m of which $2.545m is an appropriation to cover performance audits and corporate costs.
* ACT Audit Office covers a very wide range of ACT Government services and activities. These are Territory and local government.
* The work of the Office is very diverse. This is a major advantage of working in the office but also a challenge in that staff members have to continually learn about the various services and activities.

***IMAGE 10 CANBERRA – PEOPLE - Developing the Performance Audit Program***

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* In developing our performance audit program we place considerable emphasis on trying to understand what are the key issues the community faces, what is of concern to members of the Legislative Assembly and try to identify what really matters and needs our attention.
* Staff members are allocated portfolios, for example, ACT Health, Education and Territory and Municipal Services, to monitor during the year. As part of this, staff members attend internal audit committee meetings of agencies, as an observer.
* Also monitor community views through different media sources, complaints and representations; and we consult with members of the Legislative Assembly and government entities in developing our Performance Audit program.
* Grappling with whether or not to make a public call for community members to give us their views. This is a vexed issue as we are not a complaints body and making such a call may give rise to the lodgement of complaints, also it may raise expectations that we cannot meet within our resources. We do monitor community views via other means.
* Try to respond to emerging issues of importance and also provide reasonable coverage across ministerial portfolios and significant government activities over time. We try to avoid having too many audits in the one agency at any one time.
* Topics for a potential audit are based on selection criteria of:
* Significance – scale and influence
	+ Financial materiality – the value of the assets, annual expenditure and annual revenue. For example, ACT Health has a large proportion of the total budget and is therefore often a candidate for consideration.
	+ Material by nature – something that is important to public administration and accountability by its very nature but is not necessarily the subject of large expenditure. For example, abuse of authority or waste of funds or resources.
	+ Influence – an activity or program may have considerable influence or leverage beyond its own entity. For example, the practices of a policy setting body.
* Environmental significance - Subsection 12 (3) of the *Auditor-General Act 1996* requires environmental issues to be given some weight:

In the conduct of a performance audit, the Auditor-General may, where appropriate, take into account environmental issues relative to the operations being reviewed or examined, having regard to the principles of ecologically sustainable development.

* Risks to good management, these may be created by something being a risk by
	+ ‘nature’ e.g new program or application of new technology i.e. untested initiatives; or
	+ ‘ history’ whereby a previous audit or reviews have identified weaknesses in controls, systems or approaches; or
	+ ‘change’ whereby a subject area is undergoing a major change in its role etc.; or
	+ ‘visibility’ – risks tend to increase when activities are not open to public scrutiny. So if there is poor visibility with respect to an issue we will carefully consider it.
* Potential audit impact – will it promote public accountability and improve administration, this is particularly important with respect to whole-of government initiatives.
* Previous reviews – if there have been previous reviews by competent authorities, particularly if they are independent then we are less likely to initiate a performance audit.
* Auditability – an audit has to be done so its scope and timing needs to be considered with respect to available resources. It maybe that a particular topic is audited in stages.

### Focus areas

***IMAGE 11 FOCUS AREAS***

* While we use the criteria just mentioned, which are likely to be similar for selecting performance audit topics in all Australian jurisdictions, I have asked my team to select topics which also cover the following focus areas:
* Greatest benefit for the whole community
* Improving services and programs
* Assisting the disadvantaged and vulnerable
* Developing the next generation – all children get a ‘fair’ go
* Advancing sustainable practices
* Minimising waste in government.
* By the very nature of the criteria and focus areas for selecting topics for a performance audit, this, in most cases would position them to be catalyst for change.
* Once topics are selected research is undertaken on areas within these topics, which may have the potential for an audit. Following this an assessment is made of candidate areas for an audit and their priority identified. Once this is done, a draft proposed Audit Program is circulated to members of the Legislative Assembly via the Public Accounts Committee and to the head of agencies for comment. Once finalised the proposed Audit Program is published on our website.
* For each of the topics in the Audit Program, an Audit Scoping Paper is developed. This involves a considerable amount of work so that the Audit Scoping Paper is sufficiently detailed to allow the identification of audit options for Executive staff to make a formal decision as to the specific nature of a proposed performance audit.
* Once a formal decision is made regarding the specific nature of a proposed performance audit, a work plan is developed and submitted to the Executive for formal approval. This contains the audit objective, criteria, timing, indicative costs, team members etc. Once it is approved then the performance audit can commence. The Audit usually commences once an official letter to this effect is sent to an auditee and following a face-to-face meeting.

### Communication

***IMAGE 12 EAR***

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* Communication is a very critical aspect of our performance audit work and so a communication plan is agreed with an aduitee.
* A rule of ‘no surprises’ is strictly applied, and staff members are actively encouraged to ‘listen’ and ‘walk in the shoes of the auditee’.
* The word audit is from the Latin *audire* which means to hear. I would be particularly concerned if an auditee said that our staff ‘didn’t listen’ or ‘don’t understand the business they are auditing’.
* High priority is given to ensuring that an auditee is given many opportunities to understand how our auditors interpret information and answer the ever important audit question of ‘so what does this information mean?”
* Things seem to run more smoothly for those auditees who adhere to the agreed communication plan and approach having an audit undertaken as a project and allocat a central contact office.
* An auditee will be formally provided with a draft report, a proposed report and an embargoed final report. Sometimes we even provide a draft, draft report if there are issues that require greater clarity than is normal.
* We tailor our communication to the needs of the situation so sometimes we will communicate more on one audit than another.
* The extensive and tailored communication we use achieves several things:
* It ensures there are ‘No surprises’ so even if an agency (or the Government assuming that the agency has briefed the Minister) finds what the audit reveals is challenging they are unlikely to oppose the quality of the audit as they had every chance to say we were factually wrong or have misinterpreted information.
* Builds a high level of trust and respect.
* Gives the auditee assurance as to what we are doing.
* We gain a better knowledge of the auditee and reduce the risk of the comment ‘you don’t understand our business’.
* There are opportunities to clarify issues and seek new information before finalising the report.
* Our findings can be easily tested with the auditee.
* The potential of ‘audit risk’ is reduced. This is the risk of issuing an incorrect opinion.
* Recommendations are likely to be better designed, accepted and therefore more fully implemented.

Our percentage rate of recommendations fully accepted is overall generally in the range of 80 to 86 percent.

* It allows the performance audit to be a catalyst for change rather than a hurdle to be overcome as the auditee is likely to have ownership of the analyses in the performance report.

Last financial year we achieved a 100 percent satisfaction rate by agencies with our performance audits even though there were some very difficult issues raised in them and some resulted in controversy in the public domain and Legislative Assembly.

* Performance audits are quality controlled and assured. We have systems in place to achieve this.

### Big eared superheroes

***IMAGE 13 BIG EARED SUPERHEROES***

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* A five year old friend asked, What is an auditor?
* A big eared super hero?
* Somewhat different from the traditional image of an auditor.
* A super hero has endurance, emotional intelligence and seems to save the day when needed! If we add a big ear for listening could it describe a performance auditor?
* Managing emotional demands and having endurance are equally as important as professional skills for undertaking a performance audit.
* Performance audits are demanding as they may need to address complex issues, auditees may be uncooperative or even defensive, tasks will need to be completed within specified timeframes and budgets, and an Auditor-General will want to achieve their target number of performance audits.
* In such circumstances two things are likely to aid an auditor; emotional intelligence and values to guide their everyday behaviour.
* Emotional intelligence includes self-awareness, self management, social awareness and relationship management. Enhanced emotional intelligence may assist an auditor in understanding issues and interpreting information, working in a team and communicating with auditees.
* Having values guide all team members’ behaviours to provide assurance to all that no matter what the circumstances, appropriate behaviours will prevail.
* Our office places a great emphasis on each staff member trying to live our values - independence, integrity, professionalism, respect and, learning and innovation.
* These values provide a foundation for guiding the behaviour of our auditors both in the office and in the field.
* Emotional skills need to be supported by professional ones.
* Performance auditors can come from various backgrounds so their professional skills will vary.
* There will be some basic common professional skills that all performance auditors will need and that is to be able to apply the appropriate audit method (ASAE 3500), be proficient in oral and written communications and have sound project management skills.
* In concluding - consider three performance audits to further address the question of whether or not a performance audit is a catalyst for change or hurdle to be overcome?
* The performance audits are;
* Care and Protection System (March 2013)
* Emergency Department Performance Information (July 2012)
* Early Childhood Schooling (June 2012).

***IMAGE 14 CARE AND PROTECTION REPORT***

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### Care and Protection System Audit

* The Emergency Performance Audit was part of our annual performance audit program however; we were requested to bring it forward by the Director General, Community Services Directorate. This was in response to issues that had been publically raised concerning care and protection matters.
* Providing care and protection services to the children and young people in our community who are at a high risk and vulnerable is likely to be challenging and a contestable issue.
* We found that the Director General, Community Services Directorate, who has statutory responsibility for children and young people in care was not able to rely on the Directorate’s own system to provide accurate information to answer the question for all those in care; *Where are they (including during school hours?).*
* It was also found that there was no visitation policy for monitoring the welfare of those children and young people in care and therefore we could not address the issue of *How are they?*
* The audit identified significant deficiencies with respect to the Directorate’s electronic data system and concluded that this is likely to be a major reason why there were so many other issues. Out-dated IT systems and poor use of IT have also been issues in other audits.
* The audit reported on the achievements of the Directorate in recruiting front line caseworkers, as was the fact that it was undergoing a significant change agenda to improve its service delivery.
* The Community Services Directorate agreed with all of the 6 recommendations (although some had up to 19 sub-sections) for which it was accountable.
* In some cases the recommendations will require the Directorate to reconsider how it is undertaking some of its activities and in other cases the recommendations reinforce the directions being taken as part of its change agenda.
* The Directorate appears to respect this audit and this means that the audit is a catalyst for change.
* There was extensive consultation with the auditee and to ensure we understood the care and protection system we engaged an independent expert.

***IMAGE 15 EMERGENCY DEPARTMENT PERFORMANCE INFORMATION***

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### Emergency Department Performance Information

* The Emergency Performance Audit was not part of our annual performance audit program. The Legislative Assembly and Chief Minister requested that it be undertaken. After considering the issues I agreed.
* There were some considerable sensitivities and the issue had received widespread media coverage.
* There was an issue regarding explicit data manipulation, the Chief Minster had a family member who was a close friend of a person who admitted to manipulating the data and it became highly political. The issues emerged just prior to the 2012 election which meant that we needed to undertake the audit quickly.
* The audit was of a medium size and took only 3 months.
* We used external specialist IT experts and our own internal staff to form the audit team.
* Staff worked long hours and we used both hard and soft data.
* The soft data involved statements taken under oath or affirmation. This was the first time since the Bruce Stadium audit (September 2000) by Auditor-General, John Parkinson that statements under oath or affirmations have been used as audit evidence.
* Ten recommendations were made and all were agreed by the ACT Health Directorate.
* As with the Care and Protection Audit, the ACT Health Directorate appeared to respect the Emergency Department Performance Information audit and did not treat it as a hurdle to be overcome but rather as something to be used to make needed significant changes.
* As with the Care and Protection audit, we had very good communication with the auditee.
* There was, and continues to be, a very strong interest in people wanting to know why the person who manipulated the data did so, what was their motive. The audit report presented a statement from this person:

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| Thank you for the opportunity to provide a written statement. To the best of my recollection I first commenced altering the EDIS data in 2010.  This continued and then increased throughout 2011 and 2012 as the pressure to demonstrate improved performance increased and my feelings of being trapped and fearful increased.   I am very sorry to be so vague about dates and times; it is not with any intent to be difficult or to cast blame or suspicion on anyone else.  I accept full responsibility for all the data alterations.  I have struggled to recall exact dates etc as I spent most of the time trying not to too consciously think about it.  In regard to the actual altering of the data, at the time I tried to block it out. In trying to understand how it came to this for me...  While accepting it does not excuse or in any way mitigate my actions the feelings of fear, isolation and distress I was experiencing clouded my judgment and my reality.  I am very ashamed and so very sorry. The environment in the Executive at Canberra Hospital has increasingly become one where I felt fearful for myself and for other people that I work with. Having been constantly told things like “Fix the numbers”, “I don’t care if you have to go down and stand at triage yourself to make sure they are referring patients to the Walk In Centre, get it done”, “I have told the Minister that we will be at 70% of patients being seen on time by December so make sure it happens” and “Your staff are not able to do their jobs and show no leadership” I could see no way out.  I kept hoping that all the initiatives we were doing to improve ED would have an effect on the performance data and that I could stop. I did not alter the EDIS data with any thought of personal or financial gain.  I foolishly and stupidly did it in an attempt to protect myself and the staff who I work with.  It is as simple, and as complicated, as that. Clearly there are other people better placed than me to provide advice on how to reduce the risk of this happening again.  From a data integrity perspective access to the system should be much more securely locked down.  There should be a requirement for any data entry/alteration to be tied to a personal log on via a mechanism such as proximity card access as a minimum to ensure a more transparent audit trail.  We should be very clear that all electronic information management information systems in Health are there to support eh work of delivering patient care, not become the work.   From a cultural perspective it would be good to see a more balanced approach to measuring the delivery of quality patient care in an environment that supports staff to do so and where we are collectively responsible for delivering that care.  Where demonstrated quality outcomes such as re-presentation rates, hospital acquired infection rates and patient experience are at least as important, if not more so, than numerical measurements.  Not only does this better demonstrate excellent care delivery, but experience in the literature from other jurisdictions demonstrates the more the focus is on purely a numerical figure as a measure of good patient outcomes the higher the likelihood of the figures being altered to reflect that. I am so very sorry for everything. Thank you. |

* The audit report also included a statement from the executive’s supervisor:

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| I fully believe that the fraudulent behavior in relation to the alleged ED data manipulation commenced before I started with the organisation. I would suggest that this is aligned to what I believe has been a disregard for many aspects of local governance, effective systems, efficient processes and culture. The new leadership team has been implementing many improvements to address these issues. I propose that as I tried to improve CHHS and bring more accountability and transparency, that the alleged person became more stressed, I now recognise as we improved it became more difficult to maintain this alleged fraudulent behavior. I consider that this was very evident in the months previous to the full disclosure by the alleged staff member. I feel that behaviors of this individual had a hugely negative impact on the executive team and myself. I also believe that if this alleged person had stopped manipulating the data at any point then the alleged deception would have been identified.From my time within the organisation I advocate that the improvements needed across CHHS are of a major nature and as with any considerable change some staff will agree with and support what we are doing and some will not. My intentions have always been to lead CHHS to establish new safe and effective processes and ways of working to ensure a modern, flexible and responsive health services. To support me in doing this a programme of development and support has been put in place and I have not interpreted that this is in any way as a punitive measure. I strongly advocate that all executives require and indeed expect their organisation’s to provide programme’s that form a key part of an ongoing developmental approach to leadership at all levels and indeed is one of the most important components to aid long-term effectiveness. I am pleased to say we are seeing many improvements in many areas, and I am sure that the community we serve fully expects a modern, flexible and responsive health services. I am also reassured by the support from many colleagues as to some of the earlier work that we have implemented that is now demonstrating positive outcomes such as ensuring that clinicians have a strong voice in decision making processes. The recent staff survey also identified these improvements and I believe that there is an appetite for clear leadership from staff who want to do the best job that they can do and be empowered and supported to do so. |

* An issue that the statements raise is one of culture. While this is a difficult to explore, it is likely to be part of future performance audits.

***IMAGE 16 EARLY CHILDHOOD SCHOOLING***

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### Early Childhood Schooling

* The early childhood schooling audit was part of our annual work plan. It dealt with a sensitive and important issue.
* First audit in which the ACT Audit Office has given a special focus to indigenous issues.
* Many of the findings in this audit could have been avoided if the Education and Training Directorate had undertaken an evaluation of its programs and made the necessary adjustments.
* This audit’s 11 recommendations were agreed by the Education and Training Directorate.
* As with the other audits, it seems the findings were respected and this is probably due to the good communication with the auditee.

### Tomorrow’s Performance Audits

***IMAGE 17 CANBERRA***

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* We are planning our future performance audits so that we deliver 7 a year.
* To do this within our resources we will have a range of small, medium and large audits.
* Over a three year period we will try to cover all key directorates and activities.
* We will continue to give a strong emphasis to communication.
* We produce a report and ‘let it speak for itself’ so I do not do media interviews. We are questioning whether or not this is the best approach and if we should use social media for disseminating our work.
* I thoroughly enjoy our auditing work as I do see that it has a direct relationship with making sure Canberra is the great place it is.

### Questions and Discussion

***IMAGE 18 QUESTIONS?***

* ***PERFORMANCE AUDITS; CATALYST FOR CHANGE OR HURDLES TO BE OVERCOME?***
* ***WHAT HAS BEEN YOUR EXPERIENCE?***
	+ ***AUDITOR***
	+ ***AUDITEE***
	+ ***CANBERRAN***
* ***WHAT TOPICS WOULD YOU PUT ON THE FORWARD ACT AUDIT OFFICE PERFORMANCE PROGRAM?***
* Thank you for listening to me
* Questions - or - provide your perspective.