

# BOOK REVIEW: *PUBLIC SECTOR AUDIT*

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# INTRODUCTORY COMMENTS

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- Carolyn Cordery and David Hay have captured in their book *Public Sector Audit (the PSA book)* leading edge approaches and practices from SAI's
- Together with their own insights, the authors present a contemporary view of public sector audit
- It is apparent from today's Webinar, BPK continues to retain a strong desire to adopt and adapt leading-edge approaches in discharging its audit mandate
- SAI's, despite differences in formal structures, retain much common ground in the areas of independence and the way statutory mandates are discharged

# AN AUSTRALIAN CONTEXT

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- As Auditor-General in Australia, my vision was to:
  - discharge my primary statutory role in assisting the Parliament to hold the government of the day to account through the tabling of quality audit reports; and
  - by leveraging the ANAO's knowledge and insights, to identify opportunities to lift the performance of the public sector for the benefit of the broader community
- We are seeing the ANAO today advancing its traditional audit coverage of f/s and performance audits, (also covering compliance) but also contributing to stronger performance (non-financial) reporting by public sector entities
- In Australia, this is becoming an extension of the 3 basic audit types referred to in *Public Sector Audit*, namely compliance audits, f/s audits and performance audits - to now include audits of performance reporting

# AN AUSTRALIAN CONTEXT (CONTINUED)

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- Such performance reports are intended to convey relevant information on an entity's progress against its purposes as set out in its corporate plan.
- Of interest, we are seeing early consideration of Environmental, Social and Governance reporting in the private sector; and in time we are likely to see more of such reporting, and auditing, of this information in both private and public sectors
- In this context, I wish to emphasize the positive influence that auditing of performance statements in Australia is having on the integrity of information being presented i.e. greater discipline applied to the definition, relevance and integrity of performance measures, and stronger record keeping arrangements supporting the performance measures



# BROADER GLOBAL DEVELOPMENTS

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- Relevant to my preceding comments on performance reporting, Carolyn and David acknowledge (in their Chapter 5) that SAI's experience with the audit of non-financial data represents an expertise from which the private sector could learn
- Another area the PSA book references is the influence of technology on the way audits are undertaken today, - stimulated by undertaking audits during the pandemic allowing:
  - Whole populations to be analyzed, and transactions meeting specified criteria highlighted
  - Better matching of skills in audit teams to audit roles
  - Gripping up of messages for the benefits of audited entities and the public sector as a whole

# ADDITIONAL OPPORTUNITIES TO ENHANCE AUDIT COVERAGE BY SAI'S.

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- Areas highlighted by the PSA book include:
  - Being aware of new or increasing risks of fraud due to the principal-agent relationship inherent in the public sector and the way services are delivered
  - Auditors need to be more forward-looking
  - Changing stakeholder demands that suggest the existence of a PS expectation gap
  - Wider opportunities to improve governance in audited organizations.
- We might also consider adding some concerns about the standards of service provision, which has featured since the pandemic, and the > use of digitization/automation in the audit processes themselves

# CONCLUDING REMARKS

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- It is incumbent on SAI's to continue to improve their own performance and contribution as they evolve and:
  - retain a focus on audit quality and make it a key element of internal communications
  - be progressive, and adopt and adapt new approaches consistent with your mandate to leverage your contribution
  - be conscious of the demands for skills as the economy grows post the pandemic
  - Understand the benefits that technology can provide to enhance audit efficiency

# CONCLUDING REMARKS (CONTINUED)

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- New approaches should be designed to add to an existing base of quality audits, as the standing of SAI's is heavily dependent on the quality of audits undertaken as is well understood
- Pilot studies or trials are generally appropriate to test new approaches that fit within the SAI's mandate
- In some cases, legislative support may be required – the ANAO has been well supported by the Australian Parliament so that its legislative base has 'moved with the times'
- By being able to leverage their skills and experience for the benefit of better public sector administration, SAIs contributions will continue to be valued by legislatures and stakeholders



COMMENTS AND QUESTIONS WELCOMED

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