



Audit Quality Report

2021–22

Quality in the delivery of the ANAO's audit services is critical in supporting the integrity of our audit reports and maintaining the confidence of the Parliament and public sector entities. The Australian National Audit Office (ANAO) Corporate Plan is the ANAO's key strategic planning document. It guides our operating environment and sets out how we will deliver on our purpose.

The Quality Assurance Framework and Plan complements the Corporate Plan. The ANAO Quality Assurance Framework is the system of quality control that the ANAO has established to provide the Auditor-General with reasonable assurance that the ANAO complies with the ANAO standards and applicable legal and regulatory requirements, and reports issued by the ANAO are appropriate in the circumstances.

This Audit Quality Report demonstrates the ANAO assessment of the implementation and operating effectiveness of the elements of the ANAO Quality Assurance Framework. The report provides transparency in respect of the processes, policies, and procedures that support each element of the ANAO Quality Assurance Framework, and outlines audit quality indicators measuring ANAO performance against target benchmarks.

This report also includes the achievement of the quality assurance strategy and deliverables set out in the [ANAO Quality Assurance Framework and Plan 2021–22](#).

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1. Introduction

Audit Quality Reporting

1.1 The purpose of the Australian National Audit Office (ANAO) is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance.

1.2 The quality of ANAO audit work is reliant on the strength of its independence and quality assurance framework. A sound quality framework supports delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions contained in the reports prepared for the Parliament. This facilitates confidence of the Parliament that the ANAO operates with independence and that the audit approach meets the auditing standards set by the Auditor-General.

Framework for quality

1.3 The ANAO is established under the [Auditor-General Act 1997](#) (the Act). Section 24 of the Act requires the Auditor-General to set auditing standards that are to be complied with by persons performing functions under the Act. The [ANAO Auditing Standards](#) set under this provision incorporate standards issued by the Auditing and Assurance Standards Board (AUASB) and relevant auditing and assurance standards issued by standard-setting bodies other than the AUASB as appropriate. Specific to quality assurance, this includes AUASB Auditing Standard ASQC 1 [Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements](#) (ASQC 1).

1.4 The ANAO defines audit quality as the provision of timely, accurate and relevant audits, performed independently in accordance with the Auditor-General Act, ANAO Auditing Standards and methodologies, which are valued by the Parliament. Delivering quality audits results in improved public sector performance through accountability and transparency.

Purpose of the audit quality report

1.5 In accordance with ASQC 1 the ANAO has established and maintains a system of quality control. This system provides the ANAO with reasonable assurance that:

- the ANAO complies with the ANAO Auditing Standards and applicable legal and regulatory requirements; and
- reports issued by the ANAO are appropriate in the circumstances.

1.6 This system of quality control is detailed in the [ANAO Quality Assurance Framework](#). The AUASB issued three new and revised Australian Quality Management Standards that become effective on 15 December 2022. The ANAO is preparing for the implementation of the revised standards and will make enhancements to the framework to ensure that it clearly demonstrates the ANAO responses to the quality risks that arise in audits of public sector entities by December 2022.

1.7 This Quality Report provides transparency in respect of the processes, policies, and procedures that support each element of audit quality as described in the [ANAO Quality Assurance Framework](#), and reports on the 2021–22 audit quality indicators which assess ANAO performance against target benchmarks and activities conducted throughout the year ended 30 June 2022.

Audit Quality Indicators

1.8 Audit quality indicators (AQIs) are reliable quantitative measures regarding the audit process, which when considered with relevant qualitative information provide insights into factors that may influence audit quality. AQIs can strengthen audit quality through informing discussions about auditing processes and appropriate benchmarks, leading to improved audit planning, execution, and communication.

1.9 The ANAO Quality Report measures 11 AQIs. Five AQIs are measures from the Australasian Council of Auditors-General (ACAG) annual macro benchmarking survey in which most Australian audit offices, including the ANAO, participate. The purpose of the survey is to provide comparable information and benchmarks to audit offices across Australasia. The remaining AQIs are derived from ANAO performance measures, Audit Manual policy requirements and expectations regarding independence and audit quality.

1.10 Measuring AQIs against specific benchmarks can inform and enhance reporting about audit quality and assist in understanding the root causes of quality inspection findings. This in turn enhances audit quality by ensuring that remediation activities address the issues that potentially impact audit quality.

1.11 The ANAO has identified benchmarks for each of these AQIs against which performance is assessed. ANAO benchmarks for the AQIs derived from the ACAG macro benchmarking are developed using past results of comparable audit offices taken from this survey and adjusted to calculate a three-year rolling average. Other benchmarks are developed using targets from ANAO performance measures, Audit Manual policy requirements and ANAO expectations regarding independence and audit quality. The [Quality Assurance Framework and Plan 2021–22](#) outlines the source of each of the benchmarks.

2. Executive Summary

2.1 The ANAO employed 376 staff as at 30 June 2022. ANAO staff come from a range of disciplines including commerce, accounting, finance, economics, public policy, law, social sciences, and information technology.

2.2 The ANAO tabled 46 reports in Parliament in 2021–22. These reports included 40 performance audits, two reports on the financial statements of Australian Government entities, the Major Projects Review, two information reports and a report on the audits of performance statements conducted in the pilot program 2020–21. In 2021–22 the ANAO issued 245 opinions on mandated financial statements audits and conducted a further 40 audits by arrangement. In 2021–22 the ANAO issued three performance statements audit opinions.

2021–22 Audit quality indicator results

2.3 The ANAO measures 11 AQIs. The 2021–22 ANAO results against the following three AQIs were in line with or exceeded the benchmark:

- Compliance with independence requirements (relevant ethical requirements);
- Training hours per audit professional (human resources); and
- Staffing leverage (human resources).

2.4 For the following four AQIs the 2021–22 ANAO results were partially in line with the benchmark for some business groups or components and not in line with the benchmark for one of more business groups or components of the AQIs, indicating areas for the ANAO to further understand and assess the impact on audit quality:

- Turnover of audit personnel – AASG and SADA exceeded benchmark (human resources);
- Engagement executive and manager workload – PASG below benchmark (human resources);
- Staff workload – PASG below benchmark (human resources); and
- Internal quality review coverage – percentage of firm coverage below benchmark (monitoring).

2.5 For the following three AQIs the 2021–22 ANAO results were not in line with the benchmark:

- Technical accounting and auditing resources (human resources);
- Frequency and impact of material financial statement restatements and errors (audit performance); and
- Number of audit files rated as Unsatisfactory in the ANAO Annual Inspection Program (monitoring).

2.6 The final AQI on the results of the Joint Committee of Public Accounts and Audit (JCPAA) survey was not reported in 2021–22 as there was a low response rate arising from the timing of the survey and the proroguing of the Parliament.

2.7 The 2021–22 AQI results indicate that the staff turnover and workload measures remain as risk areas to audit quality. It is through our high-quality, high-performing people that the ANAO produces quality audits and delivers on its purpose to the Parliament. Maintaining resourcing requirements is a critical area of focus for the ANAO in building our workforce capability and is a

focus area in the [ANAO Corporate Plan 2022–23](#) and the [ANAO Workforce Plan 2022–25](#). The ANAO Workforce Plan outlines how we will attract, develop and retain the capability of our workforce, to ensure we are suitably skilled to deliver on our purpose to the Parliament – now and into the future. Chapter 3 outlines the results of the 2021–22 audit quality indicators under each element of the ANAO Quality Assurance Framework.

Quality assurance strategy and deliverables for 2021–22

2.8 The [Quality Assurance Framework and Plan 2021–22](#) set out 24 key deliverables for completion in 2021–22. Progress against these deliverables as at 30 June 2022 was:

- 18 deliverables completed;
- three deliverables in progress; and
- three deliverables deferred until 2022–23.

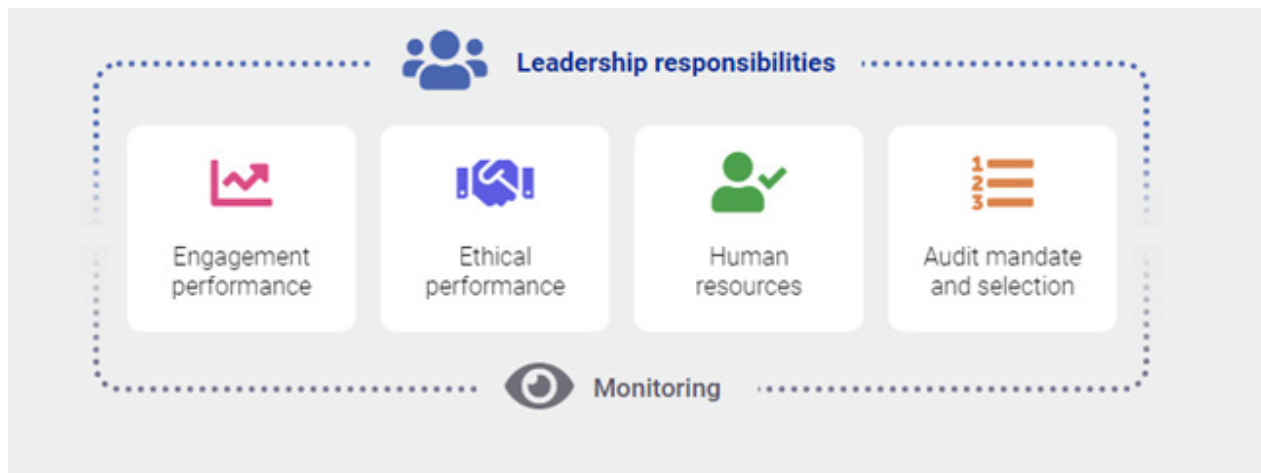
2.9 [Chapter 4](#) outlines the achievement and status of the strategy and deliverables as at 30 June 2022 and includes the completion dates of the three deliverables in progress.

2.10 The ANAO is satisfied that the ANAO Quality Assurance Framework is implemented and operated effectively in 2021–22. As set out in the [ANAO Corporate Plan 2022–23](#) the ANAO will continue its focus on the implementation of the quality assurance plan and make further enhancements to the quality framework with particular emphasis on:

- implementing the revised Australian Quality Management Standards ASQM 1 – *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*; ASQM 2 – *Engagement Quality Reviews*; and ASA 220 – *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* by December 2022;
- refining the performance statements audit methodology and continuing to pilot various approaches to completing the performance statements audits;
- finalising the design of an appropriate audit framework against which to test ethics;
- revisiting the methodology associated with auditing 'efficiency';
- implementing the revised Auditing Standard ASA 315 – *Identifying and Assessing the Risks of Material Misstatement*; and
- continuing to expand our root cause analysis program.

3. Elements of the ANAO Quality Assurance Framework

3.1 This chapter demonstrates the activities conducted by the ANAO in 2021–22 under each element of the ANAO Quality Assurance Framework as set out in the the [Quality Assurance Framework and Plan 2021–22](#). It also includes the results of the 2021–22 audit quality indicators against target benchmarks.



Leadership responsibilities for quality in the ANAO

Leadership and governance

3.2 The Auditor-General is ultimately responsible for the system of quality control in place for all assurance and related activities undertaken by the ANAO.

3.3 The Auditor-General sets the tone at the top and demonstrates a leadership commitment to audit quality and culture. The importance of audit quality is reinforced in ANAO Executive discussions, monthly Executive Board of Management (EBOM) meetings, and all staff communications, including town hall meetings and the Auditor-General's monthly messages to staff. Through this communication, the Auditor-General sets the expectation that all ANAO staff take a shared responsibility for quality and view the monitoring activities as an opportunity to continuously improve.

3.4 The Deputy Auditor-General is operationally responsible for ensuring that the system of quality control satisfies the requirements of the ANAO Auditing Standards. In 2021–22 the Deputy Auditor-General was assisted with this role by the Group Executive Directors (GEDs) and Senior Executive Directors (SEDs) from the ANAO's six business groups:

- Assurance Audit Services Group (AASG);
- Performance Audit Services Group (PASG);
- Performance Statements Audit Services Group (PSASG);
- Systems Assurance and Data Analytics Group (SADA);
- Professional Services and Relationships Group (PSRG); and
- Corporate Management Group (CMG).

3.5 GED and SED leaders in each group reinforce the Auditor-General's expectations and focus on audit quality through group staff meetings, cohort forums and communications. Engagement Executives support quality in their portfolio of audits by providing direction to audit teams, reviewing audit work and through increased involvement in critical areas of judgement, significant risk and difficult or contentious matters.

3.6 The [ANAO Corporate Plan 2021–22](#) includes quality as one of the four key capability areas that the ANAO invests in to support the ANAO in achieving its purpose. Audit quality is a shared responsibility for all staff and each business group plan includes the 'quality' capability and outlines the activities, and measures of success, that each group is responsible to lead or support.

Quality Committee

3.7 Governance for audit quality is provided through the ANAO Quality Committee. The role of the Quality Committee includes monitoring the implementation of the ANAO Quality Framework and Plan and reporting to EBOM. The Quality Committee is comprised of representatives from all ANAO business groups and is chaired by the PSRG GED.

3.8 The Quality Committee met four times during 2021–22. Four quarterly Quality Committee reports were tabled at EBOM meetings in 2021–22 reporting on the committee's activities. Key matters considered by the Quality Committee in 2021–22 related to:

- reviewing the findings of external and internal reviews in relation to quality as reported to EBOM;
- monitoring the ANAO's progress in addressing the findings and recommendations made in external or internal reviews;
- monitoring the operating effectiveness and efficiency of the quality framework against the audit quality indicators;
- monitoring the strategic and operational risks associated with quality;
- reporting to EBOM on the implementation of the quality framework; and
- considering proposed amendments to the [ANAO Audit Manual](#) that substantially impact the conduct of an audit and making a recommendation to the Auditor-General for approval.

3.9 A summary of the Quality Committee membership and meetings attended in 2021–22 is provided in Table 1.

Table 1: Quality Committee membership and meetings attended in 2021–22

Member	September 2021	December 2021	April 2022	June 2022
PSRG GED (Chair)	✓	✓	✓	✓
PASG GED	P*	✓	✓	✓
AASG SED	✓	✓	✓	P*
CMG SED	✓	P*	✓	✓
SADA SED	✓	✓	✓	✓
PASG Executive Director (ED)	✓	✓	✓	✓
AASG ED	✓	✓	✓	✓
PSASG ED	n/a*	✓	✓	✓

* P = Proxy, the quality committee member was unable to attend the Committee meeting; a nominated proxy attended on their behalf.

♦ PSASG Quality Committee member added to membership in November 2021.

Independent consultation

The ANAO's leadership obtains independent views on audit quality

3.10 The ANAO Executive obtains independent views on audit quality from the ANAO Audit Committee, the Independent Auditor, and external and peer reviews.

3.11 In 2021–22 the ANAO Audit Committee reviewed four internal quality assurance review reports, two root cause analysis reports, the external ASIC quality assurance review report and internal audit reports and monitored the progress of ANAO action items to address recommendations from ASIC reviews.

3.12 The Act establishes the position of the Independent Auditor, who may conduct a performance audit of the ANAO at any time. The most recent Independent Auditor report, [*Performance Audit of Attraction, Development, and Retention of Capability*](#), was tabled in Parliament on 15 August 2022. The ANAO publishes the status of progress against recommendations made in Independent Auditor reports on the [ANAO website](#).

3.13 ASIC provides additional external oversight and scrutiny over the quality framework through reviews of the framework and completed financial statements audits. The reports from the ASIC annual review are published on the [ANAO website](#).

3.14 The 2021–22 ASIC review was reduced in scope as ASIC had reduced capacity to undertake the reviews. ASIC reviewed key areas in two audits of financial reports for the year ended 30 June 2021. The review of the ANAO Quality Assurance Framework was postponed until 2022–23.

3.15 The ANAO and the New Zealand Office of the Auditor-General (NZ OAG) have a long-standing arrangement to conduct reciprocal biennial performance audit peer reviews on a rotating basis. This peer review seeks to strengthen audit quality through the provision of constructive feedback and sharing of better practices. In 2021–22 the ANAO conducted the review of two NZ OAG performance audits. The peer review of two ANAO performance audits is being conducted in 2022–23. Once finalised, the report of the results of the review will be published on the [ANAO website](#) alongside the previous NZ OAG peer review reports.

Relevant ethical requirements

3.16 ANAO staff act in accordance with the [Australian Public Service \(APS\) values](#) and the [Code of Conduct](#) as set out in the [Public Service Act 1999](#). The ANAO core values are respect, integrity and excellence – values that align with the APS values and address the unique aspects of the ANAO's business and operating environment. The ANAO values promote audit quality by encouraging staff to perform their duties objectively, impartially and in the best interests of the Parliament. The ANAO holds itself to high standards to ensure independence and accountability across all levels of the organisation.

Independence

3.17 In audit engagements, it is in the public interest and required by the ANAO Auditing Standards that auditors are independent of the entity subject to audit. Independence comprises both independence of mind and independence in appearance and is fundamental to the ANAO's

ability to act with integrity, to be objective and to maintain an attitude of professional scepticism. The Auditor-General emphasises the importance of maintaining the independence and integrity of the ANAO in all staff communications, including town hall meetings and the Auditor-General's monthly messages to staff.

3.18 Under the ANAO independence policies, suspected or actual contraventions of the independence requirements of legislation, APES 110 or ANAO policy requirements must be reported immediately to the responsible GED.

Table 2: Audit Quality Indicator 1 – Compliance with independence requirements

Compliance with independence requirements – Breaches of independence requirements (excluding documentation deficiencies)		
Benchmark	2021–22	2020–21
0	0	1

3.19 No independence breaches were reported in 2021–22.

3.20 As part of our quality assurance program, the ANAO monitors compliance with independence policies, including documentation requirements. Compliance is also monitored by ANAO Internal Audit as part of the ANAO Audit Manual Compliance internal audit. Table 3 provides the results from the monitoring of compliance with the ANAO independence documentation requirements.

Table 3: Compliance with ANAO independence documentation requirements

	2021–22	2020–21
Number of audits selected for internal independence reviews annually.	23 AASG audits reviewed 15 PASG audits reviewed 1 PSASG audit reviewed	29 AASG audits reviewed 24 PASG audits reviewed n/a PSASG
Number of instances identified where independence declarations were not completed	5 instances in the AASG audits reviewed 4 instances in the PASG audits reviewed 2 instances in the PSASG audit reviewed	2 instances in the AASG audits reviewed 21 instances in the PASG audits reviewed n/a PSASG

3.21 The monitoring of independence requirements identified instances where required individual audit team member declarations had not been completed. The number of instances of non-compliance with independence documentation requirements decreased from the prior year in relative and absolute terms for AASG and PASG. These instances of non-compliance do not represent breaches of independence and are documentation deficiencies. The ANAO has a strong focus on independence and ensuring that the audit file contains a complete record of auditor independence, and during 2021–22 has added steps in audit methodology for audit teams to check the completion of independence declarations throughout the audit.

Rotation of key audit personnel

3.22 The ANAO independence policies set key audit personnel rotation requirements for financial statements audits to safeguard against the threat to independence that may arise from a long association with an auditee.

3.23 Key audit personnel rotation was undertaken in 2021–22 in accordance with the ANAO Independence Policy with one exception. Engagement Executives and Engagement Quality Control Reviewers qualifying for rotation were either rotated or given an extension as required, with the exception of the Engagement Executive of one low-risk audit where an extension approval was not obtained. When identified approval was obtained retrospectively and the mechanisms for monitoring rotation will be reviewed in 2022–23. In the 2021–22 financial statements audit cycle the Engagement Executives on 20 audits were rotated in line with key audit personnel rotation requirements and approvals for extension were obtained for two audits due to security clearance requirements.

Other services

3.24 The ANAO contracts private sector firms to undertake audits on behalf of the Auditor-General. The Audit Manual requires contracted firms to request approval from the ANAO to provide other services to auditees.

3.25 In 2021–22 the ANAO approved 30 requests from contracted firms to provide other services to ANAO auditees. One request to provide other services was not approved as the proposed services were considered to be providing corporate finance advice where the outcome of the advice potentially had a material effect on the financial statements, which is prohibited under ANAO Audit Manual policies and APES 110 as it creates a self-review threat.

Gifts and benefits monitoring

3.26 ANAO staff must report any offered gift or benefit (whether accepted or refused) in the gifts and benefits register.

3.27 The data collected through the internal gifts and benefits register is reported to the ANAO's EBOM, and a subset of the data is reported publicly on the [ANAO website](#) to promote transparency.

Audit mandate and selection

3.28 Financial statements, performance statements and performance audits must be carried out consistent with the Auditor-General's mandate under the Act. The Auditor-General is responsible for financial and performance audits of all Commonwealth entities, companies and subsidiaries, with the exception that performance audits and audits of performance measures of Government Business Entities can be undertaken only if they are requested by the Joint Committee of Public Accounts and Audit (JCPAA). In addition, a performance audit of a Commonwealth partner that is part of, or controlled by, a state or territory government cannot be undertaken unless it is requested by the responsible minister or the JCPAA. The Auditor-General audits annual performance statements of Commonwealth entities when requested to do so by the responsible minister of the entity or the Finance Minister under section 40 of the PGPA Act. The Auditor-General may also conduct audits by arrangement under section 20 of the Act. The ANAO Audit Manual policy contains requirements for acceptance of a section 20 engagement.

3.29 The Auditor-General publishes an [Annual Audit Work Program](#) (AAWP) in July each year which outlines the proposed audit activities to be undertaken in the financial year. Throughout the

year, the Auditor-General determines which performance audits will commence, based on a risk assessment, breadth and depth of coverage across the government sector and having regard to the audit priorities of the Parliament determined by the JCPAA. The Auditor-General may conduct an audit not included in the AAWP if information becomes available that identifies the need for an audit. From the 76 potential topics included in the 2021–22 AAWP, 38 audits were commenced, of which 16 audits have been tabled and 22 remain underway as at 30 June 2022.

3.30 The ANAO provided a draft of the 2022–23 AAWP to the Parliament for consultation through the JCPAA, consistent with the Auditor-General’s requirement to have regard to the audit priorities of the Parliament. The JCPAA identified 19 audit priority topics, including suggesting one new topic for the program. Of these 19 priority topics:

- 15 were included, in whole or in part, in the 2022–23 AAWP; and
- four topics had already commenced and were therefore not included in the final program.

3.31 In 2021–22 the ANAO conducted audits of performance statements of Commonwealth entities in accordance with a request from the Finance Minister. The Auditor-General accepted the request under section 40 of the PGPA Act as the mechanism by which these audits can be carried out under section 15 of the *Auditor-General Act 1997*. Following a request from the Finance Minister in October 2021, the ANAO commenced the audits of six entities’ 2021–22 performance statements. Three new entities are included in the program in addition to the continuation of the three entities selected in the 2020–21 performance statements audit program.

Human resources

Qualified personnel

3.32 The ANAO’s human resources policies and procedures aid in the selection of employees who have the necessary integrity, capability and competence to perform the work required.

3.33 The degree and nature of the changes in an audit team from year to year are an input in measuring the readiness and ability of the team to perform a quality audit. Some level of attrition is expected but a comparatively high rate of turnover or auditor transfer within the office may adversely affect audit quality. The benefit of retaining an audit team’s experience with a particular auditee needs to be carefully balanced with the benefit of adding new auditors who may provide a fresh look at audit issues.

Table 4: Audit Quality Indicator 2 – Turnover of audit personnel

Turnover of audit personnel (average annual turnover rate expressed in percentages)		
Benchmark	2021–22	2020–21
15-20%	AASG staff: 27.1% PASG staff: 15.0% SADA staff: 20.3% PSASG staff: 10.8%	AASG staff: 14.4% PASG staff: 28.2% SADA staff: 13.6%

3.34 The turnover rates for AASG and SADA have increased from prior year and are above the benchmark. The PASG turnover rate decreased from the prior year and is within the benchmark.

PSASG was established as new group in 2021–22. Consequently this is the first year PSASG's turnover has been measured, and it is below the benchmark.

3.35 Attrition in the profession, whether in public or private sector auditing, is typically high. As set out in the [ANAO Corporate Plan 2022–23](#), recruitment and retention continues to be a priority for the ANAO. The ANAO remains focused on attracting the talented, skilled and professional people required to produce quality audits. To support the capability, skills and performance of our people, the ANAO has developed the [ANAO Workforce Plan 2022–25](#).

Performance and career development

3.36 The ANAO recognises that its reputation relies on high performing individuals. It is important that staff are trusted for their expertise, are effective at engaging others, and contribute to maintaining a supportive and productive workplace. The ANAO's Performance and Career Development Policy and Procedures have been designed to facilitate high performance across the ANAO, which in turn supports the ANAO to achieve its business and quality objectives and support high audit quality.

3.37 The ANAO performance assessment cycle is from 1 November to 31 October. The results for the performance cycle ending 31 October 2021 are reported in the ANAO Annual Report in Appendix C and 99 per cent of our staff were rated as meeting expectations or higher (31 October 2020: 98 per cent).

Learning and development

3.38 As a learning organisation with a focus on audit quality, the ANAO supports staff with continuous learning and development.

3.39 Regular technical update training sessions are provided to audit staff. Technical updates cover new auditing and accounting standard requirements, financial reporting framework developments, and changes in audit policy and methodology. In 2021–22 ten technical update sessions were held for financial statements audit staff, five technical update sessions were held for performance audit staff, four technical update sessions were held for performance statements audit staff and five technical update sessions were held for systems assurance and data analytics staff.

3.40 In 2021–22 the ANAO delivered a webinar to contractor firms to communicate public sector specific audit considerations and lessons learnt from quality assurance reviews.

Table 5: Audit Quality Indicator 3 – Training hours per audit professional

Training hours per audit professional (average annual hours of continuing professional education by audit service group)		
Benchmark	2021–22	2020–21
20 hours	AASG and PSASG staff: 112 hours PASG staff: 117 hours	AASG staff: 86 hours PASG staff: 103 hours

3.41 The ANAO exceeded the benchmark training hours per audit professional in 2021–22.

3.42 All service groups' average hours per staff member met the minimum 20 hours of professional development as required by the [ANAO Audit Manual](#). The benchmark and policy requirement of 20 hours is the minimum training hours that all ANAO staff are expected to complete annually, including non-audit professionals. Many ANAO audit staff are members of professional bodies that have higher continuing professional development requirements. The training hours captured in this AQI include all forms of learning and development including internal and external training, the graduate development program and ANAO Talent Management Program. The training hours for audit staff increased from prior year as there were larger number of graduates and new starters commencing with ANAO that required a higher level of training. The graduate development program accounted for 25 per cent of the average training hours. New internal training was also developed and delivered in 2021–22 targeted to performance statements auditors following the establishment of PSASG.

3.43 The ANAO continues to have a strong focus on learning and development of staff and, as set out in the ANAO Corporate Plan, will increase its focus on internal training through a refreshed, integrated learning program – The ANAO Academy. The ANAO Academy has been designed to uplift and refine training for both the technical and non-technical skills required of our people. The program will deliver a complete learning and development curriculum – tailored to our unique role within the Australian Government sector, the specialist capability required to deliver our audit disciplines, and the leadership potential we will need for the future.

3.44 A summary of the completion of mandatory e-learning courses as at 30 June 2022 is provided in Table 6.

Table 6: Staff completion of mandatory e-learning courses

2021–22	2020–21
AASG staff: 100%	AASG staff: 99%
PASG staff: 99%	PASG staff: 99%
PSASG staff: 100%	SADA staff: 97%
SADA staff: 96%	PSRG staff: 100%
PSRG staff: 100%	CMG staff: 98%
CMG staff: 99%	Total ANAO staff: 99%
Total ANAO staff: 99%	

3.45 Information on the completion of mandatory e-Learning courses is regularly reported to the EBOM and GED/SEDs. The high completion rates across the ANAO in 2021–22 demonstrates the ANAO focus on the importance of completing mandatory training.

Staff workload

3.46 ANAO polices for the allocation of Engagement Executives and staff to audits ensure that the engagement team has the appropriate level of expertise and time to perform its role. Under these policies the workload and availability of Engagement Executives is monitored to ensure they have sufficient time to adequately discharge their responsibilities. The following audit quality indicators are considered in assessing performance in this area for AASG and PSASG Engagement Executives.

Table 7: Audit Quality Indicator 4 – Staffing leverage

Staffing leverage (ratio of engagement leader hours charged to in-house financial statements and performance statements audit work to lower level audit staff hours)		
Benchmark	2021–22	2020–21
0.08	AASG – 0.09 PSASG – 0.19 Total - 0.10	AASG – 0.08 PSASG – N/A

3.47 The engagement leader is the Engagement Executive who has direct responsibility for the conduct of an audit and who is either the signing officer or who makes recommendations to the signing officer in respect of the audit opinion.

3.48 Engagement leaders are responsible for oversight of the audit and the audit team, which will include less experienced staff. Sufficient time to oversee the work of the audit staff is critical to quality.

3.49 In 2021–22 the ratio of engagement leader hours exceeded the benchmark set by the ANAO. From 1 July 2021 the ANAO established PSASG, a dedicated group that conducts performance statements audits. Performance statements audits has expanded in 2021–22 and contributed to the increase due to higher Engagement Executive involvement in these audits as a result of the new approach and methodology and complexity of issues arising in the audits.

Table 8: Audit Quality Indicator 5 – Engagement Executive and manager audit workload

Engagement Executive and manager audit workload (hours charged by audit staff who are classified as an Engagement Leader, Manager, Engagement Quality Control Review executive or higher as a percentage of total hours charged to audits)		
Benchmark	2021–22	2020–21
AASG and PSASG: 23%	25%	25%
PASG: 38%	32%	31%

3.50 Excessive workloads could prevent engagement executives and audit managers from giving adequate and focused attention to an audit engagement. This measure can provide perspective on the involvement of senior personnel in audits. The lower the amount of senior time, the greater the risk that senior staff will have insufficient time to supervise and review staff work and evaluate audit judgments. Inadequate levels of supervision raise the risk of less effective audit procedures and a reduction in audit quality.

3.51 The Engagement Executive and manager workload was in line with the benchmark for financial statements and performance statements audit staff and consistent with the prior year results. The performance audit Engagement Executive and manager workload was lower than the benchmark but had increased from the prior year. The ANAO methodology for capturing Engagement Executive and audit manager workload excludes EL1 level staff. In 2021–22 there were fifteen EL1 audit managers in performance audit who are not captured in this result.

Table 9: Audit Quality Indicator 6 – Staff audit workload

Staff audit workload (chargeable hours per full-time equivalent professional)		
Benchmark	2021–22	2020–21
AASG and PSASG: 1,200 hrs	1,189	1,300
PASG: 1,100 hrs	996	1,097

3.52 An excessive workload increases the risk that staff may have insufficient time to appropriately perform the necessary audit procedures and steps that deliver a quality audit. Staff may become less effective when working long hours.

3.53 The 2021–22 staff workload results for financial statements and performance statements audit staff are in line with the benchmark. The workload for performance audit staff decreased from the prior year and is below the benchmark. PASG continued to face resourcing constraints in 2021–22 due to recruitment challenges. As noted in AQI 3 the increased numbers of new starters who required a higher level of training impacted the hours charged to audit. The objective of the ANAO resourcing model and policies is to ensure that staff have sufficient capacity to undertake a quality audit, and Engagement Executives and audit managers have sufficient time to not only undertake appropriate review and supervision, but also to coach and mentor staff to improve staff capability and development.

Internal and external specialists and technical resources

3.54 PSRG provides internal professional services such as technical accounting and audit support, quality assurance and legal services. Technical accounting and auditing resources enable audit teams to deal with complex questions during an audit. Table 10 shows the ANAO expenditure on technical accounting and auditing resources has decreased from the prior year and is below the ACAG benchmark.

Table 10: Audit Quality Indicator 7 – Technical accounting and auditing resources

Technical accounting and auditing resources (percentage of total office expenditure allocated to technical resources)		
Benchmark	2021–22	2020–21
3%	2%	3%

3.55 The decrease is largely driven by an increase in total office expenditure resulting from the establishment of PSASG and an increase in ANAO audit staffing levels. In 2021–22, while there was an increase in staffing levels allocated to technical accounting and auditing resources, the costs in 2021–22 decreased as a number of positions were vacant for periods during the year caused by delays in recruiting staff to replace staff who were on long term leave or who had left the ANAO.

3.56 To further support the delivery of quality audits, the ANAO also uses external subject matter and technical experts where a specific need has been identified, including:

- the engagement of audit firms to conduct financial statements audits when specialist industry knowledge is not readily available in-house;
- the engagement of auditor experts in both financial statements and performance audits as required;

- the engagement of audit firms to assist in the conduct of quality assurance reviews; and
- the purchase of audit methodology and training.

3.57 In 2021–22 the ANAO ceased engaging audit firms and contractors to assist in the conduct of quality assurance reviews, instead utilising internal staff to conduct the reviews to upskill our staff and reduce reliance on contractors. Internal technical staff have a greater familiarity with the ANAO methodology, policies and procedures and are better placed to identify actions required to address any identified deficiencies and encourage continuous improvement across the ANAO.

Audit performance

Methodology, technology and tools

3.58 ANAO auditors apply a robust methodology which includes the [ANAO Audit Manual](#) and standardised tools and templates to assist in the consistent application and documentation of audit procedures. Application of this methodology ensures compliance with the ANAO Auditing Standards and provides for consistent quality across audits.

3.59 The ANAO Audit Manual, methodology and supporting tools and templates are reviewed on an annual basis. The review process incorporates any improvements or amendments arising from changes in the ANAO auditing standards, responses to findings from quality monitoring processes and audit staff consultation. In 2021–22, key updates to the methodology included:

- continued development of performance statements methodology and training, focused on implementation of increased use of standardised approaches and tools that support the ANAO's performance statements audit activity as a growing practice with effective and efficient coordination with financial and performance audit activity;
- development of performance statements Audit Manual and policies;
- a mandatory assessment of cyber security risks in financial statements audits;
- preparation for the implementation of the revised Australian Auditing Standards ASA 315 *Identifying and Assessing the Risks of Material Misstatement*. This standard will be implemented for the 2022-23 audit cycle;
- revision of the performance audit specific volume of the manual to:
 - clarify terminology around the collection of audit evidence under section 32 of the Auditor-General Act;
 - provide clarity around when a performance audit is conducted under section 17 versus section 18 of the Auditor-General Act; and
 - to address quality assurance review and internal audit recommendations; and
- revision of the consultation and Qualifications and Technical Advisory Committee (QTAC) chapters of the ANAO Audit Manual to incorporate performance statements audits.

3.60 The ANAO SADA group supports audit evidence-gathering and analysis through providing Information Technology (IT) and data specialists with audit capability for analysing the IT environment, IT general and application controls, system-generated reports and data. In previous years, SADA developed several standardised data analytics solutions to provide a standard, data-driven approach to some of the common areas of financial statements audit testing to improve the efficiency of audit procedures, while enhancing audit quality. In 2021–22 these solutions were

rolled out for use on financial statements audits in the following areas of testing (unless the circumstances of an audit required a different approach):

- a solution for employee entitlements (wages and salaries); and
- a solution for the risk assessment of journals.

3.61 A new enhanced standardised data analytics solution for the testing of appropriations is being piloted in 2021–22 for implementation in 2022–23.

3.62 The standardised data analytics solutions have been designed to support teams in executing the procedures by providing standardised data requests and templates and identifying exceptions and risk areas for further investigation. This allows teams to spend more time focusing on judgements and conclusions rather than developing their own processes. PSRG reviews and approves the standardised solutions to ensure alignment with the ANAO's audit methodology.

Consultation

3.63 The [ANAO Audit Manual](#) includes policies requiring consultation on difficult or contentious matters.

3.64 The ANAO has a Qualifications and Technical Advisory Committee, which provides a forum for Engagement Executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit related matters. In 2021–22 QTAC was consulted on 13 matters.

3.65 There is also a requirement within the ANAO Audit Manual to consult with the AASG GED and PSRG when material errors or misstatements are detected that relate to prior year financial statements on which the ANAO has issued an unqualified auditor's report. The number and impact of restatements for errors are generally considered a signal of possible areas of concern in the audit process. This indicator places restatements in context by focusing on their magnitude and overall impact on the financial statements. The restatements are assessed for materiality at the individual engagement level. The measure includes all financial statements audits, including non-mandated audits.¹ Restatements that were below materiality or related to reclassifications or disclosures with no net impact on the financial result or position have not been included in the totals.

Table 11: Audit Quality Indicator 8: Material misstatements resulting from a prior period

Number and percentage of material restatements of financial statements resulting from a prior period error ^a		
Benchmark	2021–22	2020–21
Number and % of material restatements: 0	7 (2.9%) out of 242 engagements Errors range from \$15,510 to \$320.6m net impact on the individual financial statements	7 (2.5%) out of 284 engagements Errors range from \$84,595 to \$269m net impact on the individual financial statements

¹ The ANAO conducts audits by arrangement under section 20 of the Auditor-General Act.

Note a: The financial statements audit cycle for 30 June year end reports is 1 October to 30 September. Therefore the 2021–22 results in the table above record the number of restatements identified in 2020–21 financial statements audits which are finalised within the 2021–22 reporting period.

3.66 The number of restatements of financial statements resulting from prior period errors was consistent with the prior year and above benchmark. The range of prior period errors expanded at the higher and lower end of the range. The largest prior period errors related to:

- asset review activities conducted by an entity that identified adjustments that should have been recorded in the prior financial periods. These adjustments included restatements to write-downs and impairment expenses which had a flow on effect to depreciation expenses, resulting in an overall increase to the underlying asset values;
- the expensing of ‘software as a service’ costs that were previously capitalised following clarification of the interpretation of accounting standards; and
- the reduction of appropriation receivable arising from the lapsing of annual appropriations.

3.67 The cause of material restatements is assessed by the ANAO to identify if there are indicators of deficiencies in audit quality. The largest misstatement related to asset review activities conducted by an entity where consistent restatements were made in prior years. The ANAO treats the assets of this entity as a higher risk area and has raised a significant audit finding in this area highlighting internal control weaknesses in the methodology used to allocate costs relating to assets under construction. The ANAO is satisfied that the restatements do not indicate systemic deficiencies in audit processes.

Engagement quality control review policies and monitoring of compliance

3.68 An Engagement Quality Control Reviewer (EQCR) is required under ANAO Audit Manual policy to be appointed to certain audits, including high risk audits and audits of entities determined to be public interest entities (PIEs). The EQCR provides an objective evaluation of the significant judgements made by the audit team and conclusions reached in formulating the audit report.

3.69 Reviews conducted as part of the ANAO Quality Assurance Program consider compliance with the EQCR policy including: an assessment of whether an EQCR was required to be appointed; if an appointed EQCR met the eligibility criteria; and if the documentation of that involvement throughout the audit was in accordance with the [ANAO Audit Manual](#) requirements.

3.70 In 2021–22, twelve financial statements engagements were rated as high risk and an EQCR was appointed. In 2021–22, ten financial statements audit were assessed as PIEs, and three of these audits were assessed as high-risk engagements. EQCRs were appointed to all PIE audits, with the exception of one audit where approval was obtained by the Auditor-General to appoint a second reviewer rather than an EQCR. This exception was made as the Auditor-General was the signing officer. Two performance statements audits were rated as high-risk audits and an EQCR was appointed. No performance audits tabled in 2021–22 were rated as high engagement risk audits and an EQCR was not required to be appointed.

Monitoring

Internal and external quality assurance reviews

3.71 A key element of the ANAO Quality Assurance Framework is monitoring of compliance with policies and procedures through internal and external quality assurance (QA) reviews of the ANAO's audits and other assurance engagements. The program is designed to provide the Auditor-General with assurance that engagements comply with the ANAO Auditing Standards, relevant regulatory and legal requirements, ANAO policies, and that reports issued are appropriate in the circumstances. Monitoring activity is the responsibility of PSRG. PSRG reports to EBOM, the Quality Committee and the ANAO Audit Committee on the results of each quality assurance review and other monitoring activities. The ANAO Quality Committee is responsible for monitoring the ANAO's progress in addressing the findings and recommendations arising from the monitoring programs.

3.72 Monitoring activities conducted in 2021–22 were:

- annual quality assurance reviews of completed audits (ten financial statements audits, three performance audits and one performance statements audit reviewed);
- real time quality reviews of:
 - seven in-progress financial statements audits (included three focused reviews conducted over substantive analytical procedures and three focused reviews over auditing accounting estimates which were identified as risk areas due to previous QA review findings and the introduction of new auditing standards);
 - two in-progress performance statements audits; and
- ASIC review of two financial statements audits.

3.73 The ANAO selects audits and other engagements in accordance with the [ANAO Audit Manual](#) QA review selection policy, which provides sufficient coverage of all responsible Engagement Executives on a cyclical basis. This measure covers internal quality assurance reviews, including complete real-time reviews and external reviews conducted by ASIC but does not include focused real-time reviews and internal audit compliance reviews. The 2021–22 results of the quality assurance reviews are provided in Table 14.

Table 12: Audit Quality Indicator 9 – Quality assurance review coverage

Quality assurance review coverage (percentage of Engagement Executives and contracted firms subject to review annually)		
Benchmark	2021–22	2020–21
Financial statements audit – in house: 33%	47%	33%
Financial statements audit – contracted firm: 33%	29%	36%
Performance audit: 33%	38%	50%
Performance statements audit	33%	n/a

3.74 In 2021–22 the coverage of Engagement Executives for in-house financial statements audits, performance audits and performance statements audits was in line with or exceeded the policy requirements which form the basis of the AQI benchmark. The coverage for contracted firms for financial statements audit was lower than the benchmark as two audits from one firm were selected for QA review in 2021–22. This firm has several national locations and was engaged by the ANAO

to conduct a large number of audits in the year. The ANAO decided that increased coverage of the selected firm was more appropriate than selecting a firm that was contracted to perform only one financial statement audit on behalf of the ANAO.

3.75 In addition to the AQI measures reported in this report, ANAO performance measure 17 reported in the [ANAO annual report](#) (*The ANAO independent quality assurance program indicates that audit conclusions are appropriate*) relates to audit quality. In 2021–22 the ANAO achieved a result of 100 per cent against a target of 100 per cent for the performance measure. Table 13 provides the number of audit files reviewed in the ANAO quality review program that were rated as unsatisfactory.

Table 13: Audit Quality Indicator 10 – Internal quality review results

Internal quality review results – Number of audit files rated as ‘Unsatisfactory’ in the ANAO Annual Inspection Program.		
Benchmark	2021–22	2020–21
No. of engagements: 0	1	1

3.76 One financial statements audit file reviewed was determined to be unsatisfactory due to significant deficiencies identified in the audit approach over revenue. Remediation procedures were not required to be completed as evidence which was not on the audit file indicated that the risk of material misstatement was mitigated and that the audit conclusion was appropriate despite the deficiencies identified. A summary of the review findings arising from the annual inspection program is provided in Table 14. Refer to [ANAO Audit Manual 10.23](#) for the ANAO rating system and definitions.

Table 14: Summary of the quality assurance review findings in the annual inspection program

	2021–22	2020–21
AASG – Completed audits	1 significant 16 moderate 41 minor	1 significant 24 moderate 44 minor
AASG – Real time review	No significant 8 moderate 10 minor	No significant 4 moderate 12 minor
PASG	No significant 11 moderate 13 minor	No significant 5 moderate 15 minor
PSASG – Completed audits	No significant 4 moderate 8 minor	N/A
PSASG – Real time review	No findings identified Observations made only	N/A

3.77 A high number of findings from quality reviews, particularly when these are repetitive, indicates issues with audit quality. Timely identification and appropriate remediation of issues is necessary to facilitate improvements in audit quality.

3.78 The annual inspection program for financial statements audits identified areas for improvement including:

- the design and execution of substantive analytical procedures;
- documentation related to auditing accounting estimates;
- engagement team planning meetings; and
- IT audit testing.

3.79 The quality reviews of performance audits identified areas for improvement relating to:

- engagement risk assessments;
- documentation of resolutions for potential independence threats;
- completion of test programs as the audit progresses;
- utilising audit tool functionality to evidence review; and
- the timely closure of the audit file.

3.80 In 2021–22 the ANAO conducted the first quality review of a completed performance statements audit. The ANAO performance statements audit policy and methodology are in the development stage. The quality assurance review identified the need for clarification of policy or additional guidance, including the need for clearer methodology procedures in the following areas:

- when performance statements audit teams rely on the work conducted by other ANAO audit teams;
- documentation of audit judgements; and
- reliance on unaudited information.

2021–22 Root cause analysis

3.81 The ANAO evaluates findings identified in internal and external quality assurance reviews and determines if there are thematic or repetitive issues arising in audits. The ANAO conducts root cause analysis on thematic or repetitive issues to understand the underlying drivers of quality deficiencies and address them with targeted action plans.

3.82 Root cause analysis allows a deeper understanding of the drivers of quality deficiencies so targeted follow-up actions can be developed to address these drivers. The most significant individual findings and thematic findings from the quality assurance program are subject to the root cause analysis.

3.83 In 2021–22 the ANAO enhanced its root cause analysis program, incorporating several ASIC recommendations and the thematic findings identified in real-time quality assurance processes. The ANAO will continue to expand the root cause analysis methodology and processes in a staged approach in future years.

3.84 In August 2021 the ANAO completed the root cause analysis over the significant and thematic findings identified in the quality assurance review of 2019–20 financial statements audits. The report included 13 follow-up actions to address the underlying drivers of the identified deficiencies in audit quality. Eight of the 13 follow-up actions were completed in 2021–22.

3.85 In 2021–22 the ANAO also completed the root cause analysis over the significant and thematic findings identified in the quality assurance review of 2020–21 financial statements audits. The root cause analysis was completed in conjunction with the reporting on the quality assurance review. The root cause analysis was conducted concurrently to ensure that follow-up actions could be developed in a more timely manner and to allow the underlying drivers of quality deficiencies to be addressed for the next audit cycle. The root cause analysis reporting was completed in April 2022 and resulted in a total of 16 follow-up actions to address the quality issues identified in the quality assurance review and root cause analysis. Eight of the 16 follow-up actions were completed as at 30 June 2022.

Timeliness and effectiveness of remediation

3.86 The results of internal and external quality assurance reviews, root cause analysis, external and peer reviews and relevant internal and external audits are reported to EBOM. The report includes the recommended follow-up actions to address any identified findings, recommendations or observations. The follow-up actions are assigned to responsible officers with timeframes for completion.

3.87 The Quality Committee monitors the ANAO's progress in addressing the findings and recommendations made in external or internal reviews, including assessing the prioritisation of active follow-up actions and reports on this to EBOM. Table 15 details the status of findings arising from internal and external reviews.

Table 15: Status of Findings Arising from Internal and External Reviews

Category	Opening position 1 July 2021 ^a	New follow-up action items	Resolved follow up action items	Closing position 30 June 2022
AASG	12	45	37	20
PASG	2	12	8	6
PSASG	-	9	1	8
ANAO	7	3	9	1
Total	21	69	55	35

Note a: One PASG and one AASG active item were reclassified to ANAO-wide as they were reconsidered to be applicable to all service groups.

Complaints and allegations

3.88 The [ANAO Audit Manual](#) sets policies and processes for the formal management of any complaints or allegations that the work performed by the ANAO does not comply with applicable standards, requirements, systems of quality control or independence policies.

3.89 During 2021–22 the ANAO received no complaints or allegations. The JCPAA received a submission to an inquiry regarding governance in the stewardship of public resources² and invited the ANAO to make a submission in response. The JCPAA issued [Report 492 Governance in the Stewardship of Public Resources](#) in April 2022.

² Joint Committee of Public Accounts and Audit, *Governance in the stewardship of public resources: Inquiry into Auditor-General's Reports 11, 31, 39 (2019-20) and 2 and 9 (2020-21)*.

Summary of parliamentary feedback

3.90 The ANAO's primary relationship is with the Australian Parliament and the ANAO's key interaction with the Parliament is through the JCPAA.. The ANAO undertakes an annual survey of the JCPAA members to obtain feedback in a number of areas. Table 16 provides the JCPAA 2021–22 response to those questions relating to audit quality.

Table 16: Audit Quality Indicator 11– Results of JCPAA 2021–22 survey

Results of independent surveys of Joint Committee of Public Accounts and Audit (JCPAA) members (percentage of JCPAA members who agree that the ANAO's reports and services have contributed to improved public sector accountability and transparency)		
Benchmark	2021–22	2020–21
90%	N/A	71%

3.91 The ANAO engaged an independent research firm, ORIMA Research Pty Ltd, to conduct a survey of JCPAA members in 2022. One of the 15 JCPAA members responded to the survey (7 per cent), which is substantially lower than the participation rate of 47 per cent (seven of 15 members surveyed) in 2021. As there was only one respondent to the survey, the ANAO has chosen not to report a result against this measure.

3.92 The timing of the survey fell just before the proroguing of the Parliament on 11 April 2022. The one respondent rated all but two statements presented in the survey positively, selecting 'unsure' for the following: 'Financial statements audit reports provided a balanced perspective', and 'The ANAO engages with the committee on issues of relevance to the administration of the broader public service'. The respondent strongly agreed that performance audits, the Defence Major Projects Report, and other reports provide a balanced perspective. The respondent also strongly agreed that the ANAO reports and services have contributed to improved public sector accountability and transparency and agreed that the ANAO reports and services help improve public sector administration.

4. Quality assurance strategy and deliverables for 2021–22

4.1 The key deliverables for 2021–22 were set out in the [Quality Assurance Framework and Plan 2021–22](#). The achievement of the strategy and deliverables are set out below in Table 17.

Table 17: 2021–22 Quality Assurance Framework and Plan deliverables

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
All elements	To ensure that the ANAO Quality Assurance Framework is compliant with the new Quality Management Standards to be incorporated into the ANAO Auditing Standards	Review of the ANAO Quality Assurance Framework against the requirements of ASQM 1 and ASQM 2 which is to be implemented by December 2022	31 December 2021	Completed 6 June 2022
Engagement performance	To ensure that the ANAO audit methodology is compliant with the ANAO auditing standards.	Annual methodology review - financial statements audits	28 February 2022	Completed 5 May 2022
		Annual methodology review - performance audits	30 April 2022	Completed 16 June 2022
		Annual financial statements audit software template updates	30 November 2021	Completed 1 October 2021

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		Annual assessment of performance audit software template updates	30 April 2022	Completed 3 June 2022
		Annual communication template updates	30 June 2022	Completed 1 February 2022
	To ensure ANAO staff are supported in the application of ANAO audit methodology and ANAO Auditing Standards	Establish an internal focus group on substantive analytical reviews which will be a contact point for teams to discuss the design and execution of substantive analytical procedures	31 October 2021	Not completed in 2021–22. Following further quality findings being identified in substantive analytical procedures the focus in 2021–22 was on training and guidance being provided to staff. A panel for review of substantive analytical procedures will be established in 2022–23.
	To maintain a high level of audit quality by keeping ANAO staff and contract firms' knowledge up-to-date and fostering continuous improvement	Training on methodology and standards updates, quality findings and other relevant issues	30 June 2022	Completed Training delivered during 2021–22: <ul style="list-style-type: none"> • subject matter sessions including sampling, auditing estimates, audit risk and response and appropriations training; and • technical update sessions.

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		Release of the financial statements audit Aide-Memoire which communicates previous quality findings and how audit teams can address them across all audits	31 December 2021 and 31 May 2022	Completed 15 February 2022 and 2 June 2022 (Substantive Analytical Review procedures)
	To maintain a high level of audit quality by keeping contract firms' knowledge up-to-date and fostering continuous improvement	Contractor webinar on methodology and standards updates, quality findings and other relevant issues including topic specific training to address knowledge gaps identified in quality assurance reviews	31 May 2022	Completed 24 May 2022
		Presentation to contract firm relationship partners on ANAO expectations for quality and results of quality inspections	30 June 2022	Not completed in 2021–22. This presentation was combined with the contractor webinar that contract firm partners attend.
Monitoring	To determine whether audits have been performed in accordance with the ANAO auditing standards	Annual internal review of a sample of completed financial statements audits	31 March 2022	Completed 17 March 2022 and 26 April 2022
		Annual internal review of a sample of completed performance audits	31 July 2022	Completed 20 July 2022

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		Annual internal real-time review of in-process financial statements audits	31 December 2021	Completed 8 December 2021
		Internal review of one completed performance statements audit	31 March 2022	Completed 12 April 2022
		Internal real-time review of one in-progress performance statements audits	31 December 2021	Completed 12 April 2022
		Annual external review by ASIC of ANAO quality framework	30 June 2022	Not completed in 2022 due to limited ASIC resource capacity.
		Annual external review by ASIC of a sample of completed financial statements audits	30 June 2022	Not completed as at 30 June 2022. Completed 29 July 2022
		Biennial peer review by NZ OAG of a sample of completed performance audits	30 June 2022	Not completed as at 30 June 2022. COVID impacts caused delays in completion of the reviews performed by NZ OAG.

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		Internal audit of compliance with selected requirements of the ANAO Audit Manual	30 June 2022	Not completed as at 30 June 2022. Reporting finalised by internal audit on 19 September 2022.
	To obtain insights on audit quality from entity feedback on their experience with the performance audit process	Annual independent external survey of entities that have been involved in a performance audit. The survey focusses on the audit process, audit	31 August 2021	Completed 6 June 2022 (round one of 2021–22 surveys)

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		reporting and value of the performance audit		
	To obtain insights on audit quality from entity feedback on their experience with the annual financial statements audit process	Annual independent survey of entities that have been involved in an annual financial statement audit. The survey focusses on the knowledge, skills and conduct of the audit staff and the value of the financial statement audit services	31 January 2022	Completed 18 May 2022
	To identify the root cause(s) of inspection findings in order to determine the most appropriate remedial actions	Root cause analysis of unsatisfactory files and thematic findings and observations	30 June 2022	Completed 17 March 2022 and 26 April 2022
	To monitor themes arising in inspections of contract firms	Review of published results of QA reviews of firms within firm transparency reports and the annual ASIC audit inspection report	30 June 2022	Completed 2 November 2021