

Efficiency & Economy Audits *A Threat or an Opportunity?*

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What is an Efficiency and Economy Audit?

- A tool that can provide a way to ensure resources are being well utilised.
- LGA Information Paper No. 5:
“an efficiency and economy audit provides both policy makers and management with the auditor’s opinion on the efficiency and economy of the conduct of a particular program or activity of Council. The parameters of the audit will be determined by the nature of the program or activity being audited.”

Local Government Act 1999

Division 5 – Other Investigations

130A – Other investigations

■ A summary.....

A council may

- **Request its auditor or some other person to:**
- Examine and report on any matter relating to financial management, or the efficiency and economy with which Council manages or uses its resources
- Examine matters that would not be part of an annual audit, but are considered by Council to be of such significance as to justify an examination

Also,

- Examination is to be undertaken in a manner that the appointed person thinks fit and without due influence – from a member of council or the CEO
- The CEO must produce documents and explanations as requested
- A report must be provided to the principal member of Council – who then must provide a copy to the CEO and a report provided to the Audit Committee of Council
- A report to be placed on Council agenda for consideration

A threat or an opportunity?

- An audit of any kind can be seen as a confronting experience - by definition, an audit is:

“an official or independent examination and verification of accounts and records, especially of financial accounts.”

An Efficiency and Economy Audit - why?

- Are the policy outcomes of a program or activity under review being achieved, in light of the resources being applied?
- Intended outcome - an audit which provides Council with a thorough, rigorous and importantly an independent review of the acquisition and use of the resources at its disposal.

Development of a Brief

- A critical element – needs detailed consideration
- Audit at The City of Prospect reviewed three main areas
 - ◆ Organisational structure
 - ◆ Resource allocation, service levels and standards
 - ◆ Benchmarks with other councils

Involvement of Staff

Structured input has a number of benefits:

- Auditor can gain a more detailed understanding of the operations of an organisation;
- Input can assist co-ordination and facilitation of process/audit;
- Management review and 'sign off' of the report can be productive.

An organisation is not static

- A process
- Management response
- Progress reports to Audit Committee
- Changes to operations can be implemented during the audit period

Service Standards are Critical

- Overall objective is to address the issue of resource needs of Council functions against the service level requirements.
- KPIs in place?
- Defined service standards in place?

Co-operation of other Councils

- Councils appear happy to share information to enable high level analysis and benchmarking to be undertaken.
- Note - Audit report is a public document and comparisons can be/are made.

Key Issues & Outcomes at The City of Prospect

- A number of conclusions and recommendations made by the Auditor.
- Detailed management response to each of the recommendations.
- Blueprint to achieve change.
- Organisational restructure.

Key Issues & Outcomes at The City of Prospect

- Focus on training, staff development and succession planning.
- Restructure of the Council and Committee meeting cycle.
- Greater emphasis placed on the development of internal and external service standards.
- Further investigation of shared service opportunities.

Conclusions

- Economy and efficiency audits are an assessment of how a Council's financial and human resources are being applied and whether there are opportunities for improvement.
- Did not identify areas of gross inefficiency.
- Did highlight the lack of identified and agreed service standards.

Was it value for money?

As a result of the Audit process we:

- Learnt more about our organisation.
 - Made logical adjustments to the organisational structure.
 - Restructured meeting arrangements.
 - Appointed Elected Members to “champion” key strategic directions.
 - Have started to focus more on policy and strategy.
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- Yes - it was value for money.