



In The Public Service: Audits and Public Sector Ethics

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Ethics are a core part of a public servant's job. Whether expressed as a Code of Conduct or Code of Ethics, employees of all Commonwealth and state agencies, of most local governments, of statutory government enterprises and of some tertiary institutions have express ethical obligations.

We have recently seen a number of high-profile cases in Australia, with ex post facto audit reports. I keep thinking, where was the audit function? My commentary below applies equally to project and service delivery, and is based on my observations as a hospital CEO, executive of a government business enterprise and commercial businessperson.



An ethical requirement for every employee is either the positive obligation of “efficiency” or the negative obligation “to not waste resources”. At an individual level, this seems rather straightforward. For audit function, however, it is more than just an “individual” obligation to be discharged.

In many cases, internal or external audits are confined to the traditional areas of finance and procurement. Audit of other internal systems and processes can prevent far greater waste and have significant efficiency gains.

Placing value on prevention or gains can be difficult. In our recent presentation at the CPA Public Sector Finance and Management Conference we explored a number of case examples where project and service delivery issues wasted public funds. The waste of funds leads to reduction in services and further loss of time.

The case examples showed that over and above project and service delivery inefficiencies, there were post-event reviews costs, cost of corrective action and compensation. The post-event reviews created significant costs for government, drew upon existing resources and generally only found pre-existing inefficiencies and waste well known to staff.

One of the hot topics across Australia at the moment is the performance of health agencies, whether in delivery of services (emergency times, waiting lists) or delivery of projects (building or payrolls).

The potential for waste or lack of efficiency in project and service delivery is high. From my experience as CEO of a major hospital, any of the following 9 items signifies a need for intervention to better manage risk and to demonstrate appropriate governance.

Nine Questions each auditor should be asking

1. Does Audit's function scope extend beyond finance and does Audit have ready access to professionals from other disciplines, such as IT, compliance, project management and legal?
2. Is there proper connection between funding metrics, management performance incentives and service capacity?
3. Are the roles of Project Sponsor, Project Manager or key Project Directors filled with people who have strong project management skills rather than strong policy skills? Alternatively, are projects and services delivered by operational areas rather than Agency policy areas?
4. Within project and service reports, are there few and low value exception reporting for scope variation, contract variation, procurement process exemption and budget variation?
5. Is there a committee for risk management operating on an independent basis?
6. Are there recognised risk management tools and methodologies in use in the organisation?
7. Are there well-documented organisational and project compliance frameworks and processes in use in the organisation?
8. Is the Audit function independence sustained by structural, reporting, resourcing and access arrangements within the organisation?
9. Do the organisation's business improvement and review processes link to the organisation's risk and compliance management structures, systems and tools?

The likelihood of a high-risk event increases with each of the questions being answered in the negative.

Recent events show loss of life, diversion of human resources from service delivery and significant diversion of agency resources are real consequences where government projects and services fail.

How comfortable are you that these issues are well managed in your agency?

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