



Audit Committee Chairs Forum

Friday, 5 December 2025



Welcome and opening remarks

Rona Mellor PSM

Deputy Auditor-General for Australia



Auditor-General's Update

Dr Caralee McLiesh PSM

Auditor-General for Australia



Department of Finance update

Amy Fox

First Assistant Secretary
Financial Analysis, Reporting and Management
Department of Finance



Australian Government
Department of Finance

Audit Committee Chairs Forum

5 December 2025



Australian Government
Department of Finance

Financial Reporting

Amy Fox, First Assistant Secretary
Financial Analysis, Reporting and Management Division
Department of Finance

2024–25 Financial Reporting

- The Final Budget Outcome was released on 30 September 2025.
 - The delays in the completion of financial statements by few material entities, resulted in them being excluded from FBO.

The 2024–25 Consolidated Financial Statements were signed by the Minister for Finance on 23 November 2025.

2024–25 Financial Reporting

Financial statements timeframes and quality impacted by:

- Shortage of professional resources across the profession, particularly in CFO teams.
- Complex accounting issues.

Common capability gaps:

- Appropriation recognition and disclosures
- Software as a service and capital budgets
- Valuation of financial instruments
- Equity accounting
- Differentiation between provisions, contingent liabilities and unquantifiable contingencies
- Accounting judgements and estimates.

2025–26 Financial Reporting

2025-26 financial reporting guidance updates will be issued by early February 2026:

- minor amendments are expected to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR), noting there are no significant accounting standard changes nor tiered reporting changes.
- RMG 116 - *Accounting for annual appropriations*.
- RMG 125 - *Commonwealth entities financial statements*.
- Primary Reporting and Information Management Aid (PRIMA) Forms.

Looking forward

Ongoing Government savings measures

- Budget pressures for entities expected to remain, particularly in relation to spending on external labour (contractors/consultants)
- Recruitment may be limited, making retention and upskilling of existing accounting and finance staff critical.
- Focus on capability uplift through targeted training, quarterly forums, and February's *Accounting and Finance Month* in partnership with APS Academy.

Looking forward

Expected merger of AASB, AuASB and FRC (External Reporting Australia) expected to have minimal/no impact on entity reporting.

Climate Disclosure

- AASB released *Exposure Draft 338* which proposes amendments to AASB 18, AASB 107 and other accounting standards.
- Climate Disclosure requirements for Year 2 and Year 3 Tranche 1 and Tranche 2 Commonwealth entities and companies are available on the Finance website.
- Entities with questions about Climate Disclosures should reach out to the Climate Action and Property Data Branch within the Department of Finance at ClimateAction@finance.gov.au.



Committee best practice

Rona Mellor PSM

Deputy Auditor-General for Australia

Areas of risk

- Legislative breaches
- IT controls
- Procurement
- Artificial intelligence (AI)





Emerging lessons from ANAO's audit program

2024–25 Performance Audit Outcomes Information report

Sue Drennan

Executive Director PASG



2024-25 Performance audits



Impact of the performance audits



96% of
recommendations were
agreed by audited entities



85% of survey
respondents agreed they
value performance audits



12 public hearings and



5 private briefings to support
the JCPAA.

Key themes identified



Integrity

Public sector resource management frameworks are in place to deal with risk. Not following them exposes entities and the sector to risk and can be an indicator of a culture where compliance with rules and their intent is not respected.



78%

of performance audits of entities' management of fraud and corruption control arrangements, conflicts of interest, and gifts, benefits and hospitality requirements were found 'partly effective'.

69%

of performance audits which examined grants administration or procurement activity in detail had 'negative' findings.

86%

of performance audits included an audit finding related to records management.

Stewardship

Taking a long-term view and looking to the impact of policies and programs is an area for improvement.

Box 1: ANAO observations on key aspects of stewardship by policy owners

- ✓ **Own the policy** — take clear responsibility for the policy and its intended outcomes, ensuring alignment with strategic objectives and whole-of-government priorities.
- ✓ **Plan and adapt** — manage the full policy lifecycle, from development and implementation to ongoing adaptation, ensuring responsiveness to changing environments and emerging risks.
- ✓ **Monitor and evaluate** — continuously assess policy performance, compliance, and effectiveness. This includes oversight of exemptions, internal controls, and mechanisms for improvement.
- ✓ **Support and guide** — provide practical guidance to support entities and people who must comply with the policy. Address implementation challenges proactively and resolve instances of non-compliance with clarity and consistency.
- ✓ **Collaborate and innovate** — engage with system partners, share insights, and contribute to policy evolution. Foster innovation to ensure policies remain relevant, impactful, and future ready.

Risk management

Actively identifying and managing risk sets entities up for success in complex environments.



89%

of performance audits mention risk in a finding (including recommendations).

54%

of these performance audits had an overall 'negative' conclusion.

Performance management

Measuring performance enables adjustment, improvement and transparency.



66%

of performance audits mention performance monitoring, reporting and evaluation in a finding (including recommendations).

69%

of these performance audits were of programs in the 'mature delivery' stage.

Analysis of audits 2020-21 to 2024-25

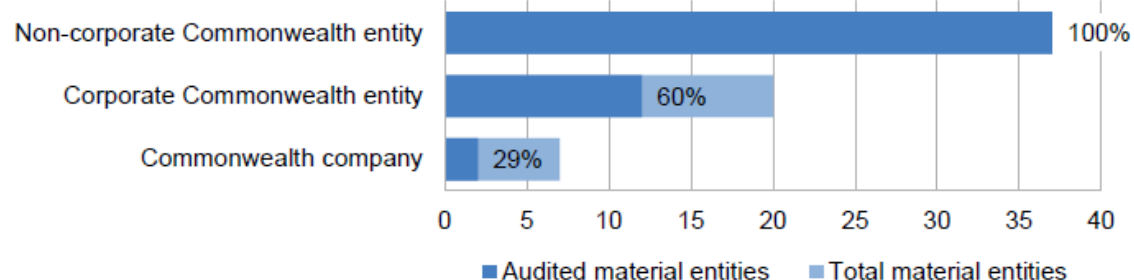
Overview for 2020-21 to 2024-25



Overview for 2024-25



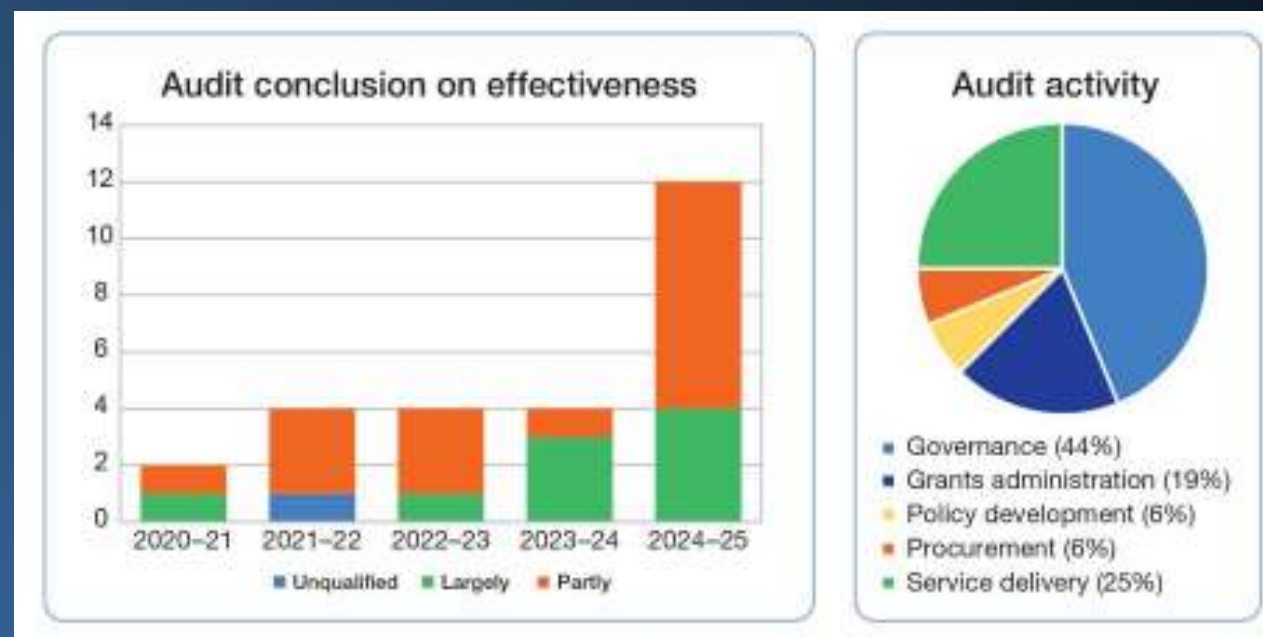
Audit coverage of material entities by type of entity, 2020-21 to 2024-25



Source: ANAO analysis of audited entities between 2020-21 and 2024-25 against the Australian Government Organisation Register, as at 29 May 2025.

Matters relating to Indigenous Australians

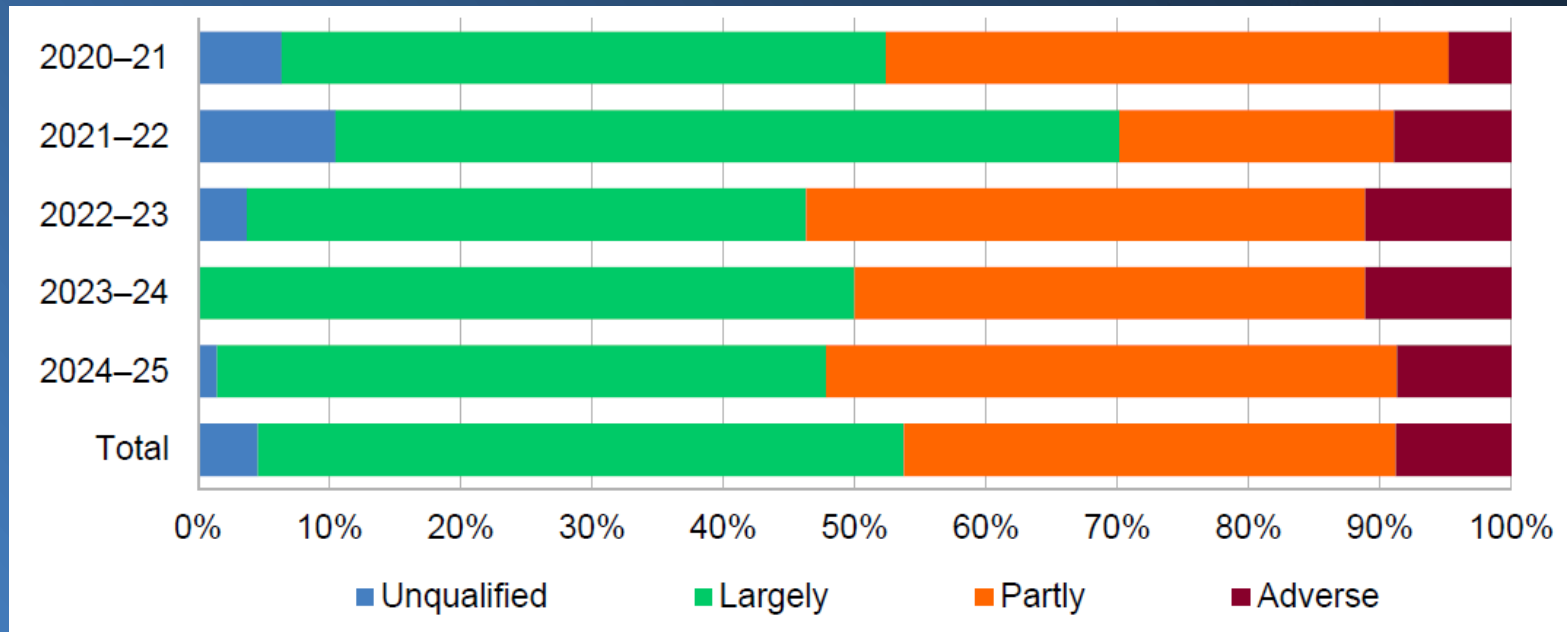
- 16 performance audits related to Indigenous matters between 2020–21 and 2024–25.



Audit conclusions

- Over the past five years, 54 per cent of audit conclusions have been assessed as 'positive'.

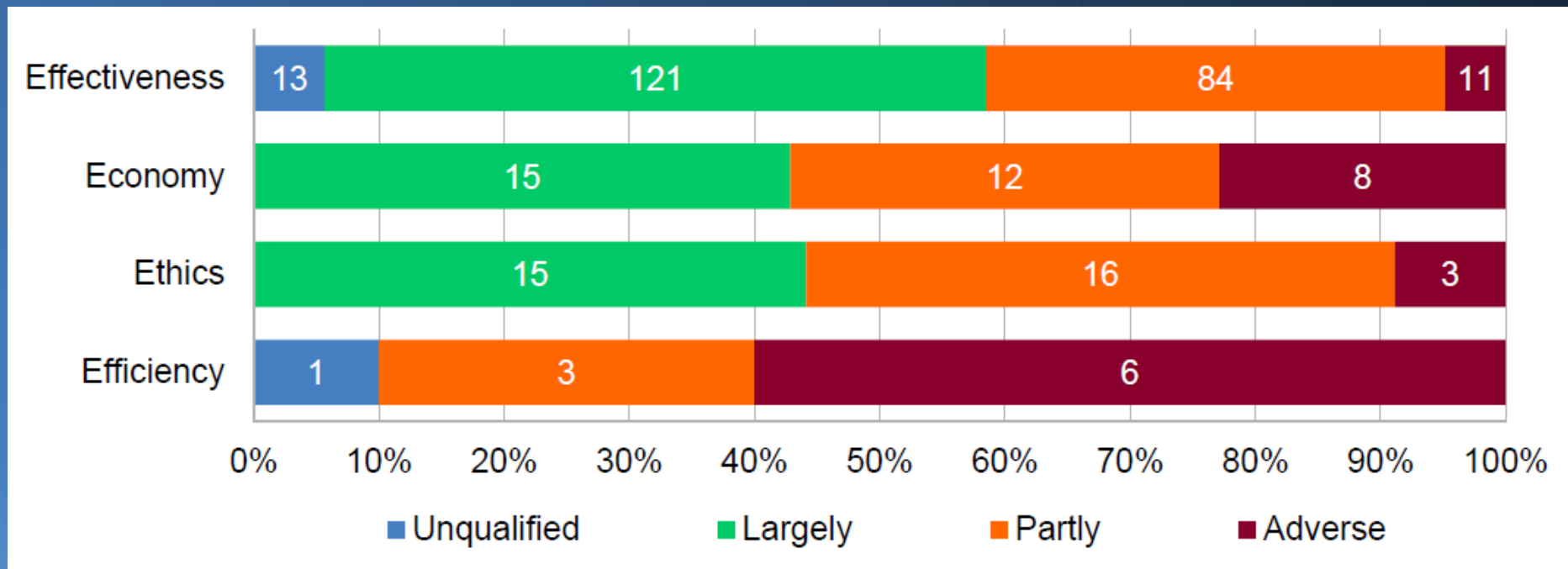
Audit conclusions, 2020–21 to 2024–25



Audit objective

- Opportunities exist to consider efficiencies when delivering government programs or priorities, especially in the context of service delivery functions.

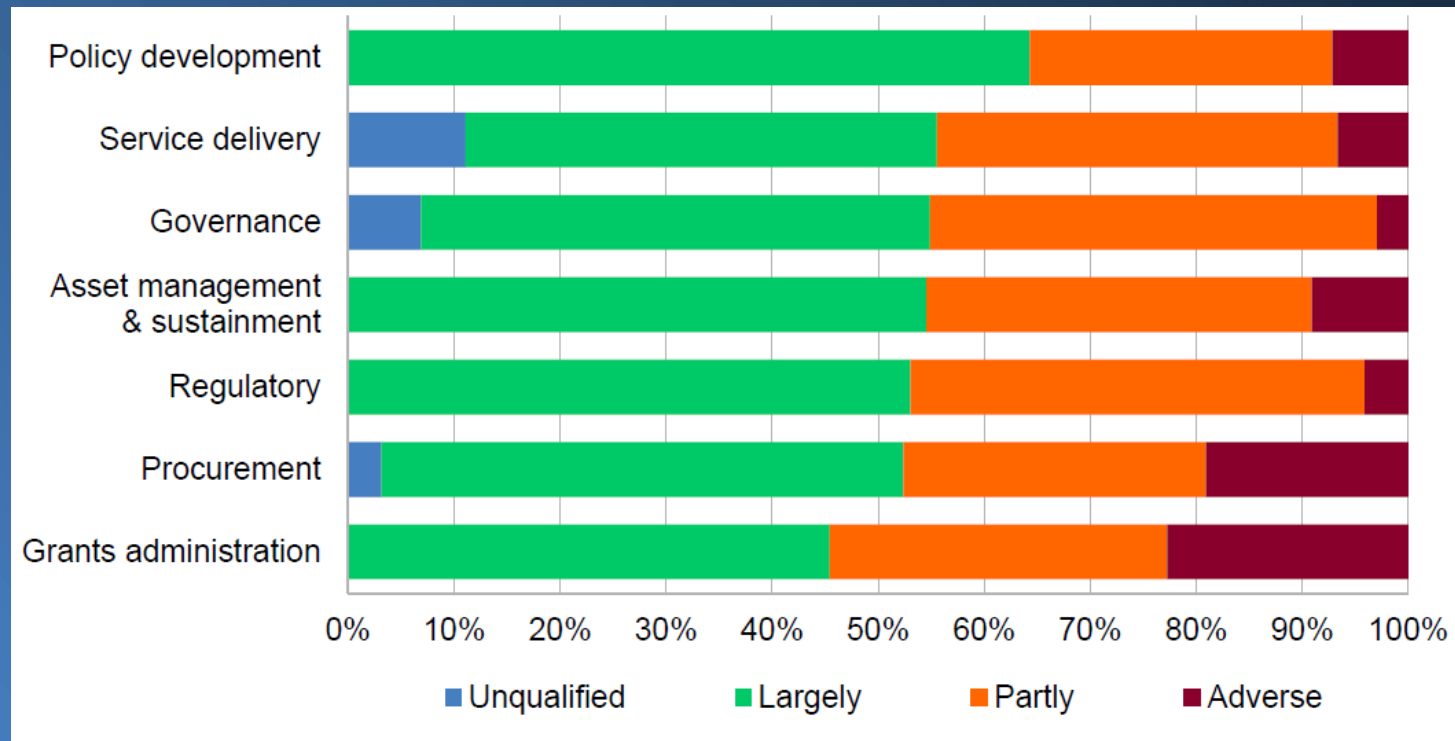
Audit objectives by audit conclusions per entity, 2020–21 to 2024–25



Audit activity

- Entities generally demonstrate strong capability in policy development. Grants administration and procurement are areas for attention to improve performance across the public sector.

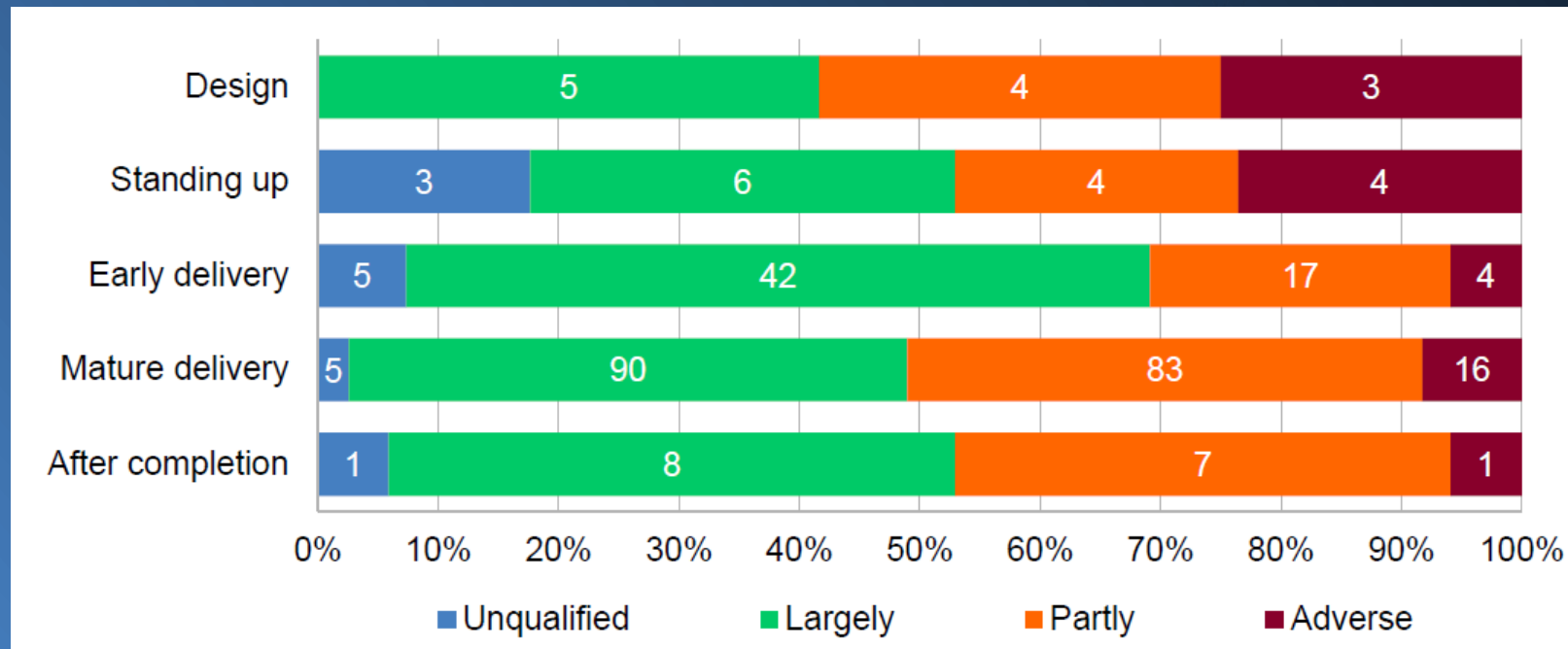
Audit conclusions per entity by audit activity, 2020–21 to 2024–25



Stage of delivery

- Mature delivery audits are the most common stage of delivery with 49 per cent of audit conclusions assessed as either effective or largely effective.

Audit delivery stage by audit conclusion per entity, 2020–21 to 2024–25






Key takeaways

- Public sector resource management frameworks are in place to deal with risk. Not following them exposes entities and the sector to risk and can be an indicator of a culture where compliance with rules and their intent is not respected.
- Taking a long-term view and looking to the impact of policies and programs is an area for improvement.
- Actively identifying and managing risk sets entities up for success in complex environments.
- Entities generally demonstrate strong capability in policy development. Grants administration and procurement are areas for attention to improve performance across the public sector.
- Over the past five years, 54 per cent of audit conclusions have been assessed as 'positive'.
- Opportunities exist to consider efficiencies when delivering government programs or priorities, especially in the context of service delivery functions.

Insights and Audit Matters



Insights products

-  Audit Lessons — aim to make it easier for the Australian public sector to apply insights from our audit;
-  Audit Practice — which aim to explain ANAO methodologies to help entities prepare for an ANAO audit; and
-  Audit Opinion — which aim to provide the Auditor-General's views on key issues facing the Australian public sector.

Audit Matters newsletters

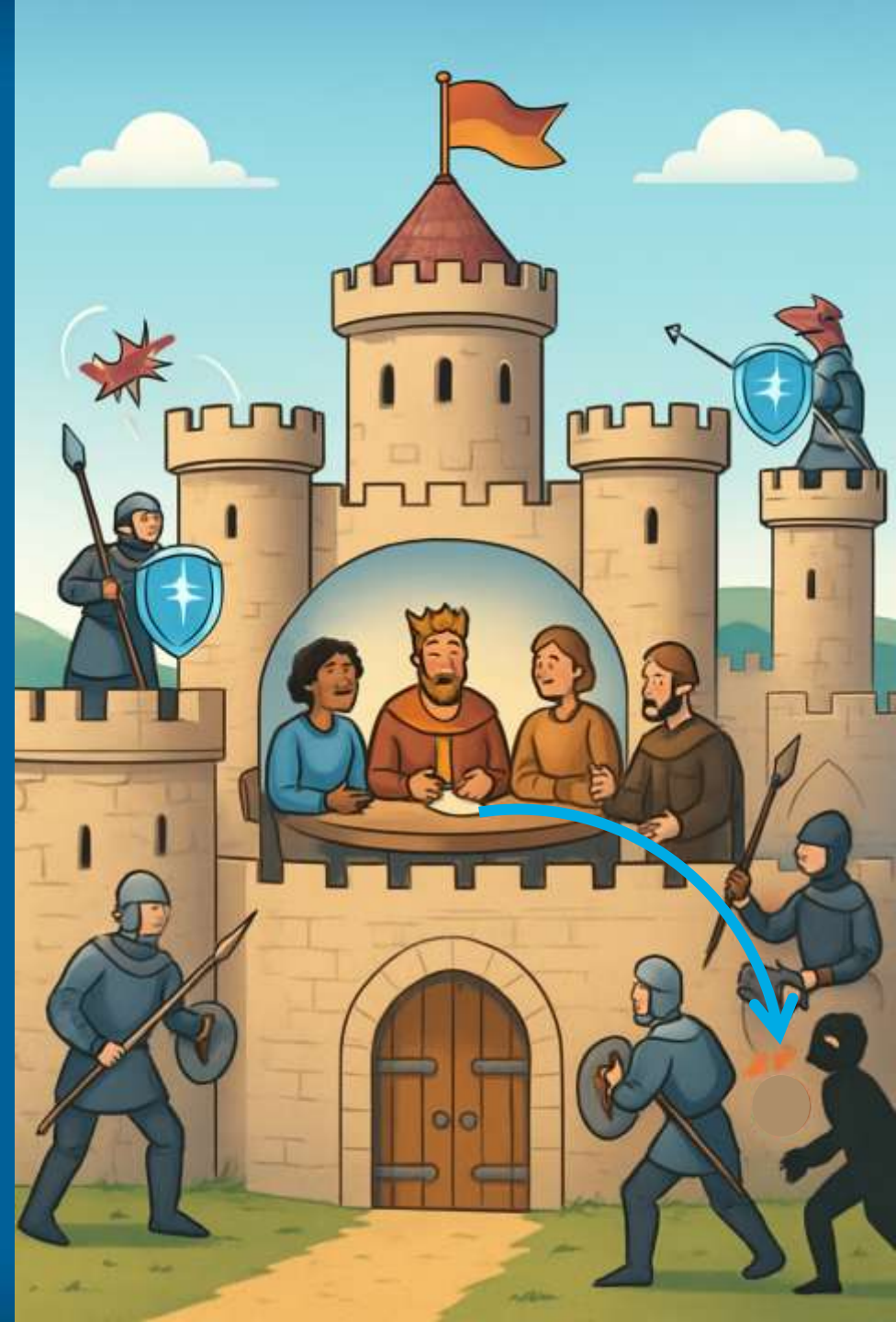
- Quarterly newsletter for key public sector stakeholders with updates on the ANAO's work and insights on our findings.

Questions



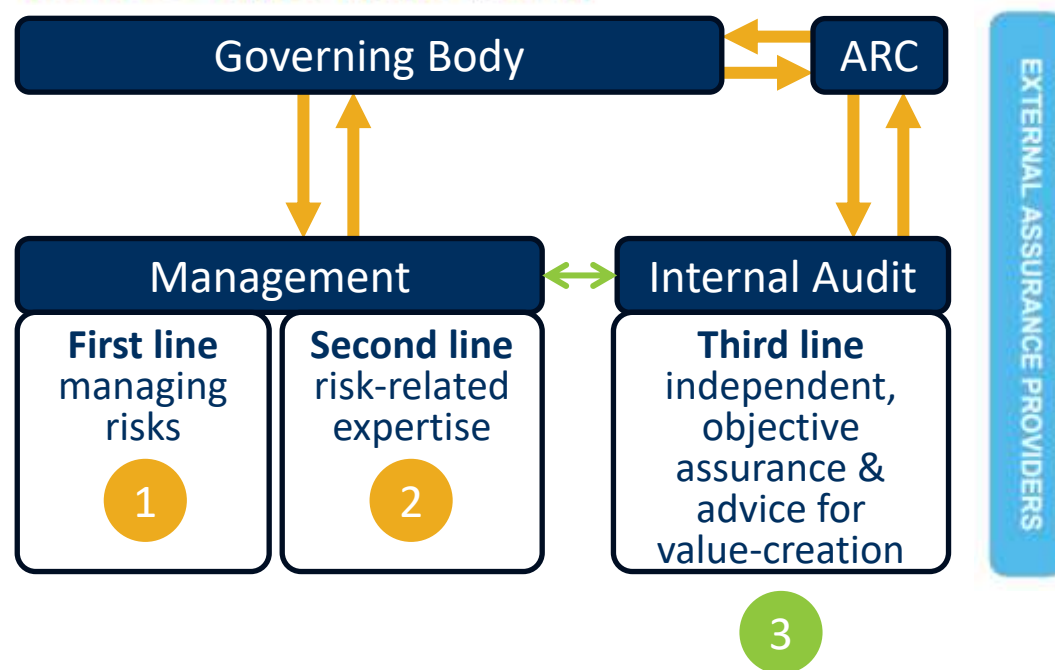
Internal Audit: the Audit Committee's Secret Weapon

Trish Hyde, Hayley Elson & Kylie McRae



Three Lines

The IIA's Three Lines Model



Internal Audit + Value Creation

When internal audit is...



How YOU can unlock that VALUE

Value Proposition: Elevated Impact	Unlock Value
Global standards-driven profession	Qualified People
Risk-based and strategically aligned to org goals	Unified Purpose
Working with AC and senior mgmt to create value	Aligned with Stakeholders
Independent and objective assurance and advice	Line of Sight
Primary duty is to your organisation	Internal Voice Sourcing
Quality assured through external assessments	Tested to Global Standards
Specific and thematic insights and foresight	You Ask the Questions

How YOU can unlock that VALUE

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Qualified People

Tip #1 - Appoint a Professional

- Global Internal Audit Standards (GIAS) Capability
- Bound by the profession's Ethics / Conduct / Professional Behaviour requirements
- Annual CPE requirement means growth mindset

Checklist

- ☒ Look for quality people – IIA-Aus Professional Membership or Certified Internal Auditor
- ☒ Or upskill your accidental CAE? (They don't have to commit to a career, but a little training can unleash value.)

Unified Purpose

Tip #2 Align IA with Organisation's Goals

Under the GIAS, your Chief Audit Executive (CAE) is required to develop an Internal Audit Strategy and Internal Audit Plan that is risk-based and aligned with what matters to the organisation's success.

Checklist

- ✓ The AC should provide input into the IA Strategy & IA Plan
- ✓ The plan should
 - consider the work of other assurance providers to avoid duplication
 - be broad and cover corporate and business operations
 - Be dynamic, agile and relevant to the organisational needs (its strategies, objectives and risks)
- ✓ Your CAE should provide you with regular updates on progress, results and any significant changes.





Line of Sight

Tip #3 – Position Your IA Appropriately

You receive information from Management (Lines 1 & 2) upon which you appropriately rely. But your CAE is your direct line of sight into the organisation. To hear their independent and objective voice, you must have **direct reporting line** and a **Charter** enabling their function to operate.

Checklist

- ☒ Have an Internal Audit Charter for the IA function to ensure it can deliver its value
- ☒ Ensure a direct reporting line to the AC / Governing Authority so that you get all the information you need
- ☒ Insist that your CAE maintains the quality of the function, adheres to the GIAS and actively and collaboratively works with Management.

Internal Voice Sourcing

Tip #4 Source a Voice Loyal to Your Purpose

Based on your size and needs, your IA function may be *fully in-house*, *co-sourced* or *fully outsourced*.

Checklist

- ✓ Regardless of how resourced, this is your IA function. The organisation should:
 - Have a function that adheres to the GIAS, as this is the driver for value
 - Have a CAE (a named person)
 - Receive assurance without caveats
 - Receive all working papers
 - Have internal and external quality assurance assessments.



One more tip...

What does a good system of internal control look like?

*COSO Internal Control
Integrated Framework:*

Control Environment

Risk Assessment

Control Activities

Information and
Communication

Monitoring Activities

Checklist



Ask yourself:

- Is it designed to increase the likelihood that the organisation will achieve its objectives?
- Does it support sound design-making and governance?
- Does it include key points of assessment for design and operating effectiveness?
- Has internal audit assessed the effectiveness of the system of internal control?



Remember, IA should provide advice, insight, and foresight – identifying themes, patterns or trends in their conclusions, such as root causes. Ask them!

Question Time

Thank You

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Resources On Us



The 20 Critical Questions Series

**What Directors Should Ask About
Internal Audit**

[Read More](#)



Audit Committees

Resources including tools,
templates, presentations
related to managing audit
committees.

[Resources](#)

Panel discussion: Conflict of interest risks and key considerations



- **Nathan Callaway** Executive Director, Performance Audit Services Group, Australian National Audit Office
- **Kylie Barber** Assistant Commissioner, Integrity, Performance & Employment Branch, Australian Public Service Commission
- **Anthony Coles** First Assistant Secretary, Integrity, Security and Assurance Division, Home Affairs



Questions and closing remarks

Rona Mellor PSM

Deputy Auditor-General for Australia