

Appendix C: Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
<ul style="list-style-type: none">• DEECA• DE• DH• DFFH• DJCS• DJSIR• DTP• DPC	<ul style="list-style-type: none">• Manage their own financial data, which includes collecting, classifying, monitoring and reporting spend on contractors and consultants• Comply with financial reporting directions and frameworks
DTF	<ul style="list-style-type: none">• Support the government to budget and financially manage the delivery of its services• Provide economic and financial leadership to the public service• Issue <i>Financial Reporting Direction 22</i>, which defines contractor and consultant and details the reporting requirements for department spend on these services in their annual reports
VPSC	<ul style="list-style-type: none">• Collect, analyse and report department data against government spending reduction targets between 2019 and 2022 for professional services and labour hire to the responsible minister

Our audit objective

To determine whether departments accurately record, properly monitor and transparently report their spending on contractors and consultants.

What we examined

We examined if departments reliably collect, classify and report their transactions on contractors and consultants.

We included DTF for its whole-of-government role and the VPSC for its role in coordinating responses about departments spending reduction target progress.

Conducting this audit

Assessing performance

To form our conclusion against our objective we used the used the following lines of inquiry and associated evaluation criteria:

Line of inquiry	Criteria
1. Do departments collect and accurately record data on non-construction contractor and consultant spend?	1.1 Do departments collect and record data on contractor and consultant spend in line with legislative obligations?
	1.2 Do departments consistently classify their contractor and consultant spend to assist with reporting obligations?
	1.3 What is the total spend by departments on contractors and consultants?
2. Is agency and whole-of-government reporting on non-construction contractor and consultant spend transparent and accessible?	2.1 Are department reports easily understood in terms of how much has been spent on contractors and consultants annually, and are these readily available to Parliament and the community?
3. Are departments effectively monitoring spend against government targets relating to eligible categories for labour hire and professional services?	3.1 Do departments track and monitor spend against government targets to reduce spending on contractors and consultants?
	3.2 Does the VPSC monitor and verify agency progress against government targets to reduce their spending on contractors and consultants?

Our methods

As part of the audit we:

- reviewed departments' policies and procedures
- reviewed the financial management reporting framework and guidance material
- analysed datasets from departments' annual reports and the accounts payable general ledger.

Transaction testing

To determine the reliability of department data, we reviewed 3 departments' invoice data to see if they were classifying 'contractor' or 'consultant' as required by Financial Reporting Direction 22. We chose DE, DH and DTP to review because they spent the most on contractors and consultants in the year we looked at.

We looked at the top 50 per cent of invoices from 2021–22 for Deloitte, PwC, KPMG, EY and the Boston Consulting Group. These firms account for about 60 per cent of departmental spending on contractors and consultants. Not all departments had contracts for each consultancy firm in the relevant period.

We chose 2021–22 because it is a recent year and one that was unaffected by machinery-of-government changes for the departments. This means it was simpler to assess the accuracy of what departments' transactions belonged to.

Some departments, particularly DH, were still affected by the impact of the COVID-19 pandemic. This resulted in higher-than-usual use of contractors and consultants because DH needed to respond to the pandemic alongside its existing priorities.

Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We also provided a copy of the report to DPC and DTF. We complied with the independence and other relevant ethical requirements related to assurance engagements.

Cost and time

The full cost of the audit and preparation of this report was \$860,000.

The duration of the audit was 14 months from initiation to tabling.
