



THE AUDITOR-GENERAL  
ANNUAL REPORT  
2006–2007



© Commonwealth of Australia 2007

ISSN 1036-7632

ISBN 0 642 80980 1

#### COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Commonwealth.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, Robert Garran Offices, National Circuit, Canberra ACT 2600

<http://www.ag.gov.au/cca>

To obtain further information about the content of this report, please contact:

John Hawley  
Corporate Management Branch  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601  
Telephone: (02) 6203 7640  
Facsimile: (02) 6203 7722  
e-mail: [john.hawley@anao.gov.au](mailto:john.hawley@anao.gov.au)

#### *Internet address*

A copy of this report and other ANAO publications, as well as information on the ANAO, is available at the following Internet address:

<http://www.anao.gov.au>



19 September 2007

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Mr President

Dear Mr Speaker

In accordance with section 28 of the *Auditor-General Act 1997*, I present to the Parliament my report on the operations of the Australian National Audit Office for the year ended 30 June 2007.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee'.

Ian McPhee  
Auditor-General



# HIGHLIGHTS

A summary of the highlights for 2006–07 is set out below.

- A comprehensive program of financial and performance audits and related products was delivered to inform the Parliament and the Government about public sector administration and performance.
- We issued 242 audit opinions of which 87 per cent were issued within two days of signing the financial statements, a reflection of the efficiency of our working relationships.
- We made 192 recommendations in our performance audit reports directed at improving agency performance and accountability. These recommendations were well received overall, with 99 per cent agreed or agreed with qualification.
- We continued to work closely with Parliamentary committees, particularly the Joint Committee of Public Accounts and Audit, and have assisted them with their inquiries.
- Our client surveys again provided very positive feedback on our audit services.
- As well as hosting visitors from many countries as part of our commitment to assisting with the development of public sector auditing internationally, this year we provided particular assistance to the audit institutions of Papua New Guinea and Indonesia.
- We met 15 of 19 operational targets<sup>1</sup> in our Portfolio Budget Statements 2006–07, and all action items from our Business Plan 2006–07 were either completed or are ongoing activities.
- A new Corporate Plan was developed for the next three years.
- A ten year lease was secured for head office accommodation at our present address when our current lease expires in September 2008.
- We were recognised for excellence in recycling by the Australian Capital Territory Government “No Waste” awards.

---

<sup>1</sup> See Portfolio Budget Statements 2006–07 Scorecard in Section 3.

# AREAS OF FOCUS FOR THE COMING YEAR

We expect 2007–08 to be another demanding year and we have identified a number of key areas on which to focus our efforts. Specifically, we aim to:

- Deliver a range of timely and relevant products on topics that provide the greatest opportunity for improvement in administration across the Australian Government Public Sector.
- Develop with the Department of Defence, an annual report on progress of the top 30 Defence capital equipment projects.
- Leverage off our products to promote the work of the Office and improve client and stakeholder understanding about what we do.
- Review our outputs and outcomes groups and related performance indicators to ensure they continue to support our business directions.
- Promote further initiatives to improve strategies for the retention and attraction of staff, including a more structured training and professional development regime.
- Work towards increasing the use of ANAO staff rather than contractors in undertaking the audit of key public sector agencies and authorities to improve the retention of our corporate knowledge and provide greater continuity of service to audit clients.
- Maintain our involvement in national and international auditing bodies through membership of appropriate organisations.

# CONTENTS

HIGHLIGHTS	v
AREAS OF FOCUS FOR THE COMING YEAR	vi
SECTION 1: FOREWORD BY THE AUDITOR-GENERAL	1
The ANAO — Providing assurance to Parliament and a stimulus for better public administration	2
An overview of our work in 2006–07	2
Our contribution to the Parliament	3
Providing a stimulus for better public administration	5
Monitoring our performance	6
Resourcing the ANAO	7
Challenges on the staffing front	8
Our long term accommodation now settled	8
Our contribution to the profession and standards	9
To conclude	10
SECTION 2: REPORT OVERVIEW	11
The Auditor-General's role and responsibilities	12
Vision	12
Organisation	14
Outcome-output framework	14
Financial summary	16
Resources for outcomes	17
SECTION 3: REPORTING ON PERFORMANCE	21
Performance overview	22
Portfolio Budget Statements scorecard 2006–07	22
Business Plan Scorecard 2006–07	25
Output Group 1: Performance Audit Services	26
Performance audits	26
Performance audit outcomes by theme	29
Inclusion of agency comments in audit reports	30
Performance	31
Other audit and related products	32
Contribution to outcome 1—improvement in public administration	33
Contribution to the Parliament	33
Contribution to public sector entities	35
Client survey	36
Output Group 2: Information Support Services	38
Assistance to Parliament	38
Better Practice Guides	38
Performance	39
Increasing awareness of BPGs and related products	41
International and national representation	41
Client seminars and advice	47
Contribution to outcomes	48

Output Group 3: Assurance Audit Services	49
Financial statement audit reports	49
Financial statement audit — period ended 30 June 2006	50
Interim financial statement audit — period ended 30 June 2007	52
Internal control	52
Interim audit conclusions	55
Audit methodology	55
Client survey	56
Performance	56
Audit fees	59
Other assurance reports	59
Contribution to outcome 2—assurance	59
Financial statement audit opinions	60
Parliamentary interest	60
Developments in the accounting profession	61
Quality assurance	62
<b>SECTION 4: MANAGEMENT AND ACCOUNTABILITY</b>	<b>63</b>
Corporate governance	64
Executive Board of Management (EBOM)	64
Audit Committee	65
Information Strategy Committee	65
Remuneration Committee	66
Strategic planning framework	66
Maintenance of appropriate ethical standards	70
External and internal scrutiny	71
Internal audit	71
Decisions by courts and tribunals	72
Commonwealth Ombudsman	72
Management of human resources	72
Attraction and retention of staff	72
ANAO Workplace Agreement 2006–09	73
SES remuneration	74
Performance pay	75
Learning and professional development	75
Secondment/exchange program	75
Undergraduate program	76
Professional qualifications and representation studies assistance	77
Graduates	78
Awards and recognition	79
Workplace diversity	81
Occupational health and safety (OH&S)	81
Other management issues	83
Consultancy services	83
Major competitive tendering and contracting activities	83
Recruitment advertising	84
Freedom of information	85
Environmental protection and biodiversity conservation	85
Service charter	86
Discretionary grants	86

Assessment of effectiveness of asset management	86
Assessment of purchasing against core policies and procedures	86
Emergency and Business Continuity Plans	87
SECTION 5: APPENDICES	89
Appendix 1: Staffing overview	91
Appendix 2: 2006–07 Financial results commentary and financial statements	95
2006–07 Financial results commentary	96
Introduction	96
Overview of financial performance	96
Detailed analysis	97
2006–07 Financial statements	101
Independent Audit Report	102
Statement by the Auditor-General and Chief Finance Officer	104
Income Statement	105
Balance Sheet	106
Statement of Cash Flows	108
Schedule of Commitments	109
Schedule of Administered Items	111
Notes to and Forming Part of the Financial Statements	113
Appendix 3: Audit reports	143
Appendix 4: Main issues raised in performance audit reports tabled in 2006–07	147
Audits examining governance	147
Audits examining border security	157
Audits examining project management	158
Audits examining service delivery	160
Audits examining grants management	162
Appendix 5: Addresses and papers by the Auditor-General and senior staff	167
Appendix 6: Procurement activities	171
Performance against core purchasing policies	171
Appendix 7: Contact directory	177
Assurance Audit Services	178
Performance Audit Services	179
Appendix 8: Compliance index	181
SECTION 6: ABBREVIATIONS	185
SECTION 7: INDEX	189

## LIST OF FIGURES

Figure 1:	Organisation and senior management structure as at 30 June 2007	13
Figure 2:	The ANAO's outcome-output framework	15
Figure 3:	Number of performance audit reports	31
Figure 4:	Number of BPGs produced	40
Figure 5:	Number of outputs from the financial audit process	57
Figure 6:	Timeliness of issuing audit opinions	58
Figure 7:	Comparison of audit opinions	60
Figure 8:	Strategic planning framework	67
Figure 9:	Values and behaviours	70
Figure A2-1:	Operating expenses	97
Figure A2-2:	Operating revenue	98

## LIST OF TABLES

Table 1:	Financial resources summary	17
Table 2:	Resources for Outcome 1	18
Table 3:	Resources for Outcome 2	19
Table 4:	Summary of performance ratings for the period ending 31 October 2006	73
Table 5:	Summary of staff secondments and exchanges during 2006-07	76
Table 6:	Summary of studies completed by staff members	77
Table 7:	Details of advertising expenditure	85
Table A1-1:	Staffing profile as at 30 June 2007	91
Table A1-2:	Paid operative staff (employed under the <i>Public Service Act 1999</i> ) as at 30 June 2007	91
Table A1-3:	Paid full-time, part-time and non ongoing staff as at 30 June 2007	92
Table A1-4:	Analysis of Workplace Diversity Groups within salary levels 2006-07	92
Table A1-5:	Details of gains and losses - ongoing staff	93
Table A1-6:	Expenditure on staff training	93
Table A1-7:	Basis of employment of staff	93
Table A1-8:	Performance payments	93
Table A2-1:	Summary of financial performance	96
Table A2-2:	Administered funds	99
Table A6-1:	List of consultancy contracts let in 2006-07 valued at \$10 000 or more	172
Table A6-2:	Consultancy contracts valued at \$10 000 or more 2003-04 to 2006-07	176