



# The Auditor-General

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ANNUAL REPORT 2015–16

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Auditor-General for Australia



31 August 2016

The Hon Malcolm Turnbull MP  
Prime Minister of Australia  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister

As the Auditor-General for the Commonwealth of Australia and an independent officer of the Parliament, I am pleased to present my annual report on the operations of the Australian National Audit Office for the year ended 30 June 2016, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

I certify that this report has been prepared in accordance with all applicable obligations under the *Public Governance, Performance and Accountability Act 2013* and the *Auditor-General Act 1997*.

Following its tabling, the report will be made available on the ANAO website, [www.anao.gov.au](http://www.anao.gov.au).

Yours sincerely

A handwritten signature in black ink, reading 'Grant Hehir'.

Grant Hehir  
Auditor-General

# About this report

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This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ending 30 June 2016.

It addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013* and the *Auditor-General Act 1997*, the performance measures set out in the outcome and programs framework in the ANAO's 2015–16 Portfolio Budget Statements and the ANAO's 2015–19 Corporate Plan and annual reporting requirements set out in other legislation.

- ▶ In Part 1, the Auditor-General reviews the significant issues and achievements of the past year and reflects on the challenges for the year ahead.
- ▶ Part 2 provides a report on the ANAO's operational sustainability and capability, which includes an overview of the ANAO's role, purpose, organisational structure, outcomes and programs and information on the management and accountability of the ANAO.
- ▶ Part 3 provides the Annual Performance Statement, which includes a summary of the work undertaken by the ANAO in 2015–16, and the report on financial performance.
- ▶ Part 4 presents the audited financial statements for 2015–16.
- ▶ Part 5 contains appendices.
- ▶ Part 6 contains references to assist the reader to use the report—an abbreviations list, a list showing how reporting requirements are addressed in the main report and a subject index.

This report and other ANAO publications, as well as information on the ANAO, are available online at [www.anao.gov.au](http://www.anao.gov.au).

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# Part 1 — Foreword by the Auditor-General

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## The year in review

Following my first full year as Auditor-General for Australia, I am pleased to present this annual report to the Parliament. This year has been one of delivering quality audit services while undergoing change, which naturally comes with new leadership. The way in which the ANAO staff have contributed and responded to change during the year is a credit to their professionalism and adaptability.

Many of the changes have impacts both for the Parliament and the ANAO. Re-designing our reports and taking a digital first approach have been key features of our effort to enable better access to information for the Parliament and for other users. Supported by a new website and more outreach activities, the ANAO is looking to present its work and insights in a way that has greater impact. These changes also support the delivery of recommendations by our Independent Auditor, Mr Peter van Dongen (PwC Managing Partner - Board Relationships) in a report tabled in the Parliament on 18 December 2015, which recommended that the ANAO could improve its communication capabilities.

The ANAO undertook some restructuring during the year to improve our business practices and increase our focus on efficient delivery, particularly by creating opportunities for auditors to leverage effort between financial and performance audit work. The creation of a more senior role within the organisation focusing on professional standards and relationships was an important step, both to ensure we maintain our focus but to also position us for new methodology for the future.

During the year we were successful in negotiating our new enterprise agreement, which will enable us to continue to work on a program of change, the key areas of which are outlined in our Corporate Plan.

The change program supported by the new business structure will increase our focus on service to the Parliament, engaging more actively with audited entities and audit committees, learning from other audit institutions and delivering capacity building activities to the Audit Board of the Republic of Indonesia (BPK) and the Auditor-General's Office of Papua New

Guinea (AGO). Through our investment in change, we will also be looking to the use of more modern ICT and auditing techniques to support our activities, which increasingly involve deeper analysis of large data sets.

The double dissolution of the 44<sup>th</sup> Parliament resulted in a suspension of my ability to table reports. As a result of the timing of the double dissolution, my report, *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*, which summarises key financial controls issues in the general government sector, and a number of performance audits were not tabled in the 44<sup>th</sup> Parliament. Normal work continued in the caretaker period and while the ANAO has taken the opportunity to recalibrate our work program, the change processes discussed above have meant that we would not have met our target of 49 performance audits in 2015–16 even if the Parliament had not been dissolved.

A continuing focus in the year has been on supporting transparency for the Parliament. The Joint Committee of Public Accounts and Audit (JCPAA) inquiry into the Development of the Commonwealth Performance Framework focused on the transparency of performance information for the Parliament. The quality of implementation of the Commonwealth Performance Framework will be an ongoing area of focus for the ANAO, including undertaking audit activity on performance statements. As it currently stands, audits of performance statements under Division 1A of the *Auditor-General Act 1997* can be undertaken only when requested by either the Minister for Finance or the responsible minister. This means that without such a request the Parliament receives a lower level of assurance over the quality of performance statements included in annual reports than it does over financial statements where an audit opinion is mandatory. The ANAO has developed methodology to audit performance statements, which will be tested through performance audits of selected entities in the coming year.

The independent *Review of Whole-of-Government Internal Regulation*, known as the ‘Belcher Red Tape Review’, made a recommendation in relation to the ANAO’s better practice guides that ‘the ANAO take the opportunity, where regulators and policy owners have developed or are developing policy guidance material, to review whether there is a continuing need for it to develop, release and maintain its own separate guidance’.<sup>1</sup> While the better practice guides have been broadly endorsed in my consultation with agency heads and audit committees as useful tools where there is a guidance gap, there is the risk that entities, and potentially the ANAO, may treat them as a standard rather than guidance. Given the recent reforms to the financial framework of the Australian Government through the Public Management Reform Agenda, it is time to assess the ongoing set of better practice guides. None were reviewed or re-issued in the past year, with this assessment in mind.

In 2015–16, the ANAO completed 255 audits of 2014–15 financial statements. Of these, the only qualified audit report related to the Consolidated Financial Statements of the Australian

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<sup>1</sup> *Independent Review of Whole-of-Government Internal Regulation: Report to the Secretaries Committee on Transformation*, Volume 1—Recommendations, Barbara Belcher, August 2015, p.17.



Government. The qualification related to the work required to meet an accounting standard on fair valuation of defence weapons platforms. For the Department of Finance, as the preparer of the Consolidated Financial Statements, future removal of the qualification will require good planning and preparation with the consolidating entities.

Performance audits undertaken in 2015–16 involved 24 entities and covered a range of areas of public administration, including service delivery, regulation and deregulation, grants management and procurement.

The financial and performance audits tabled in 2015–16 identified elements of sound public administration across a range of activities, but also highlighted the importance of:

- ▶ looking outward to learn from the experiences of others—*avoiding the pitfalls and the costs of 'reinventing the wheel'*;
- ▶ maintaining visibility over key responsibilities, delivering accountable decision-making through sound record-keeping, establishing a strong IT control environment to protect data holdings, and appreciating the importance of quality assurance over data and financial reporting—*getting the basics right*;
- ▶ establishing clear responsibilities and accountabilities when engaging third parties to ensure that outcomes are achieved and risks are effectively managed—*maintaining effective governance over third-party or joint service delivery*;
- ▶ adopting a risk management culture that enables entities to move beyond a compliance approach to effectively engage with risk in the delivery of government policies and programs—*embedding a risk management culture*; and
- ▶ measuring and reporting on policy/program impact or effectiveness—*knowing what you are trying to achieve and whether you are*.

## The year ahead

The ANAO has demonstrated throughout the past year a commitment to support the Parliament in providing reports that enable the Executive to be held to account for its use of public resources and the powers conferred on it by the Parliament. The coming year will include delivery of our change program while we undertake our extensive program of financial and performance audits as well as other assurance activities. This will be against a background where we: seek to hold ourselves accountable to the same standards against which we hold others; more actively share our findings and insights within the public sector; and focus on learning from others in our field.

The ANAO continues to look for ways to improve our approach to financial statements audits. During 2016–17, the efficiency and effectiveness of the financial statements audit program will be enhanced by exploring the use of new data tools and expanding the communication of audit findings, conclusions and recommendations that have broader application, including through forums such as the recently established Chief Financial Officers' Forum.

The ANAO supports the Department of Finance's endeavour to have future annual reports tabled in a more timely manner and will continue to work with entities to ensure earlier audit completion. The implementation of a reduced disclosure regime for Australian Government entities could also enhance the ability of entities to complete their financial statements in a shorter timeframe.

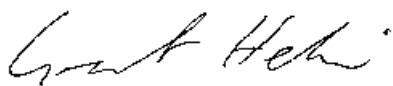
In April 2015, the Australian Auditing and Assurance Standards Board introduced a requirement (to apply from 15 December 2016 to audits of listed entities) for an auditor's report to include key matters about how the audit was performed. Key audit matters are those that were of most significance in the audit of the financial statements. Such a change may assist users to understand the entity and the areas of significant management judgment in the financial statements. I will give consideration to applying those standards to the audits of the more material Australian Government entities.

A continuing focus on defence procurement will occur through our priority assurance report, Defence Major Projects Report and associated performance audit reports. Given the interest of the JCPAA and the significant investment by the Australian Government, the ANAO will also commence focused audit work on the sustainment of defence assets.

In implementing our 2016 Annual Audit Work Program, the ANAO will continue to focus performance audit activity across the full scope of the Auditor-General's mandate. The ANAO identifies subjects for audit through its planning processes and consults annually with the Parliament through the JCPAA, Australian Government entities and stakeholders during the development of the Annual Audit Work Program. For example, in developing the potential performance audit topics for taxation, the ANAO consulted with the Inspector-General of Taxation about the topics in relation to that entity's work program. More broadly, the ANAO also consulted with the Commonwealth Ombudsman about a wider range of potential audit topics.

2016–17 will also see the continued development of our limited scope assurance review program, which provides the ANAO with the ability to produce more timely reports on issues of contemporary interest to the Parliament.

I commend this report to the Parliament.

A handwritten signature in black ink, reading "Grant Hehir". The signature is written in a cursive, flowing style.

Grant Hehir  
Auditor-General

# Part 2—Report on operational sustainability and capability

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The Australian National Audit Office (ANAO) is committed to undertaking its role and achieving its purpose in a way that is operationally sustainable. This involves attracting and retaining talented people with relevant and diverse capabilities and ensuring that existing governance frameworks and business practices are appropriate and sustainable into the future.

## Role

The Auditor-General is an independent officer of the Australian Parliament whose responsibilities, as set out in the *Auditor-General Act 1997*, include undertaking financial statements and performance audits of Australian Government sector entities.

Under the *Auditor-General Act 1997*, the Auditor-General is responsible for:

- ▶ auditing the financial statements of Commonwealth entities, Commonwealth companies and their subsidiaries;
- ▶ conducting performance audits, assurance reviews or audits of the performance measures, of Commonwealth entities and Commonwealth companies and their subsidiaries, other than government business enterprises<sup>2</sup>;
- ▶ conducting a performance audit of a Commonwealth partner as described in section 18B of the Act<sup>3</sup>;
- ▶ providing other audit services as required by other legislation or allowed under section 20 of the Act; and
- ▶ reporting directly to the Parliament on any matter or to a minister on any important matter.

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2 Audits of government business enterprises can be undertaken where requested by the JCPAA.

3 Audits of Commonwealth partners that involve a state or territory must be requested by the responsible minister or the JCPAA.

As an independent officer of the Parliament, the Auditor-General has discretion in the performance or exercise of their functions or powers. In particular, the Auditor-General is not subject to direction in relation to: whether or not a particular audit is to be conducted; the way in which a particular audit is to be conducted; or the priority to be given to any particular matter. In the exercise of functions or powers, the Auditor-General must, however, have regard to the audit priorities of the Parliament, as determined by the Joint Committee of Public Accounts and Audit (JCPAA).

In delivering against this mandate, the Auditor-General is assisted by the Australian National Audit Office (ANAO). The ANAO's work is also governed by auditing standards established by the Auditor-General, which incorporate the standards made by the Auditing and Assurance Standards Board as applied by the auditing profession in Australia. In accordance with these standards, performance audits and financial statements audits are designed to provide a reasonable level of assurance.

Through the delivery of an integrated range of high-quality audit reports and opinions that are timely, cost-effective and conducted in accordance with the ANAO's Auditing Standards, the ANAO aims to meet the needs and expectations of stakeholders, including the Parliament, the Government, audited entities and the community. In doing so, the ANAO aims to add value to public sector performance and accountability.

In addition, the ANAO plays a leadership role in improving public administration and public sector audit capability in Australia and overseas, through:

- ▶ publishing relevant and topical information, such as better practice guides;
- ▶ participating in forums and seminars;
- ▶ providing development opportunities, including secondments, for audit professionals; and
- ▶ deploying experienced staff to audit institutions in Indonesia and Papua New Guinea.

## Purpose

The purpose of the ANAO is to improve public sector performance and support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, the Executive and the public.

## Values

The ANAO upholds the Australian Public Service (APS) values as set out in the *Public Service Act 1999*. In addition to APS values, the ANAO places particular focus on respect, integrity and excellence—values that align with the APS values and address the unique aspects of the ANAO's business and environment. The ANAO's values guide the office in performing its role objectively, with impartiality and in the best interests of the Parliament, the Executive and the public.

## Organisation

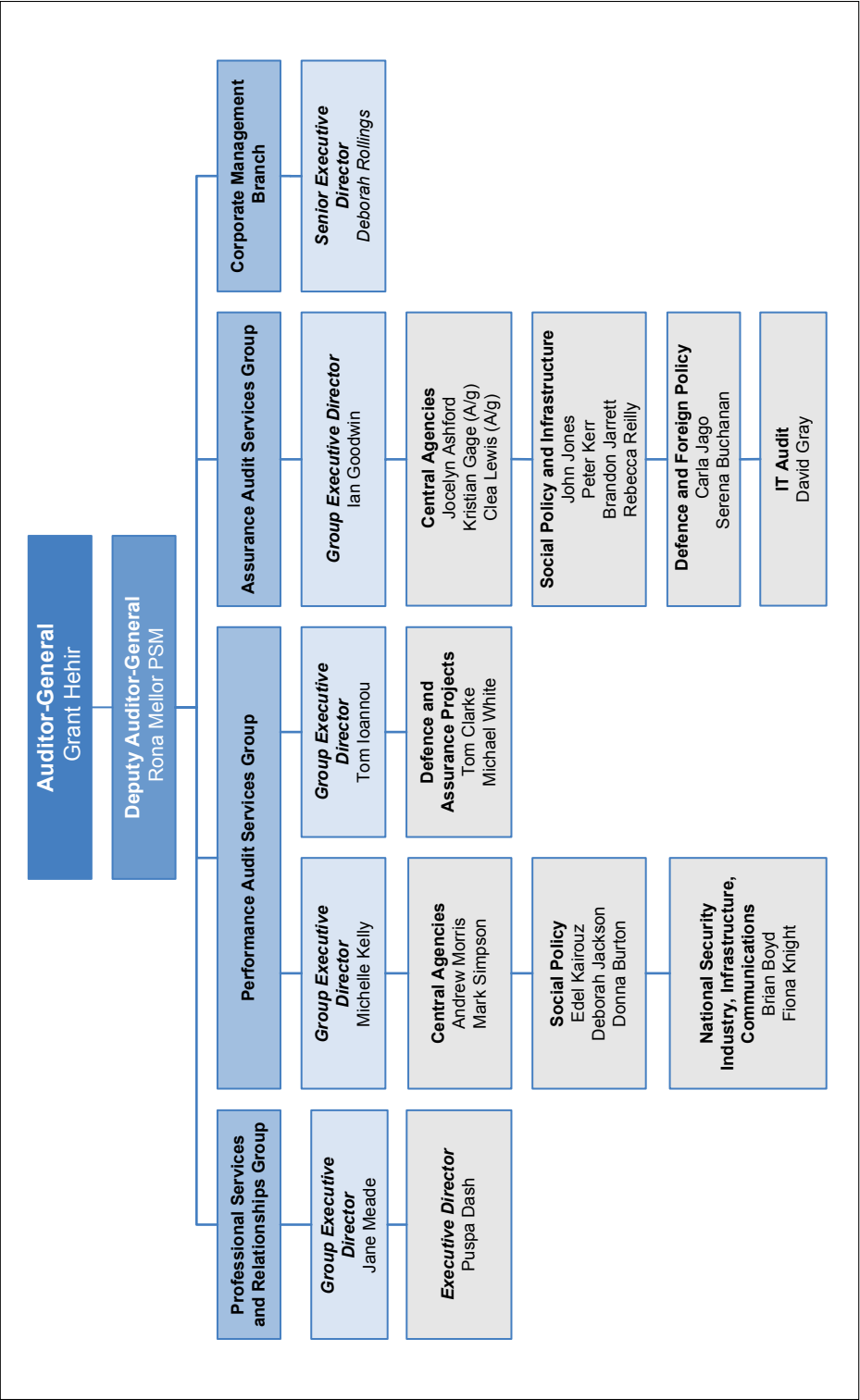
The ANAO is organised into four functional areas:

- ▶ Assurance Audit Services Group provides independent assurance on the financial statements and financial administration of all Australian Government entities. It also conducts assurance reviews;
- ▶ Performance Audit Services Group contributes to improved public sector administration and accountability by conducting performance audits of Australian Government entities and producing related publications;
- ▶ Professional Services and Relationships Group provides technical accounting and auditing support to the service groups and the Auditor-General and manages the ANAO's external relations; and
- ▶ Corporate Management Branch provides administrative support, including the coordination of corporate governance activities, human resources, finance, IT, communications and building services.

The ANAO is located in Canberra.

The organisational and senior management structure of the ANAO at 30 June 2016 is shown in Figure 1.

Figure 1. Organisational and senior management structure at 30 June 2016



Note: A Group Executive Director from the Performance Audit Services Group, Andrew Pope, is on long-term deployment to the Audit Board of the Republic of Indonesia.

## Outcome and programs framework

The ANAO's outcome and programs framework is set out in its Portfolio Budget Statements, which sit administratively within the portfolio of the Prime Minister and Cabinet. Part 3 of the annual report describes the ANAO's performance against the measures set out in its Portfolio Budget Statements and Corporate Plan for 2015–16.

The framework for 2015–16 consists of one outcome and two programs. In addition to its two programs, the ANAO administers a special appropriation for the remuneration of the Auditor-General.

**Figure 2. Outcome and programs framework, 2015–16**

Outcome 1	
To improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public.	
Program 1.1 Assurance Audit Services	Program 1.2 Performance Audit Services
<p>The objectives of this program are:</p> <ul style="list-style-type: none"> <li>to provide assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions and related reports for the information of the Parliament, the Executive and the public</li> <li>to contribute to improvements in the financial administration of Australian Government entities</li> <li>to contribute to the auditing profession and public sector developments nationally and internationally.</li> </ul>	<p>The objectives of this program are:</p> <ul style="list-style-type: none"> <li>to report objectively on the performance of Australian Government programs and entities, including opportunities for improvement, by undertaking a program of independent performance audits and related reports for the information of the Parliament, the Executive and the public</li> <li>to contribute to improvements in Australian Government administration by identifying and promoting better practice</li> <li>to contribute to the auditing profession and public sector developments nationally and internationally.</li> </ul>

### Program 1.1—Assurance Audit Services

The preparation of audited financial statements is a key element of the financial management and accountability regime in the Australian Government sector. The ANAO's financial statements audits provide an independent examination of the financial accounting and reporting of public sector entities and provide independent assurance that the financial statements have been prepared in accordance with the Government's financial reporting framework and Australian accounting standards. The ANAO's audits of financial statements assist Australian Government entities to fulfil their annual accountability obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the *Corporations Act 2001* or other legislation.

Under section 14 of the *Auditor-General Act 1997*, audit fees are based on a scale determined by the Auditor-General. The audit fees calculated for financial statements audits are based on a cost-recovery model using accrual-based costing to determine an hourly charge-out rate for each staff category. The costing model takes into account all relevant costs, including the

attribution of overhead costs. The audit fees for each financial statements audit are disclosed in the annual financial statements of each entity audited by the ANAO.

Non-corporate Commonwealth entities that are governed by the PGPA Act disclose the notional cost (fee) for auditing their financial statements as advised by the ANAO. Notional cost recovery involves accounting for the costs of performing the service without actually billing the recipient.

Corporate Commonwealth entities and Commonwealth companies and their subsidiaries are liable to pay fees for the audit of their financial statements by the ANAO. The ANAO receives such payments as administered receipts on behalf of the Government. The revenue is not used to fund the operations of the ANAO but is paid directly into Consolidated Revenue. The revenue and receipts are reported as administered activities in the ANAO annual financial statements.

An entity may request additional assurance audit services that involve the payment of fees to the Auditor-General under section 20(2) of the *Auditor-General Act 1997*. Revenue from such payments is retained by the ANAO.

## **Program 1.2—Performance Audit Services**

The ANAO's performance audit activities involve the audit of all or part of an entity's operations. In 2015–16, performance audits have continued to examine the effectiveness of public sector program delivery by entities—the extent to which intended outcomes are being achieved and whether processes can be undertaken more effectively—and the extent of compliance with relevant legal and policy frameworks. A greater emphasis is being placed in our audits on whether entities' management and use of public resources is economical and efficient, reflecting the full scope of the Auditor-General's mandate. Further, performance audits are targeting areas of public administration beyond implementation, by looking at programs' design and the quality of advice provided to ministers and the Government.

The ANAO reports to the Parliament on areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve performance. Performance audits may also involve multiple entities and examine common aspects of administration or the joint administration of a program or service. In 2015–16, cross-entity audits covered topics such as information security, management of grants and entitlements, program management and contract management.

The *Auditor-General Act 1997* authorises the Auditor-General to conduct performance audits, assurance reviews or audits of the performance measures of Commonwealth entities, Commonwealth companies and their subsidiaries. The Auditor-General may only conduct a performance audit of a government business enterprise if the Joint Committee of Public Accounts and Audit (JCPAA) requests the audit.



The *Auditor-General Act 1997* also authorises the Auditor-General to conduct a performance audit of a Commonwealth partner in certain circumstances. Commonwealth partners include contractors and state and territory bodies that have received money to achieve a Commonwealth purpose and have agreed to use the money in achieving that purpose or have entered into a contract that relates to that purpose. Audits of Commonwealth partners that are part of, or controlled by, state or territory governments must be requested by the responsible minister or the JCPAA.

The ANAO identifies subjects for audit through its planning processes and consults annually with the Parliament, through the JCPAA, and Australian Government entities during the development of the Annual Audit Work Program. In developing potential performance audit topics for taxation, the ANAO consulted with the Inspector-General of Taxation about the topics in relation to that entity's work program. More broadly, the ANAO also consulted with the Commonwealth Ombudsman about a wide range of potential audit topics.

## Management and accountability

### Corporate governance

The ANAO has a structured governance framework that facilitates the effective management of business resources and other corporate activities to support the delivery of the ANAO's outcome.

#### *Executive Board of Management*

The Executive Board of Management assists the Auditor-General to meet his statutory responsibilities. The board is responsible for setting and monitoring the ANAO's strategic directions, overseeing key business opportunities and risks and managing the ANAO's budget and workforce. The board meets each month. At 30 June 2016, the board's membership comprised:

- ▶ Mr Grant Hehir (Chair), Auditor-General
- ▶ Ms Rona Mellor PSM, Deputy Auditor-General
- ▶ Mr Ian Goodwin, Group Executive Director, Assurance Audit Services Group
- ▶ Ms Michelle Kelly, Group Executive Director, Performance Audit Services Group
- ▶ Dr Tom Ioannou, Group Executive Director, Performance Audit Services Group
- ▶ Ms Jane Meade, Group Executive Director, Professional Services and Relationships Group
- ▶ Ms Deborah Rollings, Senior Executive Director, Corporate Management Branch
- ▶ Ms Sue Knox, Chief Financial Officer

## ***Audit Committee***

The Audit Committee provides independent assurance and assistance to the Auditor-General on the ANAO's risk, control and compliance framework, and its financial statement responsibilities. Section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the Public Governance, Performance and Accountability Rule 2014 set out the role of the audit committee for Commonwealth entities.

The Audit Committee met five times in 2015–16. During 2015–16, its membership comprised:

- ▶ Mr Will Laurie (Chair), external independent member
- ▶ Dr Ian Watt AC, external independent member
- ▶ Mr Sean Van Gorp, external independent member

## ***Corporate Plan***

The ANAO's 2015–19 Corporate Plan sets out four Key Focus Areas (KFAs), which form the basis of the ANAO's strategic direction and support how the ANAO manages and reports on its performance:

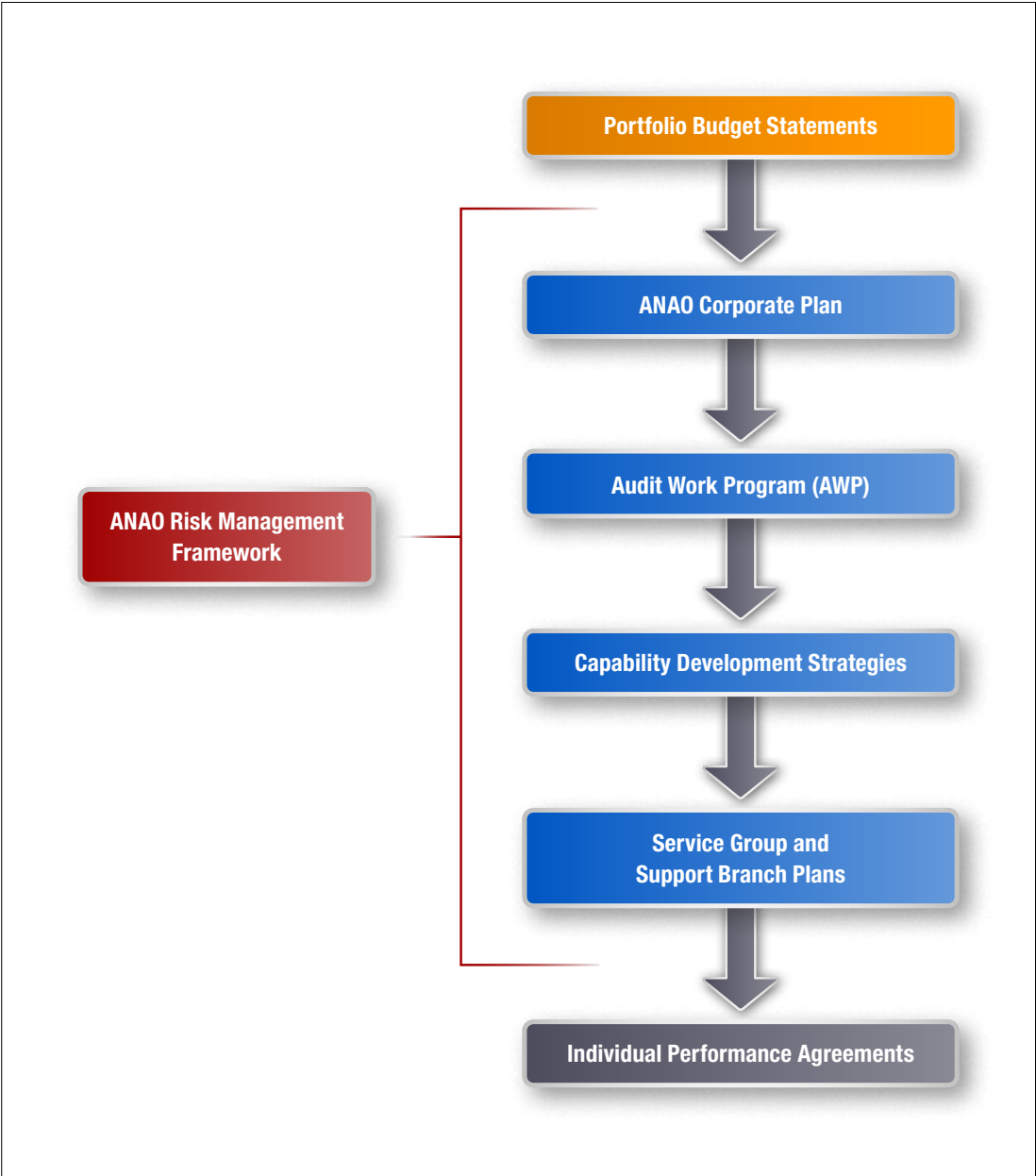
- ▶ being independent and responsive in our relationship with the Parliament and parliamentary committees and when assisting public sector entities to improve their performance;
- ▶ providing value-adding audit services;
- ▶ maintaining a cooperative and productive working environment which supports our capability to deliver world class services; and
- ▶ ensuring there is confidence in the delivery of our services, which represent value for money.

The ANAO's Corporate Plan details our performance measurement framework, which is based on measuring public value, as a combination of the value created by the ANAO, the value added to Public Sector entities we audit, and the value shared with the Government. Our Plan also recognises that continuing to develop our key capabilities will be central to our ability to deliver on our purpose in the future. The ANAO's governance and business planning is facilitated by the ANAO's Strategic Planning Framework.

## ***Strategic planning framework***

Key elements of the ANAO's strategic planning framework for 2015–16 are presented in Figure 3.

Figure 3. Strategic planning framework, 2015–16



***Risk management framework***

The ANAO’s risk management framework and approach to managing risk is based on adherence to the international standard ISO 31000:2009, which defines risk as ‘the effect of uncertainty on objectives’. For the ANAO, this is the possibility of an event or activity having

an adverse impact to such an extent that it prevents the ANAO from achieving its outcomes. The ANAO is committed to the effective management of risks and to ensuring that resources are allocated across our activities so that risks are managed according to our risk appetite. Those allocated responsibility for managing particular risks or being accountable for critical controls must ensure appropriate monitoring and reporting occurs through the ANAO's existing management reporting and governance framework.

The effective management of risks plays an important role in shaping the ANAO's strategic direction as outlined in the Corporate Plan and thereby contributes to evidence-based decision making and the successful delivery of the ANAO's purpose. The Executive Board of Management reviews any serious risk incidents each month, and any risk assessed as 'high' or above is monitored as a standard agenda item. Business risks are reviewed at least annually. There were no serious risk incidents in 2015–16, and all risks with controls in place were assessed as 'medium' or 'low'.

### ***Fraud control framework***

Consistent with previous years, the ANAO continues to maintain appropriate fraud prevention, detection, investigation, reporting and data collection procedures. The ANAO enhances fraud awareness among staff through various mechanisms, including a fraud e-learning module.

On 1 July 2016, the ANAO released an updated fraud control plan aligned with the PGPA Act. During 2015–16, the ANAO undertook an annual review of the Fraud Control Plan and associated fraud risks to ensure they remain appropriate within the context of the ANAO operating environment. There were no significant fraud risks identified from this review.

The Fraud Control Plan is linked to the risk management framework and consolidates all fraud prevention and detection initiatives in one document.

Having particular regard to the risk to the ANAO's reputation should fraudulent activity occur, the ANAO periodically reviews its fraud control framework to take into account changes in its operating environment. The Fraud Control Policy, Fraud Risk Assessment and Fraud Control Plan are also reviewed at least every two years.

There were no incidents of fraud in 2015–16. All fraud risks were assessed, and appropriate controls were in place.

The Auditor-General's fraud control certification is provided below.



Auditor-General for Australia



1 July 2016

### **Annual Report 2015–16 — Fraud Control Certification**

I, Grant Hehir, Auditor-General for Australia, certify that I am satisfied that the Australian National Audit Office (ANAO) has:

- prepared fraud risk assessments and a fraud control plan;
- put in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the ANAO; and
- taken all reasonable measures to minimise the incidence of fraud.

A handwritten signature in black ink that reads 'Grant Hehir'.

Grant Hehir

## ***Ethical standards and independence***

The ANAO's commitment to high ethical and professional standards underpins the quality of its work. For audit professionals, professional independence is a central element of the quality of each audit. It is the avoidance of circumstances that could compromise any member of the audit team's capacity to act with integrity and exercise objectivity and professional scepticism.

The ANAO's independence policy requires staff and contractors engaged in audits to comply with the relevant provisions of APES 110 *Code of Ethics for Professional Accountants* relating to independence. In planning the audit, the audit team must identify and deal with any threats to independence, so that independence of mind and appearance is maintained throughout the audit.

## ***Internal audit***

Internal audit provides an independent and objective audit and advisory service that is designed to add value and improve the ANAO's operations. The service is provided by a contracted specialist firm (Protiviti). A systematic and disciplined approach is taken to evaluate and improve the effectiveness of risk management, control and governance processes. In 2015–16, the ANAO's internal auditor completed reviews of:

- ▶ contract management;
- ▶ project budget management;
- ▶ annual compliance with the Protective Security Policy Framework;
- ▶ annual compliance with financial controls;
- ▶ use of technology by the ANAO; and
- ▶ implementation of a new human resources information system.

All review recommendations were agreed and implemented.

## **External scrutiny**

The ANAO's operations, processes and reports are periodically subjected to independent external review.

## ***External audits***

Part 7 of the *Auditor-General Act 1997* provides for the appointment of an independent auditor who undertakes the audit of the ANAO's financial statements and carries out selected performance audits. The independent auditor position is a part-time statutory appointment for a period of at least three years and not more than five years.

The current Independent Auditor is Mr Peter van Dongen, PwC Managing Partner - Board Relationships and a member of PwC Australia's Governance Board. Mr van Dongen was appointed as the Independent Auditor in June 2014.

The most recent Independent Auditor report, *Review of Communications Processes*, was tabled in the Parliament on 18 December 2015. The ANAO agreed with all three recommendations in the report, which focused on enhancing the ANAO's communication processes. The Joint Committee of Public Accounts and Audit (JCPAA) conducted an inquiry into this report in February 2016 and determined that there were no outstanding matters arising from the inquiry. Overall, the JCPAA commended the ANAO 'for its ongoing effective communication with stakeholders and, in particular, with the Parliament via the JCPAA'. A progress report is available on the ANAO's website.

The ANAO received an unmodified auditor's report on its financial statements for the year ended 30 June 2016.

### ***Judicial and administrative decisions***

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had an impact on the operations of the ANAO in 2015–16.

### ***External reports on ANAO operations***

The purpose of the JCPAA is to hold Commonwealth agencies to account for the lawfulness, efficiency and effectiveness with which they use public moneys. Among its responsibilities, the committee considers the operations and resources of the ANAO. The committee is also required to review all reports that the Auditor-General tables in the Parliament and to report the results of its deliberations to both houses of the Parliament. Officers of the ANAO attend private briefings and public hearings as part of the JCPAA's review of audit reports. The JCPAA completed six reviews of the Auditor-General's reports in 2015–16. An outline of the reports on these reviews is provided at Appendix 1.

In 2015–16, the House of Representatives' Standing Committee on Tax and Revenue conducted an inquiry into the external scrutiny of the Australian Taxation Office. In its May 2016 report, the committee made two recommendations to the ANAO related to increasing the transparency of the scrutiny process, particularly relating to coordination activities between scrutineers such as the Auditor-General and the Inspector-General of Taxation.

The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2015–16.

## **Compliance with financial law**

The ANAO had no significant non-compliance issues with financial law in 2015–16.

## Management of Human Resources

For the ANAO, this year has been one of delivering quality audit services while undergoing change. These changes can be reflected in the experience of our 345 employees, who have contributed and adapted with resilience and professionalism. In 2015–16, the ANAO reviewed its business processes and consulted with staff on how these processes impacted on them and the way they did their work. The ANAO's 2016–19 Enterprise Agreement was premised on the productivity improvements derived from these business process improvements. Improved processes have also enabled more collaboration across service groups, provided more opportunities for staff to diversify their skills and given the ANAO greater ability to optimise the capabilities of its talented workforce.

To help manage the effect of significant changes on its people throughout the year, the ANAO regularly consulted and informed staff about changes, introduced additional mandatory training courses and brought in speakers through the ANAO's Leaders Speaking Program.<sup>4</sup> Following the December 2015 report, *Review of Communications Processes*, undertaken by the ANAO's Independent Auditor, Mr Peter van Dongen, new internal communication processes have been developed and will continue to improve. The ANAO also refined its human resources management processes with the implementation of a new human resources information system (Aurion).

The ANAO has also changed its performance framework and organisational structure to align responsibility and accountability at the levels best positioned to drive organisational improvement. The ANAO started an organisational change program to prioritise change activities over the next few years and is committed to developing the knowledge, skills and expertise of its staff and to recognising and rewarding outstanding performance. Further information and statistics on ANAO staffing is provided at Appendix 2.

### ***ANAO Enterprise Agreement 2016–2019***

The ANAO's Enterprise Agreement 2016–2019 came into effect on 21 April 2016. The agreement states the terms and conditions of employment of the employees of the ANAO, other than terms and conditions applying under a relevant Commonwealth law or implied at common law. The agreement provides for a 2 per cent annual pay increase, which is funded from within existing and known future agency budget and revenue streams. As at 30 June 2016, 317 non-SES staff were engaged under the agreement, while 28 SES staff were employed under common law contracts.

### ***Graduate and undergraduate programs***

The ANAO's graduate program is open to university students who are completing their final year of study or have completed a degree within the past five years. During the 12-month

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4 Professor Brian Schmidt AL FAA FRS, the Hon Michael Kirby AC CMG, Dr Bernie Towler, Christine Nixon and Professor Robert Wood.



program, the graduates undertake an intensive learning and development program, including technical, people management and general training and skill development. In 2016, the ANAO's graduate program included 18 graduates: nine in the Assurance Audit Services Group; five in the Performance Audit Services Group; and four in the IT Audit Branch.

The ANAO's undergraduate employment program provides paid part-time practical work experience to people studying relevant disciplines at universities in Canberra. During 2015–16, nine students took part. The ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, Chartered Accountants Australia and New Zealand and CPA Australia to recruit students for the program.

### ***Employee census***

Each year the ANAO participates in the Australian Public Service Commission's Employee Census. For 2016, the ANAO's response rate to this survey was 72 per cent, up from 62 per cent in 2015. There were a number of positive improvements noted in this year's census results compared to 2015, including those related to: open consultation; remuneration and conditions of employment; autonomy; change management; health, safety and wellbeing; and innovation.

In 2016–17, the ANAO will be addressing the key focus areas identified for improvement, including access to learning and development, encouraging and rewarding innovation, visibility of senior leaders and risk management.

### ***Awards and recognition***

The ANAO supports an awards system that recognises and rewards individual staff and teams who make a significant contribution to achieving its business objectives, including in such areas as client service, people management, business management, audit management and innovation.

### ***Workplace Consultative Forum***

In 2015–16, the Workplace Consultative Forum (WCF) met formally on four occasions to discuss and consider a range of employment-related issues, including a new Performance and Career Development Program and an awards and recognition framework.

Under the ANAO Enterprise Agreement 2016–19, a new forum was established that includes an expanded membership comprising nineteen staff, union and management representatives.

### ***Performance pay***

The ANAO's Performance Management arrangements provide for salary advancement and performance bonuses for eligible staff. In 2015–16, staff rated as 'outstanding' were eligible for a bonus of up to 10 per cent of salary. A total of \$0.226 million in performance bonuses was paid to eligible staff (\$0.364 million was paid in 2014–15). Aggregated information on performance pay and a summary of ratings for the reporting is set out in Appendix 2.

### ***Individual flexibility arrangements***

The Auditor-General and employees covered by the ANAO Enterprise Agreement may agree to make an individual flexibility arrangement to vary the effect of any of the terms of the Agreement, where the arrangement meets the genuine needs of the employee and the ANAO. During 2015–16, nine staff had individual flexibility arrangements in place.

### ***Senior executive remuneration***

The salary ranges for SES staff are determined by the ANAO's SES Remuneration Policy and having regard to public sector benchmarks, notably the annual APS remuneration survey. The nature of the work, specific skills and individual contributions to business outcomes are key factors in setting individual SES salaries. SES remuneration payments are set out under Note 2.3 of the financial statements.

### ***Learning and development***

During 2015–16, the ANAO supported 46 staff members to undertake professional qualifications and tertiary education, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA. The ANAO also invested in a diverse range of programs to build internal capability, including coaching, technical workshops, well-being and communication skills.

The ANAO learning and development program supports staff to meet continuous professional development (CPD) requirements relating to their membership of professional accounting associations. This includes:

- ▶ support to complete 120 hours of CPD over a three-year period, with a minimum of 20 hours to be completed per financial year—this includes 10 hours of formal technical training in relevant areas such as financial statements auditing, accounting or legal frameworks;
- ▶ a written declaration that they have complied with the CPD requirements for each financial year; and
- ▶ evaluation of training undertaken by staff against the learning and development curriculum.

### ***Work health and safety***

As a 'person conducting a business or undertaking' under the *Work Health and Safety Act 2011*, the ANAO has a primary duty of care to ensure the health and safety of workers. The Auditor-General and all ANAO officers are accountable for work health and safety (WHS) outcomes and the actions taken to implement WHS policies and guidelines.

The ANAO is committed to: ensuring that all workers are safe from injury and risk to health while at work; and protecting the health and safety of workers and other people at or near the workplace. The ANAO integrates safe working practices into all areas of operations.

The Workplace Health and Safety Committee is responsible for monitoring and reviewing the WHS policies and practices and advising the ANAO on WHS matters. The committee is chaired by the Senior Executive Director, Corporate Management Branch, and its members are the ANAO's health and safety representatives. During 2015–16, the committee met four times.

During 2015–16, the ANAO provided health and wellbeing workshops to all staff on topics such as resilience, healthy lifestyles and work-life balance. The ANAO also provided ongoing support by offering ergonomic work station assessments to all staff and new starters and completing 67 ergonomic work station assessments. All staff were also offered influenza vaccinations and health assessments.

There were no notifiable incidents reported in 2015–16 under the *Work Health and Safety Act 2011*. The ANAO was not subject to any WHS investigations that related to business or undertakings, nor did the ANAO receive any notices given under Part 10 of the *Work Health and Safety Act 2011*.

### ***Employee Assistance Program***

The Employee Assistance Program provides access to free confidential professional counselling services to assist staff and their families with any personal or work-related problems, and offers guidance and advice to managers on staff management.

In 2015–16, the service was used by 22 staff and their family members, including 17 who used the service for the first time. The service was accessed for both work-related and personal circumstances, with counselling support being predominantly for non-work related matters.

### ***Workplace diversity***

A successful organisation is one that encourages and welcomes diversity, including diversity of backgrounds, views, thoughts and approaches. The ANAO's objective is to attract a range of people to build a successful and sustainable organisation and a constructive, open and challenging culture. A positive culture creates opportunities for a variety of different voices to be encouraged and heard.

The ANAO is committed to promoting and supporting social inclusion, equity and diversity, and achieves this by actively building a working environment that supports and encourages staff that have a range of skills and life experiences and different cultural and social backgrounds.

The ANAO's Diversity Strategy 2013–16 includes measures for recruiting, developing and retaining Indigenous employees. The strategy sets a target of 2.7 per cent Indigenous representation to be achieved by 2016. At 30 June 2016, the ANAO had two employees (less than 1 per cent of staff) who self-identified as Indigenous. The ANAO collaborates with other Australian Government agencies so that it can better meet the employment needs of Indigenous Australians. The ANAO participates in the Australian Public Service Commission's Pathways recruitment initiatives for Indigenous graduates, and in the Indigenous Australian Government Development Program.

### ***Diversity contact officers***

A network of diversity contact officers (DCOs) champion diversity across the ANAO, with a focus on building a positive workplace culture. DCOs provide informal and confidential support to staff that are seeking assistance and guidance on workplace issues, such as harassment and bullying. The DCOs met four times during 2015–16, to share information, discuss developments and devise a future program of activities.

## **Other management issues**

The management activities and services that support the ANAO's audit functions are undertaken in line with government policies and better practice. Reporting against the following activities is provided at Appendix 3:

- ▶ Assets management;
- ▶ Purchasing and procurement;
- ▶ Consultants;
- ▶ Procurement initiatives to support small business;
- ▶ Advertising and market research;
- ▶ Grant programs;
- ▶ Environmental protection and biodiversity conservation;
- ▶ Disability reporting;
- ▶ Freedom of information; and
- ▶ Service charter.

# Part 3—Report on performance

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## Annual performance statement

### Introductory statement

I, as the accountable authority of the Australian National Audit Office, present the 2015–16 annual performance statement of the Australian National Audit Office, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity for the reporting period, and complies with subsection 39(2) of the PGPA Act.

### Purpose

The purpose of the ANAO is to improve public sector performance and support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, the Executive and the public (Outcome 1).

The ANAO seeks to achieve its purpose through its audit services, which include:

- ▶ financial statements audits of Australian Government entities (Program 1.1); and
- ▶ performance audits of Australian Government programs and entities (Program 1.2).

The ANAO audits the annual financial statements of Australian Government entities and the Consolidated Financial Statements of the Australian Government. The Consolidated Financial Statements present the consolidated whole-of-government financial result inclusive of all Australian Government controlled entities, including entities outside the general government sector. These audits are designed to give assurance to the Parliament that an entity's financial statements fairly represent its financial operations and financial position at year end. The ANAO also undertakes a range of assurance reviews, including an assurance review of defence major projects.

The ANAO's performance audit activities involve the audit of all or part of an entity's operations to assess its efficiency or administrative effectiveness. The ANAO identifies areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve their program management.

## **Analysis of performance against purpose**

The ANAO delivered against its purpose to improve public sector performance and support accountability and transparency in the Australian Government sector. It achieved this through independent performance and financial reporting to the Parliament.

In 2015–16, the ANAO focused not just on the delivery of products, but on improving how it delivered these products. In order to make reports more relevant and accessible to the Parliament, and in doing so increase transparency, the past year saw a change to the format and structure of ANAO audit reports. Reports are now shorter, clearer and contain concise Executive Summaries that can be better used as briefing materials for parliamentarians and parliamentary committees. The ANAO also implemented an updated website in April 2016, which improved the accessibility of our reports on a variety of platforms.

This focus on improving business processes and products achieved good outcomes for improving accountability and transparency, but affected our delivery against a number of performance targets. The ANAO's performance against targets was also impacted by external factors, such as the double dissolution of the Parliament on 9 May 2016—which meant the Auditor-General was unable to table reports in the final eight weeks of the financial year.

## **Performance results**

The ANAO assesses its performance against its purpose using a range of performance criteria, which were outlined in the ANAO's 2015–19 Corporate Plan and 2015–16 Portfolio Budget Statements. These criteria include deliverables that assist the ANAO with assessing the value created by its activities and performance measures that help with assessing the value added for the Parliament, the Executive and the public.

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### ***Program 1.1 – Assurance Audit Services***

The ANAO's Assurance Audit Services Group provides independent assurance on the financial statements and financial administration of all Australian Government entities. The independent reporting to the Parliament on this activity supports accountability and transparency in the Australian Government sector and directly contributes to the ANAO's achievement of its purpose.

To assess its performance against its purpose in relation to assurance audit activities, the ANAO measures the number of: financial statement audit opinions issued; other assurance reports produced; and financial statement related reports produced.

Criterion 1	Number of financial statement audit opinions issued
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94</li> </ul>
Result	Achieved a result of 255 against a target of 250

The number of financial statement audit opinions issued is a key measure of ANAO core business in achieving its purpose. Financial statement audit opinions provide assurance to the Parliament that the financial statements of the entity comply with Australian accounting standards and other reporting requirements (such as the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*) and present fairly the entity's financial position and its financial performance and cash flows for the period. The target of 250 reflects the expected number of entities that would require an audit opinion on financial statements for the year ended 30 June 2015.<sup>5</sup>

During the 2015–16 financial year, the ANAO completed 255 mandated<sup>6</sup> financial statements audits for the year ended 30 June 2015, which included the Consolidated Financial Statements (CFS) of the Australian Government. There were 51 other financial statements audits relating to 2014–15 completed as agreed with entities under section 20 of the *Auditor-General Act 1997*.

Where an entity's financial statements have been prepared in accordance with the Government's financial reporting framework, and fairly represent its financial operations and position, the audit opinion is 'unmodified'. Without modifying the opinion, an auditor's report may include:

- ▶ an 'Emphasis of Matter' paragraph, which draws the reader's attention to matters disclosed in the financial statements that, in the auditor's judgement, are of fundamental importance to the understanding of the financial statements; and
- ▶ a 'Report on Other Legal and Regulatory Requirements', which addresses additional responsibilities supplementary to the auditor's reporting responsibilities for the financial statements.

The need to modify an audit opinion can arise for a number of reasons, including material misstatement of the final balances or insufficient appropriate audit evidence to enable the Auditor-General to form an opinion. Auditing standards establish three types of modified opinions, namely a qualified opinion, an adverse opinion and a disclaimer opinion.

5 The actual number varies from year to year due to the establishment or abolition of entities by the Government and the Parliament. For the 2014–15 financial statements, there were 256 entities that required an audit opinion. As noted at Criterion 5, the ANAO provided 255 of 256 (99.6 per cent) of these opinions—with one entity, the Corporations and Markets Advisory Committee (CAMAC), not having signed financial statements.

6 Mandated audits are those required under the *Public Governance, Performance and Accountability Act 2013* or other legislation.

As shown in Table 1, for the period covering the financial year ended 30 June 2015, 254 unmodified financial statements auditor's reports were issued, of which 12 contained an Emphasis of Matter paragraph, and none included a Report on Other Legal and Regulatory Requirements. There was one modified auditor's report issued concerning the Consolidated Financial Statements of the Australian Government. The auditor's report on the Consolidated Financial Statements for the year ended 30 June 2015 expressed the qualified opinion that, except for the possible effects of the non-compliance with AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting* in relation to the valuation of specialist military equipment, the statements complied with Australian Accounting Standards and presented fairly the financial operations and position of the Australian Government.<sup>7</sup>

**Table 1. Summary of auditor's reports on mandatory financial statements audits for the 2013–14 and 2014–15 financial years**

	Financial year ended	
	30 June 2015	30 June 2014
Unmodified auditor's reports issued	254	259
• including an Emphasis of Matter paragraph	12	8
• including a Report on Other Legal and Regulatory Requirements	0 <sup>a</sup>	15 <sup>a</sup>
Modified auditor's reports issued <sup>b</sup>	1	0
Total reports	255	259
Reports outstanding <sup>c</sup>	1	0
<b>Total audits</b>	<b>256</b>	<b>259</b>

Note a: In the financial year ended 30 June 2015, the ANAO changed its reporting policy so that Reports on Other Legal and Regulatory Requirements matters were not reported in the auditor's report where the entity disclosed the breaches in the notes to the financial statements and the breach was not a result of a significant breakdown in controls. In this period, actual and/or potential breaches for 10 entities were identified and reported by these entities in the notes to the financial statements and were therefore not reported in the auditor's report.

Note b: There was one modified auditor's report issued concerning the Consolidated Financial Statements of the Australian Government.

Note c: There were two outstanding auditor's reports at the time of tabling of report No.15 2015–16, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2015*. One of these reports has subsequently been issued.

<sup>7</sup> The Australian Government, through the Departments of Finance and Defence, had not completed its work to establish reliable measurements of the fair value of specialist military equipment in time for the 2014–15 Consolidated Financial Statements. As a result, the Auditor-General was unable to obtain sufficient appropriate audit evidence over whether a material difference existed between the carrying amount and the fair value of specialist military equipment at 30 June 2015. This was a limitation on the scope of the audit.



**Criterion 2      Number of other assurance reports produced**

Source            ▶ ANAO 2015–19 Corporate Plan, p.13  
                       ▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94

Result            Achieved a result of 54 against a target of 45

In addition to the conduct of mandated financial statements audits, the ANAO undertakes other assurance activities to support accountability and transparency in the Australian Government sector. In 2015–16, the ANAO completed 54 other assurance activities. One large assurance activity undertaken each year by the ANAO is the *priority assurance review* of major defence equipment acquisition projects and the production of the ANAO's Major Projects Report.

The *2014–15 Major Projects Report*, which reported on 25 Major Projects, was tabled in January 2016 and was the eighth annual report to the Parliament. It built on previous reports, further enabling longitudinal analysis, and identified that: except for the Air Warfare Destroyer, all projects continued to operate within their total approved budget; maintaining Major Projects on schedule remained an ongoing challenge; and the development of Defence capability information required additional management attention.

**Criterion 3      Number of financial statement related reports produced**

Source            ▶ ANAO 2015–19 Corporate Plan, p.13  
                       ▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94

Result            Achieved a result of 1 against a target of 2

To support accountability and transparency in the Australian Government sector, the Auditor-General presents insights and findings from financial statements in two independent reports to the Parliament during the financial year:

- ▶ *Audits of the Financial Statements of Australian Government Entities*—this report is generally tabled in December each year and summarises results of all financial statements audits.
- ▶ *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies*—this report is generally tabled in June each year and comprises 21 portfolio departments and other entities that account for at least 95 per cent of the revenues and expenses of the General Government Sector. The report summarises the interim phase of the audits of these entities, including a review of the governance arrangements related to entities' financial reporting responsibilities, and an examination of relevant internal controls.

The Auditor-General tabled the first financial statement related report for 2015–16, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2015* in December 2015. This report contained the results of all 2014–15 financial statements audits completed across the Australian Government sector, including the CFS, together with a description and the implications of each moderate and high risk audit finding. It also provided information about key governance and control activities, and commented on key developments in the financial reporting and auditing framework that affect the Australian Government and its reporting entities.

The Auditor-General was due to present the second financial statement report for tabling in the Parliament in June 2016. Due to the double dissolution of the Parliament of Australia on 9 May 2016, the Auditor-General was unable to present this report to the Parliament before the end of the financial year.

To assess its performance against its purpose in relation to improving public sector performance and supporting accountability and transparency in the Australian Government sector, the ANAO measures the percentage of: parliamentarians surveyed expressing satisfaction with assurance provided by ANAO audit opinions issued in relation to the financial statements of the Australian Government and its entities; and Australian Government entities that are provided with an audit opinion for tabling in the Parliament, acknowledge the value added by ANAO services, and acknowledge staff knowledge of their business and operating context is improving year on year.

Criterion 4      Percentage of parliamentarians surveyed expressing satisfaction with assurance provided by ANAO audit opinions issued in relation to the financial statements of the Australian Government and its entities	
Source	<ul style="list-style-type: none"><li>▶ ANAO 2015–19 Corporate Plan, p.13</li><li>▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94 and p.96</li></ul>
Result	Achieved a result of 80 per cent against a target of 90 per cent <sup>a</sup>

Note a: Based on the ANAO Parliamentary Survey completed in March 2015.

The ANAO’s purpose of supporting accountability and transparency in the Australian Government sector through independent reporting to the Parliament reflects the Auditor-General’s relationship with the Parliament as an independent officer. To assess parliamentarians’ satisfaction with the ANAO’s performance, the ANAO engaged an independent research firm to conduct a survey each Parliament (approximately once every three years). This survey is used, among other things, to gauge how satisfied parliamentarians are with the assurance provided by ANAO audit opinions issued in relation to the financial statements. In the survey conducted during the 44<sup>th</sup> Parliament (March 2015), the ANAO

achieved a result of 80 per cent against a target of 90 per cent. One limitation with this measure is that the result remains static for up to three years.

Criterion 5 Percentage of Australian Government entities that are provided with an audit opinion for tabling in the Parliament	
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94</li> </ul>
Result	Achieved a result of 99.6 per cent against a target of 100 per cent

The ANAO's achievement of its purpose is dependent on the provision of an audit opinion on entities financial statements. A signed auditor's report for tabling in the Parliament was provided for all 255 entities that completed signed financial statements. However, one auditor's report is outstanding for an entity<sup>8</sup> that has not yet submitted signed financial statements for the year ended 30 June 2015. This criterion relates to the discussion provided at Criterion 1.

Criterion 6 Percentage of Australian Government entities that acknowledge the value added by ANAO services	
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.1, p.94</li> </ul>
Result	Achieved a result of 96 per cent against a target of 90 per cent

The ANAO conducts an annual survey to gain feedback from entities on the conduct of the audit of their financial statements for the previous financial year. This measure assists the ANAO with determining how entities view our performance against our purpose. The 2015–16 report on the conduct of the audit of 2014–15 financial statements presented the views of 146 entities (a response rate of 81 per cent, a slight decrease from 82 per cent in the previous year). The survey results were positive and consistent with previous years, as illustrated in Table 2.

8 An auditor's report is outstanding for the Corporations and Markets Advisory Committee (CAMAC). Legislation was before the Parliament in 2014–15 to abolish CAMAC, which lapsed prior to being passed. All of the board members, except one, left the organisation in anticipation of its abolition. Financial statements were prepared for the 2014–15 financial year but could not be signed in the absence of the accountable authority. The remaining CAMAC board member sought legal advice during 2015–16 as to whether they could sign the CAMAC statements and it is now expected that both the 2014–15 and 2015–16 statements will be prepared on a non-going concern basis and signed by the remaining board member later in the 2016 calendar year.

**Table 2.** Survey of entities on the conduct of audits of their financial statements, 2014–15 to 2015–16

Respondents acknowledged that	Percentage	
	2015–16	2014–15
ANAO services added value	96	95
ANAO staff had the required understanding and skills to perform their audits	96	93

<b>Criterion 7</b>	<b>Percentage of Australian Government entities that acknowledge staff knowledge of their business and operating context is improving year on year</b>
Source	► ANAO 2015–19 Corporate Plan, p.13
Result	Achieved a result of 65 per cent against a target of 90 per cent

The ANAO also sought entities' views on whether ANAO staff were improving their knowledge of the entity's business and operating context year on year. The ANAO needs to balance continuity of staff on audit portfolios from year to year (to build on the knowledge of an entity's operations) with the need to maintain independence and follow auditing standards on the regular rotation of auditors. The percentage of entities acknowledging that ANAO staff improve their knowledge of an entity from year to year was lower (65 per cent) than the target. As 96 per cent of respondents believed that 'ANAO staff had the required understanding and skills to perform their audits', underperformance on this target is unlikely to have negatively impacted on the achievement of the ANAO's purpose.

***Program 1.2 – Performance Audit Services***

The ANAO's performance audit activities involve audits of all or part of an entity's operations and result in independent reports to the Parliament, which contribute to the ANAO's achievement of its purpose to improve public sector administration.

In 2015–16, performance audits have continued to examine the effectiveness of public sector program delivery by entities—the extent to which intended outcomes are being achieved and whether processes can be undertaken more effectively—and the extent of compliance with relevant legal and policy frameworks. A greater emphasis is being placed on whether entities' management and use of public resources is economical and efficient, reflecting the full scope of the Auditor-General's mandate. Further, performance audits are targeting areas of public administration beyond implementation, by looking at the design of programs and the quality of advice provided to ministers and the Government.

The ANAO reports to the Parliament on areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve performance. Performance audits may also involve multiple entities and examine common aspects of administration or the joint administration of a program or service. In 2015–16, cross-entity audits covered topics such as information security, management of grants and entitlements, program management and contract management. In response to ongoing parliamentary interest in entities' implementation of ANAO audit recommendations, the annual audit work program includes a selection of audits that will examine an entity's progress in implementing recommendations arising from a previous performance audit. In 2015–16 the ANAO completed two audits that followed-up entities' progress in implementing recommendations arising from a previous performance audit.<sup>9</sup>

To assess its performance against its purpose in relation to performance audit activities, the ANAO measures the number of: performance audits presented; better practice guides and other reports produced; and appearances and submissions to parliamentary committees.

Criterion 8	Number of performance audits presented
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li> </ul>
Result	Achieved a result of 35 against a target of 49

In 2015–16, the Auditor-General had presented 35 performance audits prior to the Parliament being dissolved by the Governor-General on 9 May 2016. The double dissolution affected the number of performance audits presented to the Parliament as the Auditor-General was unable to present reports to the Parliament during the period 9 May to 30 June 2016. Other factors also impacted on the ANAO's tabling program in 2015–16, including: significant changes to the management structure in the Performance Audit Services Group, changes to report design and structure and a drive to improve and even out the annual tabling program. This all contributed to a reduced number of performance audits produced. Without the impact of double dissolution, the Auditor-General would most likely have tabled between 40 and 42 performance audit reports against the target of 49.

Performance audits undertaken in 2015–16 involved 24 entities and covered a range of areas of public administration, including service delivery, regulation and deregulation, grants management and procurement.

9 *Third Follow-up Audit into the Australian Electoral Commission's Preparation for and Conduct of Federal Elections and the Department of Veterans' Affairs Implementation of Audit Recommendations.*

During 2015–16, significant changes were made to the design of performance audit reports in order to make them more accessible and easier to read. Report preparation processes were reviewed and revised to support enhancing the quality of reports and to reduce the timeframes for the delivery of audit reports.

Table 3 shows the average cost and length of time taken to complete performance audits tabled in the past two financial years.

**Table 3.** Number, cost and duration of tabled performance audit reports, 2014–15 to 2015–16

Year	Number of performance audits		Time taken to complete reports (months)		Cost per report (\$'000) <sup>a</sup>	
	Target	Result	Average	Range	Average	Range
2015–16	49	35 <sup>b</sup>	11.6	6.9–18.6	526	230–767
2014–15	49	49	11.2	6.4–21.4	520	202–860

Note a: Cost is calculated on a nominal cost-recovery basis using an accrual-based costing model.

Note b: Due to the double dissolution of the Parliament on 9 May 2016, further audit reports could not be tabled for the remainder of the 2015–16 financial year.

The ANAO moved to increase electronic communication with entities, including expressing an expectation that audit evidence and entity records be provided to the ANAO electronically. The publication of advice about new ‘Audits in Progress’ on the ANAO website is scheduled to be within two days of the audit being designated to commence in entities.

The Auditor-General also receives requests to conduct audits and investigations. The development and publication of responses, primarily to requests from parliamentarians, are undertaken in addition to planned performance audits and within existing resourcing. Table 4 shows the number of items of correspondence received from parliamentarians and subsequently published on the ANAO’s website, which contained requests for audits or investigations.

**Table 4.** Parliamentarians’ correspondence and ANAO responses, 2015–16

Year	Number of requests received from parliamentarians	Requests that resulted in an audit	Requests that resulted in a limited scope assurance review	Percentage of requests that resulted in an audit or a limited scope assurance review
2015–16	21	6	3	43

Criterion 9 Number of better practice guides and other reports produced	
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li> </ul>
Result	Achieved a result of 3 against a target of 3

In addition to performance audits and financial statements audits, the Auditor-General undertakes other assurance activities. These can consist of reviews undertaken by agreement with the auditee, either at their request, or in response to requests from ministers or parliamentary committees, or at the discretion of the Auditor-General. In 2015–16, three limited scope assurance reviews were undertaken by the Performance Audit Services Group:

- ▶ Australian Bid Football World Cup;
- ▶ Palmerston Hospital—Milestone Payment; and
- ▶ Government advertising campaign: Welcome to the Ideas Boom.

The ANAO had anticipated publishing three better practice guides in 2015–16, however, no new guides were published or reviewed. The ANAO is currently reviewing its approach to the development of better practice guides in light of the Public Management Reform Agenda, including implementation of the *Public Governance, Performance and Accountability Act 2013*; and findings from an independent Review of Whole-of-Government Internal Regulation.<sup>10</sup>

Criterion 10 Number of appearances and submissions to parliamentary committees	
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li> </ul>
Result	Achieved a result of 30 against a target of 20

The ANAO supports the work of the Parliament by providing independent assurance and opinion, including information, assistance and briefings, to ministers, shadow ministers and other parliamentarians and to parliamentary committees, particularly the Joint Committee of Public Accounts and Audit (JCPAA). This includes briefings on audit reports, written submissions and appearances to committee inquiries. In 2015–16, representatives of the ANAO made 30 appearances before and submissions to, parliamentary committees, which exceeded the target.

<sup>10</sup> *Independent Review of Whole-of-Government Internal Regulation: Report to the Secretaries Committee on Transformation*, Volume 1—Recommendations, Barbara Belcher, August 2015, p.17

To assess its performance against its purpose in relation to improving public sector performance and supporting accountability and transparency in the Australian Government sector, the ANAO measures the percentage of: parliamentarians surveyed expressing satisfaction with ANAO services directed towards improving Australian Government administration; recommendations included in performance audit reports agreed by audited entities; and Australian Government entities that acknowledge the value added by ANAO services.

Criterion 11      Percentage of parliamentarians surveyed expressing satisfaction with ANAO services directed towards improving Australian Government administration	
Source	<ul style="list-style-type: none"><li>▶ ANAO 2015–19 Corporate Plan, p.13</li><li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li></ul>
Result	Achieved a result of 88 per cent against a target of 90 per cent <sup>a</sup>

Note a: Based on the ANAO Parliamentary Survey completed in March 2015.

In order to continue to improve the support the ANAO provides to parliamentarians, the ANAO has placed greater emphasis on examining the extent to which intended outcomes are being achieved and whether entities' management and use of public resources is economical and efficient. The ANAO's annual audit work program includes a selection of audits that will examine an entity's progress in implementing recommendations arising from a previous performance audit and changes have been made to the report design and structure. The newly formatted and more succinct audit report executive summaries serve as briefing summaries for the JCPAA, Senate Estimate Committees and other parliamentary committees as relevant to their portfolio of interest.

Criterion 12      Percentage of recommendations included in performance audit reports agreed by audited entities	
Source	<ul style="list-style-type: none"><li>▶ ANAO 2015–19 Corporate Plan, p.13</li><li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li></ul>
Result	Achieved a result of 94 per cent against a target of 90 per cent

The ANAO's performance audits make recommendations to improve the administration, accountability and service delivery of audited entities. Entities are not required to agree to the recommendations of performance audits, but recommendations have more impact and are better positioned to improve public administration when the entity agrees and commits to making improvements. Throughout a performance audit, the ANAO keeps entities informed



on findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations and can contribute to their development. This approach has resulted in a consistently high percentage of entities agreeing to ANAO recommendations. Table 5 provides details of the extent to which entities have agreed to ANAO performance audit recommendations.

**Table 5. Agreement to recommendations in performance audit reports, 2014–15 to 2015–16**

Year	Recommendations (no.)	Recommendations fully agreed (%)	Recommendations agreed with some qualification (%)	Recommendations not agreed (%)
2015–16	103	94.0	6.0	0
2014–15	122	91.0	7.0	2.0

Where an entity has agreed to a recommendation, implementation of that recommendation should be timely and in line with its intended outcome to achieve the benefits envisaged. In 2015–16, entities' implementation of recommendations, and the broader achievement of improved administration of government entities, remained a focus for the JCPAA. The ANAO also conducts follow-up audits to assess how effectively an entity has implemented ANAO recommendations from a previous audit. In 2015–16, the ANAO conducted two follow-up audits.<sup>11</sup>

Criterion 13 Percentage of Australian Government entities that acknowledge the value added by ANAO services	
Source	<ul style="list-style-type: none"> <li>▶ ANAO 2015–19 Corporate Plan, p.13</li> <li>▶ 2015–16 Portfolio Budget Statements, Program 1.2, p.96</li> </ul>
Result	Achieved a result of 84 per cent against a target of 90 per cent

Each year, in order to assess entity views on the impact of performance audits, the ANAO seeks feedback by means of a survey and an interview with the responsible manager of the audited entity. The survey is completed by an independent firm of consultants engaged by the ANAO. Key matters on which feedback is sought include: the audit process; audit reporting; and the value of the ANAO's performance audit services more generally. The response rate from auditees surveyed for the 2015–16 reporting period was 79 per cent, consistent with 80 per cent in 2014–15. Overall, the client survey indicated that the results were positive, as illustrated in Table 6.

<sup>11</sup> *Third Follow-up Audit into the Australian Electoral Commission's Preparation for and Conduct of Federal Elections; and the Department of Veterans' Affairs Implementation of Audit Recommendations.*

**Table 6.** Survey of entities on the conduct of performance audits, 2014–15 to 2015–16

Respondents acknowledged that	Percentage	
	2015–16	2014–15
ANAO services added value	84	84
ANAO staff demonstrated the professional knowledge and audit skills required to conduct the audit	91	86

### ***ANAO-wide***

To assess its performance against its purpose in relation to ANAO-wide activities, the ANAO: measures the number of engagements that contribute to public sector auditing and support developing nations; measures the percentage of audit committee members who acknowledge the value added by ANAO audit services; and evaluates whether the ANAO independent Quality Assurance Program indicates that audit conclusions are appropriately supported and the ANAO quality assurance framework is operating effectively.

Criterion 14	Number of engagements that contribute to public sector auditing and support developing nations
Source	<ul style="list-style-type: none"><li>▶ ANAO 2015–19 Corporate Plan, p.13</li><li>▶ 2015–16 Portfolio Budget Statements, Programs 1.1 and 1.2, p.94 and p.96</li></ul>
Result	Achieved a result of 49 against a target of 40

To achieve its purpose, the ANAO needs to maintain its capability at the forefront of contemporary audit practice. One contribution to this achievement is the ANAO's national and international engagements and contributions to further the profession of public sector auditing. The ANAO engages with state and territory audit offices, relevant Australian professional associations and international supreme audit institutions. The ANAO values these relationships and their role in keeping the ANAO at the forefront of auditing techniques and methodologies, the continuous improvement of ANAO work practices and in presenting opportunities to collaborate with and support developing nations.

### **Australasian Council of Auditors-General**

The Auditor-General is a member of the Australasian Council of Auditors-General, which comprises the Auditor-General for Australia and the Auditors-General for each Australian state and territory, Fiji, New Zealand and Papua New Guinea. The council's objective is to promote public sector auditing in the Australasian region through exchanges of experiences and ideas,

training initiatives and cooperation. The ANAO contributes to the council's work by attending business meetings, preparing discussion papers, participating in information exchanges, undertaking an annual benchmarking survey and conducting peer reviews and training.

### **Engagement activities to support audited entities and more actively share audit findings and insights**

In addition to providing independent assurance to the Parliament, the ANAO supports audited entities and their governance arrangements in respect of matters that complement its primary role. As part of this work, the ANAO conducts client seminars, biannual Chief Financial Officer Forums and Audit Committee Chair Forums to share insights on emerging and topical audit issues and changes in financial reporting requirements affecting Australian Government entities. The Auditor-General addressed a range of forums in 2015–16, as outlined in Table 7.

**Table 7. Addresses by the Auditor-General in 2015–16**

Title of address	Forum	Place/date
Presentation about the ANAO and our work	Members of the House of Representatives	Canberra 18 August 2015
Presentation to the IIA ACT Members	Institute of Internal Auditors ACT Members' Meeting	Canberra 2 December 2015
A reflection of how far performance auditing has come from its roots in the 1970s to where we are today and where we are heading	International Meeting of Performance Audit Critical Thinkers (IMPACT) Conference	Brisbane 15 March 2016
The Auditor-General for Australia	Institute of Public Administration Australia (IPAA)	Canberra 27 April 2016
Enhancing Public Sector Governance	Chartered Accountants Australia and New Zealand Public Sector Forum	Canberra 24 June 2016

### **International representation and support to developing nations**

During the year, the ANAO maintained its commitment to engagements that contribute to public sector auditing internationally and support developing nations.

#### *Supreme audit institutions and international visitors*

The ANAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI), which is dedicated to promoting the exchange of audit and financial management information among its member nations and providing a network for the international public sector audit community. The ANAO also contributes to the activities of two INTOSAI regional organisations:

- ▶ the Asian Organization of Supreme Audit Institutions (ASOSAI); and
- ▶ the Pacific Association of Supreme Audit Institutions (PASAI).

Engagement with other supreme audit institutions (SAIs) allows the ANAO to participate in the international dialogue about best practice public administration and developments in public

sector auditing. The ANAO also responds to requests from SAIs directly, including by hosting delegations, providing information and participating in surveys.

An outline of all 2015–16 international and national engagements is provided at Table 8.

**Table 8.** Contribution to public sector auditing

Type of contribution	Number
Surveys and requests for information	10
Hosted visits	8
Participation in INTOSAI Forums	6
Revision of International Standards	5
Australian aid program activities	16
Other International engagements	4
<b>Total</b>	<b>49</b>

#### *Development cooperation*

Through a partnership agreement with the Department of Foreign Affairs and Trade, the ANAO is actively participating in Australia’s international aid program to assist and support the Indonesia and Papua New Guinea audit offices to build institutional capacity and facilitate the sharing of auditing knowledge across all offices. The partnership supports the Australian Government’s sectoral aid initiative to develop effective governance institutions. Under the program, the ANAO contributes to strengthening the financial statements audit and performance audit capacity and the joint sharing of auditing knowledge and practice, including through the deployment of senior ANAO staff and through twinning arrangements.

The ANAO’s activities under the Australia Indonesia Government Partnerships Fund (GPF) program with the Audit Board of Indonesia (BPK) align with key focus areas for strengthening public sector governance. A senior ANAO staff member is deployed to the BPK to offer performance audit support and strategic management advice. In 2015–16, the ANAO’s activities included those outlined at Table 9.

**Table 9.** Indonesia aid activities, 2015–16

Activity	Dates	Number of Activities
Engagement by senior leadership	November 2015 and March 2016	2
Knowledge sharing and assistance with financial statement auditing	August, November, December 2015 and February 2016	4
Short-term secondment of two BPK officers (hosted by the ANAO)	October–December 2016	1

The ANAO's activities under the Twinning and Strongim Gavman Program (SGP) with Papua New Guinea Auditor-General's Office (AGO) provide partnership arrangements between the two offices. Two senior ANAO staff members were based at the AGO in 2015–16: a performance audit adviser and a financial audit advisor. In 2015–16, the ANAO's activities included those outlined at Table 10.

**Table 10. Papua New Guinea aid activities, 2015–16**

Activity	Dates	Number of Activities
Engagement by senior leadership	April 2016	1
Knowledge sharing and assistance with corporate capability	May 2016 and June 2016	2
Long-term secondments of six AGO Officers (hosted by the ANAO and the Audit Office of New South Wales)	July–October 2015 and February–June 2016	2
Short-term secondments of six AGO officers (hosted by the Queensland Audit Office and the Victorian Auditor-General's Office)	October 2015, November 2015, February 2016 and March 2016	4

**Criterion 15    Percentage of audit committee members who acknowledge the value added by ANAO audit services**

Source            ► ANAO 2015–19 Corporate Plan, p.13

Result            Achieved a result of 75 per cent against a target of 90 per cent

The ANAO considers that its ongoing relationship with entity audit committees helps to achieve its purpose to both improve public sector performance and support accountability and transparency in the Australian Government sector. This new performance measure was added to the ANAO's 2015–19 Corporate Plan. In 2016, the ANAO engaged an independent research firm to survey audit committee chairs from across the Commonwealth government about ANAO audit services. A total of 116 responses were received out of the 153 audit committee chairs invited to participate, representing a strong response rate of 76 per cent.

The results for the survey were positive overall, particularly in relation to general perceptions of the ANAO and the ANAO's financial statement audit services and better practice guides. Agreement that the ANAO adds value in terms of helping public sector organisations to improve their performance was high at 75 per cent—although this was below the target of 90 per cent. General impressions of the ANAO were very positive, with the vast majority of Audit Committee Chairs agreeing that the ANAO: conducts audits objectively and with impartiality (97 per cent); and provides valuable assurance on the quality of public sector financial reports (97 per cent).

<b>Criterion 16    The ANAO independent Quality Assurance Program indicates that audit conclusions are appropriately supported and the ANAO quality assurance framework is operating effectively</b>	
Source	► ANAO 2015–19 Corporate Plan, p.13
Result	The ANAO independent Quality Assurance Program indicated that audit conclusions are appropriately supported and that the ANAO quality assurance framework is operating effectively

Quality in the delivery of the ANAO’s audit services is critical in supporting the integrity of audit reports and maintaining the confidence of the Parliament and public sector entities. The ANAO has established a system of quality control designed to provide assurance that it complies with applicable professional standards and relevant regulatory and legal requirements, and that the reports issued are appropriate in the circumstances. The Quality Assurance Framework is based on the 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 Service Engagements*. The framework consists of policies and procedures that promote an internal culture based on the recognition that quality is essential in the conduct of audits.

All ANAO Executives and staff have a responsibility for quality. The Auditor-General is ultimately responsible for the system of quality control in place for assurance engagements conducted by the ANAO. The Deputy Auditor-General is responsible for ensuring that the system of quality control satisfies the requirements of the ANAO auditing standards. The Auditor-General is assisted by the Qualifications and Accounting Policy 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. ANAO policy identifies the matters that must be referred to the committee, and the committee provides advice and meets as required. The committee was consulted on nine matters in 2015–16.

The Deputy Auditor-General is assisted by the Group Executive Directors, who also report at least annually to the Executive Board of Management on audit quality and business management matters. Internal and external reviews also provide important scrutiny and reference points on the effectiveness of the framework.

Based on the results of internal reporting to the Executive Board of Management and completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2015–16.

**Quality assurance reviews**

The annual quality assurance reviews of the ANAO’s audit and other assurance engagements are designed to provide the Auditor-General with assurance that these engagements comply with the ANAO Auditing Standards, relevant regulatory and legal requirements and the ANAO’s

policies, and that reports issued are appropriate in the circumstances. The financial statement and performance audit quality assurance programs are managed by the Professional Services and Relationships Group. The results of these programs are communicated to audit staff and support the development of the ANAO's learning and development program.

In 2015–16, the quality assurance program for financial statements audits consisted of a review of 13 financial statements audits. As in previous years, the mix of audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted firms. The quality assurance program for performance audit services consisted of a review of four tabled performance audits and one limited scope assurance review.

Consistent with prior quality assurance programs, the majority of the findings related to the sufficiency and adequacy of audit documentation. Identified areas for improvement in financial statement audit documentation included evidencing the application of professional scepticism in developing audit procedures, review of decisions made in performing the audit and assessment of documentation provided by management. For the performance audits, documentation could have been improved in areas relating to engagement risk assessment, sampling methodology decisions and the assessment of documentation provided by management.

No issues that were indicative of systemic or repetitive deficiencies were identified. All assurance conclusions were found to be appropriate in the circumstances.

### **Transparency reporting**

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the ANAO is not subject to the transparency reporting requirements for private sector audits that are specified in the Act, the ANAO has embraced the principles of transparency reporting. Appendix 4 summarises the requirements that are relevant to the ANAO and shows where the required information is presented in this annual report.

## **Report on financial performance**

The operations of the Australian National Audit Office (ANAO) are largely funded through departmental annual and special appropriations. Revenue is also received from the provision of audit-related services, rental income, grant funding and other miscellaneous sources that are accounted for as agency revenue and retained for use by the ANAO.

In accordance with section 14 of the *Auditor-General Act 1997*, the ANAO charges fees for the audits of financial statements of corporate Commonwealth entities and companies. The revenue received is accounted as administered funds and paid directly into Consolidated Revenue.

## Overview of financial performance

The ANAO operated at a net deficit of \$0.401 million for the year ended 30 June 2016, driven by a \$0.814 million adjustment being made to long service leave expenses as a result of the movement in the 10-year government bond rate from 3 per cent to 2 per cent.

### Expense impacts

Overall, total expenses for the ANAO increased slightly to \$77.072 million (2014–15: \$76.646 million). The \$0.404 million increase was a result of the long service leave expenses adjustment being offset by a small reduction in salary and wages expenses due to lower staff numbers. Supplier expenses remained consistent at \$32.489 million (2014–15: \$32.393 million).

### Revenue impacts

In 2015–16 the ANAO experienced a \$0.640 million decrease in revenue from Government. Own-source income did not significantly change. Additional audit activities under section 20 of the *Auditor-General Act 1997* resulted in an increase in own-source income of \$0.411 million, however, this was offset by a decrease in international development funding of \$0.385 million.

Table 11 summarises the ANAO's financial position.

**Table 11.** Summary of financial performance

	2015–16 \$'000	2014–15 \$'000	Variance \$'000	Variance %
<b>Statement of comprehensive income</b>				
Total own source revenue	3,908	4,168	(260)	(6)
Total revenue from Government	72,763	73,403	(640)	(1)
Total expenses	77,072	76,646	426	1
Net surplus / (deficit)	(401)	925	(1,326)	(143)
<b>Balance sheet</b>				
Total assets	45,248	45,566	(318)	(1)
Total liabilities	18,196	19,114	(918)	(5)
Net assets/equity	27,052	26,452	600	2

## Agency resource statement

The agency resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Appendix 5 details the resources available to the ANAO during 2015–16 and sets out the ANAO's summary of total expenses for Outcome 1.



# Part 4—Financial statements

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## **INDEPENDENT AUDITOR'S REPORT**

### **For the Australian National Audit Office**

#### ***Report on the financial statements***

I have audited the accompanying financial statements of the Australian National Audit Office, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, cash flow statement, administered schedule of comprehensive income, administered reconciliation schedule, administered cash flow statement for the year ended on that date, explanatory notes and the statement by the Auditor-General and Chief Finance Officer.

#### ***Auditor-General's responsibility for the financial statements***

The Auditor-General is responsible for the preparation of financial statements that give a true and fair view in accordance with the *Public Governance, Performance and Accountability Act 2013*, Australian Accounting Standards and for such internal control as is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility***

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Auditor-General, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Independence***

In conducting my audit, I have complied with the independence requirements of the Accounting Professional and Ethical Standards Board (*APES 110 – Code of Ethics for Professional Accountants*).

*Auditor's opinion*

In my opinion, the financial statements of the Australian National Audit Office:

- (a) give a true and fair view of the Australian National Audit Office's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) comply with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and Australian Accounting Standards including the Australian Accounting Interpretations.

A handwritten signature in black ink, appearing to read 'Peter van Dongen', with a long, sweeping horizontal stroke extending to the right.

Peter van Dongen  
*Independent Auditor*

Appointed under Clause 1 of Schedule 2 of the *Auditor-General Act 1997*

Sydney  
9 August 2016

**Australian National Audit Office**

**STATEMENT BY THE AUDITOR-GENERAL AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian National Audit Office will be able to pay its debts as and when they fall due.

Signed.....

Grant Hehr  
Auditor-General

8 August 2016

Signed.....

Sue Knox  
Chief Finance Officer

8 August 2016

**Australian National Audit Office**  
**Statement of Comprehensive Income**  
*for the period ended 30 June 2016*

		2016	2015	2016 Original Budget
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Employee benefits	2.1	42,776	42,372	45,242
Suppliers	4.1A	32,489	32,393	30,988
Depreciation and amortisation	5.2A	1,802	1,853	1,905
Write-down and impairment of assets		5	28	-
<b>Total expenses</b>		<b>77,072</b>	<b>76,646</b>	<b>78,135</b>
<b>OWN-SOURCE INCOME</b>				
Audit services		2,036	2,085	1,500
International development funding		1,493	1,625	1,800
Rendering of other services		207	286	-
Sub lease of office accommodation		172	172	200
<b>Total own-source income</b>	4.2A	<b>3,908</b>	<b>4,168</b>	<b>3,500</b>
<b>Net cost of services</b>		<b>73,164</b>	<b>72,478</b>	<b>74,635</b>
<b>REVENUE FROM GOVERNMENT</b>				
Departmental annual appropriations		72,086	72,786	72,086
Departmental special appropriations		677	617	644
<b>Total revenue from Government</b>	4.3A	<b>72,763</b>	<b>73,403</b>	<b>72,730</b>
<b>Surplus / (deficit)</b>		<b>(401)</b>	<b>925</b>	<b>(1,905)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		-	(62)	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>(62)</b>	<b>-</b>
<b>Total comprehensive income (loss)</b>		<b>(401)</b>	<b>863</b>	<b>(1,905)</b>

The above statement should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.

**Australian National Audit Office**  
**Statement of Financial Position**  
*as at 30 June 2016*

		2016	2015	2016 Original Budget
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	5.1A	681	664	660
Trade and other receivables	5.1B	38,731	38,684	35,905
Work in progress - audit related services	5.1C	102	229	238
<b>Total financial assets</b>		<b>39,514</b>	<b>39,577</b>	<b>36,803</b>
<b>Non-financial assets</b>				
Leasehold improvements	5.2A	1,893	2,715	1,861
Plant and equipment	5.2A	1,524	1,494	1,590
Intangibles	5.2A	1,255	878	1,150
Prepayments		1,062	902	970
<b>Total non-financial assets</b>		<b>5,734</b>	<b>5,989</b>	<b>5,571</b>
<b>Total assets</b>		<b>45,248</b>	<b>45,566</b>	<b>42,374</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	5.3A	3,643	3,851	4,191
Operating lease incentives	5.3B	441	639	439
Accrued salaries and other payables		373	1,633	-
<b>Total payables</b>		<b>4,457</b>	<b>6,123</b>	<b>4,630</b>
<b>Provisions</b>				
Employee provisions	2.2	13,739	12,991	14,964
<b>Total provisions</b>		<b>13,739</b>	<b>12,991</b>	<b>14,964</b>
<b>Total liabilities</b>		<b>18,196</b>	<b>19,114</b>	<b>19,594</b>
<b>Net assets</b>		<b>27,052</b>	<b>26,452</b>	<b>22,780</b>
<b>EQUITY</b>				
Contributed equity		11,586	10,585	11,586
Reserves		564	564	626
Retained surplus		14,902	15,303	10,568
<b>Total equity</b>		<b>27,052</b>	<b>26,452</b>	<b>22,780</b>

The above statement should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.

**Australian National Audit Office**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2016*

	Note	Retained surplus		Asset revaluation surplus		Contributed equity/capital			Total equity	
		2016	2015	2016	2015	2016	2015	2016	2015	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>		<b>15,303</b>	<b>14,378</b>	<b>564</b>	<b>626</b>	<b>10,585</b>	<b>9,572</b>	<b>26,452</b>	<b>24,576</b>	
<b>Comprehensive income</b>										
Surplus / (deficit) for the period		(401)	925	-	-	-	-	(401)	925	
Other comprehensive income / (loss)		-	-	(62)	(62)	-	-	-	(62)	
<b>Total comprehensive income</b>		<b>(401)</b>	<b>925</b>	<b>-</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>(401)</b>	<b>863</b>	
<b>Transactions with owners</b>										
<b>Contributions by owners</b>										
Departmental capital budget	4.3A	-	-	-	-	-	-	1,001	1,013	
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,001</b>	<b>1,013</b>	
<b>Closing balance as at 30 June</b>		<b>14,902</b>	<b>15,303</b>	<b>564</b>	<b>626</b>	<b>11,586</b>	<b>10,585</b>	<b>27,052</b>	<b>26,452</b>	

The above statement should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.

**Australian National Audit Office**  
**Cash Flow Statement**  
*for the year ended 30 June 2016*

		2016	2015	2016 Original Budget
	Notes	\$'000	\$'000	\$ ' 000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations for operating activities		78,203	76,094	72,928
Rendering of services		5,058	3,506	1,700
Net GST received		3,414	3,007	1,800
<b>Total cash received</b>		<b>86,675</b>	<b>82,607</b>	<b>76,428</b>
<b>Cash used</b>				
Employees		43,292	42,742	45,242
Suppliers		36,943	35,986	31,186
Receipts transferred to OPA		6,137	3,875	-
<b>Total cash used</b>		<b>86,372</b>	<b>82,603</b>	<b>76,428</b>
<b>Net cash from operating activities</b>	3.3	<b>303</b>	<b>4</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash used</b>				
Purchase of leasehold improvements		14	32	1,001
Purchase of plant and equipment		495	739	-
Purchase of intangibles		736	177	-
<b>Total cash used</b>		<b>1,245</b>	<b>948</b>	<b>1,001</b>
<b>Net cash used by investing activities</b>		<b>(1,245)</b>	<b>(948)</b>	<b>(1,001)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Contributed equity		959	948	1,001
<b>Total cash received</b>		<b>959</b>	<b>948</b>	<b>1,001</b>
<b>Net cash from financing activities</b>		<b>959</b>	<b>948</b>	<b>1,001</b>
<b>Net increase in cash held</b>		<b>17</b>	<b>4</b>	
Cash and cash equivalents at the beginning of the reporting period		664	660	660
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>		<b>681</b>	<b>664</b>	<b>660</b>

<sup>1</sup> As shown in the Statement of Financial Position.

The above statement should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.



**Australian National Audit Office**  
**Administered Schedule of Comprehensive Income**  
*for the year ended 30 June 2016*

	Notes	2016 \$'000	2015 \$'000	2016 Original Budget \$ ' 000
<b>INCOME</b>				
<b>Non-taxation revenue</b>				
Rendering of audit services		11,692	11,953	13,000
<b>Total income administered on behalf of Government<sup>1</sup></b>		<b>11,692</b>	<b>11,953</b>	<b>13,000</b>

<sup>1</sup> Total comprehensive income is equal to total income as there have been no administered expenses or movements in other comprehensive income.

The above schedule should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.

**Administered Schedule of Assets and Liabilities**  
*as at 30 June 2016*

	Notes	2016 \$'000	2015 \$'000	2016 Original Budget \$ ' 000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents		371	103	-
Trade receivables	6.1A	4,783	4,297	3,899
Work in progress - audit related services	5.1C	1,240	2,009	2,010
<b>Total financial assets</b>		<b>6,394</b>	<b>6,409</b>	<b>5,909</b>
<b>Total assets administered on behalf of Government</b>		<b>6,394</b>	<b>6,409</b>	<b>5,909</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
GST payable		435	391	355
<b>Total payables</b>		<b>435</b>	<b>391</b>	<b>355</b>
<b>Total liabilities administered on behalf of Government</b>		<b>435</b>	<b>391</b>	<b>355</b>
<b>Net assets</b>		<b>5,959</b>	<b>6,018</b>	<b>5,554</b>

The above schedule should be read in conjunction with the accompanying notes.

Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.

**Australian National Audit Office**  
**Administered Reconciliation Schedule**  
*as at 30 June 2016*

	2016 \$'000	2015 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>6,018</b>	5,893
Net contribution by services:		
Income	11,692	11,953
Transfers to the Australian Government:		
Transfers to the Official Public Account	(11,751)	(11,828)
<b>Closing assets less liabilities as at 30 June</b>	<b>5,959</b>	6,018

The above schedule should be read in conjunction with the accompanying notes.

**Administered Cash Flow Statement**  
*for the year ended 30 June 2016*

	Notes	2016 \$'000	2015 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Rendering of audit services		13,217	12,748
<b>Total cash received</b>		<b>13,217</b>	12,748
<b>Cash used</b>			
Net GST paid		1,198	1,156
<b>Total cash used</b>		<b>1,198</b>	1,156
<b>Net cash flows from operating activities</b>	3.4	<b>12,019</b>	11,592
<b>Net increase in cash held</b>		<b>12,019</b>	11,592
Cash and cash equivalents at the beginning of the reporting period		103	339
Cash to Official Public Account for:			
- Appropriations		11,751	11,828
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>		<b>371</b>	103

<sup>1</sup> As shown in the Administered Schedule of Assets and Liabilities.

This schedule should be read in conjunction with the accompanying notes.

## Australian National Audit Office

### Overview

#### Objectives of the ANAO

The Australian National Audit Office (ANAO) is an Australian Government not-for-profit entity. The objective of the entity is to assist the Auditor-General to carry out his duties and responsibilities under the *Auditor-General Act 1997* and other relevant legislation.

For the financial year ended 30 June 2016, the ANAO was structured to meet the following outcome:

- Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.

The net cost of delivering this outcome was \$61.472m (2015: \$60.525m)<sup>1</sup>.

Through the conduct of financial statement audits and other services associated with the conduct of financial statement audits, the ANAO contributes to providing assurance to the Parliament, the Executive and the public.

Through the conduct of performance audits, the dissemination of better practice guides and the provision of direct and indirect assistance to the Parliament, the ANAO contributes to improving the efficiency and administrative effectiveness of the Australian Government public sector.

The continued existence of the ANAO in its present form and with its present programs is dependent on continuing funding by Parliament.

#### Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

#### Significant Accounting Judgements and Estimates

The ANAO has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of property, plant and equipment is assessed at market value or depreciated replacement costs as determined by an independent valuer and is subject to management assessment in between formal valuations; and
- Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

#### Taxation

The ANAO is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, and for receivables and payables.

<sup>1</sup> The net cost to deliver the outcome is calculated as the difference between the net cost of services (\$73.164m) and administered comprehensive income of \$11.692m.

## Australian National Audit Office Overview (continued)

### Reporting of Administered Activities

The ANAO charges an audit fee for the financial statement audits of corporate Commonwealth entities, companies and their subsidiaries subject to the *Public Governance, Performance and Accountability Act 2013*. These fees are based on a scale determined by the Auditor-General under section 14 of the *Auditor-General Act 1997*, calculated on the basis of a cost attribution model. Revenues from these audit fees are paid into the Official Public Account and are not available to the ANAO. The revenue and receipts associated with conducting these audits are treated as administered activities within the financial statements.

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes. Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

### New Australian Accounting Standards

#### Adoption of New Australian Accounting Standard Requirements

The ANAO has elected to apply *AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* for this financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 July 2016. AASB 2015-7 provides relief from disclosing quantitative information about significant unobservable inputs used in fair value, where property, plant and equipment is held for its current service potential rather than to generate future net cash inflows.

#### Future Australian Accounting Standard Requirements

As a not-for-profit public sector entity, the ANAO is currently exempt from the requirements of *AASB 124 Related Party Disclosures*. For reporting periods commencing on or after 1 July 2016, AASB 124 will be extended to apply to all not-for-profit public sector entities and the ANAO will be required to disclose related party transactions in accordance with the revised standard. Disclosure of comparative information is not required in the first year of application.

The final version of *AASB 15 Revenue from Contracts with Customers* was issued in December 2015, to apply in reporting periods beginning on or after 1 January 2018. The ANAO intends to apply AASB 15 from 1 July 2018. Application of AASB 15 will result in alignment of revenue recognition with the satisfaction of performance obligations in contracts with customers. The ANAO is assessing the potential impact of this standard on its financial statements.

The Australian Accounting Standards Board issued the final version of *AASB 16 Leases* in February 2016, to apply in reporting periods beginning on or after 1 January 2019. The ANAO intends to apply AASB 16 from 1 July 2019 onwards. AASB 16 introduces new criteria for assessing contracts to identify leases. From 1 July 2019 certain leases previously reported as expenses and commitments will be recorded on the Statement of Financial Position as right-of-use assets recorded at cost, and adjusted for depreciation and impairment or subject to revaluation, and lease liabilities adjusted for interest on the lease liability and payments made. Leases with terms of 12 months or less and for low-value items will be recorded as expenses. The ANAO is assessing the potential impact of this standard on its financial statements.

### Events After the Reporting Period

#### *Departmental*

No events have occurred after balance date that should be brought to account or noted in the 2015-16 financial statements.

#### *Administered*

No events have occurred after balance date that should be brought to account or noted in the 2015-16 financial statements.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Note 1: Budget Variances**

The following tables provide high level commentary of major variances between budgeted information for the ANAO published in the Prime Minister and Cabinet's 2015-16 Portfolio Budget Statements (PBS) and the 2015-16 final outcome as presented in accordance with Australian Accounting Standards for the ANAO. The Budget is not audited. Major variances are those deemed relevant to an analysis of ANAO's performance and are not focussed merely on numerical differences between the budget and actual amounts.

Explanations of major variances are as follows:

Affected line items	Variance to Budget \$'000	Explanation of major variances
<i>Statement of Comprehensive Income</i>		
Employee Benefits Expense	(2,466)	Audit staffing vacancies throughout the year were higher than budgeted. Contractor arrangements were used to supplement the ANAO workforce and ensure key deliverables were met.
Suppliers Expense	1,501	Increased costs resulting from the use of additional contractor arrangements to supplement the ANAO workforce during the year were offset by efficiency measures across other supplier categories and savings realised through adjustments in Government structures.
Audit services	536	Audit services income relates to fees charged for audits by arrangement. Income from this source is subject to volatility based on volume and scope of requests each year.
<i>Statement of Financial Position</i>		
Trade and other receivables; Retained surplus	2,826	The appropriation receivable was higher than budgeted primarily due to the final operating result in 2015-16 being \$1.5 million better than budgeted. Trade receivables were lower due to timing of receipts from other Commonwealth entities.
Employee Provisions	(1,225)	Audit staffing vacancies at 30 June 2016 were higher than budgeted, and as a result the employee provision balance was lower than expected.
<i>Administered Items</i>		
Rendering of audit services	(1,308)	Audit fees are based on a scale determined by the Auditor-General under section 14 of the <i>Auditor-General Act 1997</i> , calculated on the basis of a cost attribution model. The fees charged were lower than budget due to reduced actual costs being incurred for a number of these audits.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**People and Relationships**

*This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.*

**Note 2.1: Employee Expenses**

	2016 \$'000	2015 \$'000
Wages and salaries	31,860	32,344
Superannuation:		
Defined contribution plans	2,919	2,542
Defined benefit plans	3,027	3,119
Leave and other entitlements	4,903	4,089
Other employee expenses	67	278
<b>Total employee benefits</b>	<b>42,776</b>	<b>42,372</b>

**Note 2.2: Employee Provisions**

	2016 \$'000	2015 \$'000
<b>Total employee leave provisions are expected to be settled in:</b>		
No more than 12 months	4,522	4,459
More than 12 months	9,217	8,532
<b>Total employee provisions</b>	<b>13,739</b>	<b>12,991</b>

Accounting Policy

*Employee Benefits:*

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of end of reporting period are measured at their nominal amounts.

*Leave:*

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, plus the ANAO's employer superannuation contribution rates and applicable on-costs, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) 24.1(a) using the shorthand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

*Superannuation:*

The ANAO's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), PSS accumulation plan (PSSap) or other elected defined contribution schemes. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance administered schedules and notes.

The ANAO makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government, and accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June represents outstanding contributions.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Note 2.3: Senior Management Personnel Remuneration**

	2016 \$	2015 \$
<b>Short-term employee benefits:</b>		
Salary	6,190,066	5,824,566
Performance bonuses	102,950	298,500
Motor vehicle and other allowances	57,885	88,854
<b>Total short-term employee benefits</b>	<b>6,350,901</b>	<b>6,211,920</b>
<b>Post-employment benefits:</b>		
Superannuation	1,190,576	950,963
<b>Total post-employment benefits</b>	<b>1,190,576</b>	<b>950,963</b>
<b>Other long-term benefits:</b>		
Annual leave	553,980	524,972
Long-service leave	177,129	151,062
<b>Total other long-term benefits</b>	<b>731,109</b>	<b>676,034</b>
<b>Total senior executive remuneration expenses</b>	<b>8,272,586</b>	<b>7,838,917</b>

Notes:

1. The ANAO operated within a substantive senior management personnel cap of 28 during the reporting period.
2. The total number of senior management personnel that are included in the above table are 36 (2015: 31). The number includes senior executives who commenced, departed, or were on long term leave during the reporting period. Staff who have acted in a senior management role for a period of more than three months have also been included in the note.
3. An adjustment has been made to the 2015 comparative numbers, with a reduction in the reported salary expense of \$112,233 for leave taken throughout the year. In addition, a reclassification between reported salary expense and annual leave accrued of \$74,801 was made.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Funding**

*This section identifies the ANAO's funding structure.*

**Note 3.1: Appropriations**

**Note 3.1A: Annual Appropriations (Recoverable GST exclusive)**

	2016	2015
	\$ ' 000	\$ ' 000
Ordinary annual services	72,086	72,786
Capital Budget <sup>1</sup>	1,001	1,013
Receipts retained under <i>PGPA Act - Section 74</i>	5,545	3,694
<b>Total Appropriation</b>	<b>78,632</b>	<b>77,493</b>
Appropriations applied (current and prior years)	77,876	76,240
<b>Variance</b>	<b>756</b>	<b>1,253</b>

<sup>1</sup> Departmental Capital Budgets are appropriated through *Appropriation Acts (No.1,3)*. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

**Note 3.1B: Unspent Annual Appropriations (Recoverable GST exclusive)**

	2016	2015
	\$ ' 000	\$ ' 000
<b>Departmental</b>		
<i>Appropriation Act (No. 1) 2014-15</i>	-	37,188
<i>Appropriation Act (No. 1) 2015-16</i>	37,945	-
<b>Total</b>	<b>37,945</b>	<b>37,188</b>

**Note 3.1C: Special Appropriations (Recoverable GST exclusive)**

	Appropriation applied	
	2016	2015
Authority	\$ ' 000	\$ ' 000
<i>Auditor-General Act 1997, Schedule 1 sections 3 and 7</i>	677	617
Unlimited amount for remuneration of the Auditor-General		
<b>Total</b>	<b>677</b>	<b>617</b>



**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Note 3.2: Special Accounts**

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78  
Establishing Instrument: *Financial Management and Accountability Determination 2012/06* on 30 May 2012

The purpose of the Services for Other Entities and Trust Moneys Special Account is to:

- a) disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth;
- b) disburse amounts in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and
- c) to repay amounts where an act or law requires or permits the repayment of an amount received.

For the year ended 30 June 2016 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting periods.

**Note 3.3: Cash Flow Reconciliation**

	2016 \$'000	2015 \$'000
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(73,164)	(72,478)
Add revenue from Government	<u>72,763</u>	<u>73,403</u>
	(401)	925
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	1,802	1,853
Impairments recognised in the operating result	<u>5</u>	<u>28</u>
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase) in trade and other receivables	(5)	(2,059)
Decrease / (increase) in prepayments	(160)	68
Decrease in work in progress - audit related services	<u>127</u>	<u>10</u>
<b>Liabilities</b>		
(Decrease) in supplier payables	(355)	(223)
(Decrease) / Increase in accrued salaries and other payables	(1,260)	315
(Decrease) in operating lease incentives	(198)	(198)
(Decrease) / increase in employee provisions	<u>748</u>	<u>(715)</u>
<b>Net cash from operating activities</b>	<u>303</u>	<u>4</u>

**Note 3.4: Administered - Cash Flow Reconciliation**

	2016 \$'000	2015 \$'000
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net contribution by services	11,692	11,953
<b>Movement in assets and liabilities</b>		
<b>Assets</b>		
(Increase) in trade receivables	(486)	(398)
Decrease in work in progress - audit related services	<u>769</u>	<u>1</u>
<b>Liabilities</b>		
Increase in GST payable	<u>44</u>	<u>36</u>
<b>Net cash from operating activities</b>	<u>12,019</u>	<u>11,592</u>

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Financial Performance**

*This section analyses the financial performance of the ANAO for the year ended 2016.*

**4.1 Expenses**

	2016 \$'000	2015 \$'000
<b><u>Note 4.1A: Suppliers</u></b>		
<b>Goods and services</b>		
Contractors and consultants	19,796	19,446
Information and communication technology	3,876	3,965
Travel	1,257	1,167
Professional development	963	1,418
Recruitment	528	252
Property operating expenses	415	356
Staff related expenses	366	184
Printing	91	402
Other	1,365	1,358
<b>Total goods and services</b>	<b>28,657</b>	<b>28,548</b>
<b>Other suppliers</b>		
Operating lease rentals:		
Minimum lease payments	3,081	3,071
Contingent rentals	460	368
Workers compensation expenses	291	406
<b>Total other suppliers</b>	<b>3,832</b>	<b>3,845</b>
<b>Total Suppliers</b>	<b>32,489</b>	<b>32,393</b>

**Accounting policy**

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

**Leasing Commitments**

The ANAO in its capacity as lessee has entered the following non-cancellable leases:

**- Lease for office accommodation**

The ANAO has one current accommodation lease in the ACT. The lease commenced on 23 September 2008 for a period of 10 years and is for the ANAO's present accommodation in the ACT. There is an option to extend for a further 10 years and any increases in rent will be at a rate commensurate with CPI. As part of the lease agreement, the ANAO received a contribution of \$1 million from the landlord towards refurbishment of the premises and release from any future make good obligations. These incentives are being recognised progressively over the lease as a reduction in rent expense.

**- Lease for data centre facilities**

The ANAO leases a secure offsite facility for data storage and business continuity purposes. The lease commenced on 1 November 2012 for a period of 10 years with fixed rent increases of 4% until 2016 and rental increases over the remaining lease at a rate commensurate with CPI.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:

	2016 \$'000	2015 \$'000
Within 1 year	4,199	4,141
Between 1 to 5 years	5,213	9,448
More than 5 years	98	170
<b>Total operating lease commitments</b>	<b>9,510</b>	<b>13,759</b>

## **4.2 Own-source Revenue**

### **Note 4.2A Accounting policy**

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- (a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- (b) the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total cost of the transaction.

## **4.3 Revenue from Government**

### **Note 4.3A: Accounting policy**

Amounts appropriated for departmental operating activities for the year (adjusted for any formal additions or reductions and less Departmental Capital Budgets) are recognised as Revenue from Government when the ANAO gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts. Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Financial Position**

*This section analyses the ANAO's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.*

**Note 5.1: Financial Assets**

**Note 5.1A Cash and cash equivalents - accounting policy**

Cash is recognised at its nominal amount. Cash and cash equivalents include cash on hand and deposits on hand in bank accounts.

**Note 5.1B: Trade and Other Receivables**

	2016 \$'000	2015 \$'000
<b>Goods and services</b>		
Appropriation receivable	37,264	36,524
Trade receivables	1,208	1,613
GST receivable from the Australian Taxation Office	259	547
<b>Total trade and other receivables</b>	<b>38,731</b>	<b>38,684</b>
<b>Trade and other receivables aged as follows:</b>		
Not overdue	38,702	38,150
Overdue by:		
0 to 30 days	-	10
31 to 60 days	-	524
More than 90 days	29	-
<b>Total trade and other receivables</b>	<b>38,731</b>	<b>38,684</b>

All receivables have credit terms of no greater than 30 days (2015: 30 days).

**Accounting policy**

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where the ANAO becomes party to a contract and has a legal right to receive cash. Loans and receivables are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable. Trade receivables are derecognised on payment.

The fair values of the ANAO's financial assets and liabilities approximate their carrying amounts. The ANAO derived no interest income from financial assets in either the current or prior year.

The ANAO is exposed to minimal credit risk with the maximum exposure arising from potential default of a debtor. This amount is equal to the total amount of receivables for services of \$1,208,000 (2015: \$1,613,058).

The ANAO has policies and procedures that guide employees' debt recovery. The ANAO does not require collateral in respect of trade and other receivables. No impairment has been recognised (2015: nil).

The ANAO has sufficient available financial assets to meet all financial liabilities at 30 June 2016.

**5.1C Work-in-progress – accounting policy**

Work in progress includes the total costs incurred on audit work yet to be completed less interim billings. It is valued at the amount expected to be recovered.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Note 5.2: Non-Financial Assets**

**Note 5.2A: Property, Plant and Equipment and Intangibles**

**Reconciliation of opening and closing balances of property, plant and equipment and intangibles for 2016**

	Leasehold Improvements	Plant & equipment	Intangibles - Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>				
Gross book value	2,715	1,494	4,925	9,134
Accumulated depreciation and impairment	-	-	(4,047)	(4,047)
<b>Total as at 1 July 2015</b>	<b>2,715</b>	<b>1,494</b>	<b>878</b>	<b>5,087</b>
Additions - by purchase	14	546	832	1,392
Depreciation and amortisation expense	(836)	(511)	(455)	(1,802)
Disposals	-	(5)	-	(5)
<b>Total as at 30 June 2016</b>	<b>1,893</b>	<b>1,524</b>	<b>1,255</b>	<b>4,672</b>
<b>Total as at 30 June 2016 represented by:</b>				
Gross book value	2,729	2,025	5,570	10,324
Accumulated depreciation, amortisation and impairment	(836)	(501)	(4,315)	(5,652)
<b>Total</b>	<b>1,893</b>	<b>1,524</b>	<b>1,255</b>	<b>4,672</b>

**Reconciliation of opening and closing balances of property, plant and equipment and intangibles for 2015**

	Leasehold Improvements	Plant & equipment	Intangibles - Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>				
Gross book value	5,417	2,088	4,751	12,256
Accumulated depreciation, amortisation and impairment	(1,776)	(817)	(3,525)	(6,118)
<b>Total as at 1 July 2014</b>	<b>3,641</b>	<b>1,271</b>	<b>1,226</b>	<b>6,138</b>
Additions - by purchase	12	706	174	892
Revaluations and impairments recognised in other comprehensive income	(50)	(12)	-	(62)
Impairments recognised in operating result	-	(28)	-	(28)
Depreciation and amortisation expense	(888)	(443)	(522)	(1,853)
<b>Total as at 30 June 2015</b>	<b>2,715</b>	<b>1,494</b>	<b>878</b>	<b>5,087</b>
<b>Total as at 30 June 2015 represented by:</b>				
Gross book value	2,715	1,494	4,925	9,134
Accumulated depreciation, amortisation and impairment	-	-	(4,047)	(4,047)
<b>Total</b>	<b>2,715</b>	<b>1,494</b>	<b>878</b>	<b>5,087</b>

All assets were assessed for indications of impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount was estimated and an impairment loss recognised if the asset's recoverable amount was less than its carrying amount.

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

*Accounting Policy - Property, plant and equipment*

*Acquisition of Assets:*

Purchases of non-financial assets are initially recognised at cost in the Statement of Financial Position, except for purchases costing less than \$4,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

*Revaluations:*

Following initial recognition at cost, leasehold improvements and plant and equipment are carried at fair value. Carrying amounts are reviewed every year to determine if an independent valuation is required. The regularity of independent valuations depend upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class. Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset.

*Depreciation:*

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the ANAO, using in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvement or the lease term. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	<b>2016</b>	<b>2015</b>
	<b><i>Lease term</i></b>	<b><i>Lease term</i></b>
<i>Leasehold improvements</i>		
<i>IT Assets</i>	<b>2 to 11 years</b>	2 to 11 years
<i>Office equipment</i>	<b>5 to 30 years</b>	5 to 30 years
<i>Antique furniture</i>	<b>30 to 80 years</b>	30 to 80 years

*Accounting policy - intangibles*

The ANAO's intangibles comprise off-the-shelf software and associated enhancement costs. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the ANAO's software are 3 to 5 years (2015: 3 to 5 years).

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Note 5.2B: Fair Value Measurements**

Valuation Technique and input for level 3 fair value measurements<sup>1</sup>

	Fair value		Valuation Techniques	Significant inputs <sup>2</sup>
	2016	2015		
	\$'000	\$'000		
<b>Non-financial assets</b>				
Plant and equipment	1,524	1,494	cost / market	<ul style="list-style-type: none"> <li>Useful life</li> <li>Adjusted prices of second hand equipment</li> <li>Market transactions for second hand equipment</li> </ul>
Leasehold improvements	1,893	2,715	Cost	<ul style="list-style-type: none"> <li>Lease term</li> </ul>
<b>Total non-financial assets</b>	<b>3,417</b>	<b>4,209</b>		

<sup>1</sup>Level 3 measurements use inputs to estimate fair value where there are no observable market prices for the assets being valued.

<sup>2</sup>The future economic benefits of the ANAO's plant and equipment and leasehold improvements are not primarily dependent on their ability to generate cash flows. The ANAO has not disclosed quantitative information about the significant unobservable inputs for the level 3 measurements in these classes.

All property, plant and equipment is measured at fair value in the Statement of Financial Position. When estimating fair value, market prices (with adjustment) were used where available. Where market prices were not available, depreciated replacement cost was used.

**Note 5.3: Liabilities**

**Note 5.3A: Suppliers - Accounting policy**

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are derecognised on payment. Supplier payables are settled within 30 days.

**Note 5.3B: Operating lease incentives**

	2016	2015
	\$ ' 000	\$ ' 000
<b>Total operating lease incentives are expected to be settled in:</b>		
No more than 12 months	196	196
More than 12 months	245	443
<b>Total operating lease incentives</b>	<b>441</b>	<b>639</b>

**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

<b>Assets and Liabilities Administered on Behalf of the Government</b>	<i>This section analyses the assets used to conduct operations and the operating liabilities the ANAO does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting</i>
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Note 6.1: Administered Financial Assets		
<b>Note 6.1A: Administered Trade Receivables</b>		
	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
Financial statement audit fees	<b>4,783</b>	4,297
<b>Total trade receivables</b>	<b>4,783</b>	4,297
<b>Trade receivables were aged as follows:</b>		
Not overdue	<b>4,783</b>	3,976
Overdue by:		
0 to 30 days	-	286
More than 90 days	-	35
<b>Total trade receivables</b>	<b>4,783</b>	4,297
Credit terms for goods and services are net 30 days (2015: 30 days).		
<u>Accounting policy - administered financial instruments</u>		
The net fair value of the financial assets approximates their carrying amounts. The ANAO derived no interest income from financial assets in either the current and prior year.		
The administered activities of the ANAO are exposed to minimal credit risk with the maximum exposure arising from potential default of a debtor. This amount is equal to the total amount of trade and other receivables of \$4,783,109 (2015: \$4,296,787).		



**Australian National Audit Office**  
**Notes to and forming part of the financial statements**

**Other Information**

**Note 7.1: Remuneration of Auditors**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Fees for services provided</b>		
Financial statement audit services	<b>87,600</b>	87,600
Performance audit services	<b>38,998</b>	32,540
<b>Total</b>	<b>126,598</b>	120,140

Under clause 1 of Schedule 2 to the *Auditor-General Act 1997*, Mr Peter van Dongen, a partner from the firm of PricewaterhouseCoopers, was appointed as Independent Auditor for the term 12 June 2014 to 1 January 2019. Mr van Dongen is appointed in a personal capacity and he performed no other services for the ANAO.

In 2015-16, the Independent Auditor completed a performance audit of the ANAO's communication processes.

PricewaterhouseCoopers provides other services for the ANAO, including as contract auditor for the ANAO in certain circumstances, on commercial terms and arrangements.



# Part 5—Appendices

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*Report 449: Regional Development Australia Fund, Military Equipment Disposal and Tariff Concessions* was tabled on 11 August 2015 and reviewed the following audit reports:

- ▶ Audit Report No. 9 (2014–15) *Design and Conduct of the Third and Fourth Funding Rounds of the Regional Development Australia Fund*
- ▶ Audit Report No. 19 (2014–15) *Management of the Disposal of Specialist Military Equipment*
- ▶ Audit Report No. 20 (2014–15) *Administration of the Tariff Concession System*

*Report 451: Community Pharmacy Agreements* was tabled on 23 November 2015 and reviewed the following audit report:

- ▶ Audit Report No. 25 (2014–15) *Administration of the Fifth Community Pharmacy Agreement*

*Report 452: Natural Disaster Recovery; Centrelink Telephone Services; and Safer Streets Program* was tabled on 7 December 2015 and reviewed the following audit reports in detail:

- ▶ Audit Report No. 34 (2014–15) *Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia*
- ▶ Audit Report No. 37 (2014–15) *Management of Smart Centres' Centrelink Telephone Services*
- ▶ Audit Report No. 41 (2014–15) *The Award of Funding under the Safer Streets Programme*

*Report 454: Early Years Quality Fund* was tabled on 22 February 2016 and reviewed the following audit report:

- ▶ Audit Report No. 23 (2014–15) *Administration of the Early Years Quality Fund*

*Report 456: Defence Major Equipment Procurement and Evaluation, and Great Barrier Reef Regulation* was tabled on 5 May 2016 and reviewed the following audit reports:

- ▶ Audit Report No. 52 (2014–15) *Australian Defence Force's Medium and Heavy Vehicle Fleet Replacement (Land 121 Phase 3B)*
- ▶ Audit Report No. 3 (2015–16) *Regulation of Great Barrier Reef Marine Park Permits and Approvals*
- ▶ Audit Report No. 9 (2015–16) *Test and Evaluation of Major Defence Equipment Acquisitions*

*Report 458: Defence Major Projects Report (2014–15)* was tabled on 5 May 2016 and reviewed the following audit report:

- ▶ ANAO Report No. 16 (2015–16) *2014–15 Major Projects Report*

These reports are available for download from the Parliament of Australia website, [www.aph.gov.au](http://www.aph.gov.au).

## Appendix 2 Staffing information

**Table A2.1** Staffing profile at 30 June, 2016 and 2015

Classification	2016	2015
SES Band 3	2	1
SES Band 2	5	6
SES Band 1	21	22
EL 2	75	78
EL 1	54	57
APS 6	68	69
APS 5	39	51
APS 4	35	36
APS 3	15	13
APS 2	5	3
APS 1 (Undergraduate)	8	1
Graduate	18	13
<b>Total</b>	<b>345</b>	<b>350</b>

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

Note: Includes all staff employed by the ANAO, including operative and inoperative staff. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

**Table A2.2** Paid operative staff (employed under the *Public Service Act 1999*) at 30 June, 2016 and 2015

Location	2016			2015		
	Audit	Non-audit	Total	Audit	Non-audit	Subtotal
ACT	256	59	315	270	55	325
<b>Total</b>	<b>256</b>	<b>59</b>	<b>315</b>	<b>270</b>	<b>55</b>	<b>325</b>

Note: Excludes 30 inoperative staff as at 30 June 2016. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

**Table A2.3** Paid full-time, part-time and non-ongoing staff by gender at 30 June 2016

Classification	Full-time		Part-time		Non-ongoing		Total	
	M	F	M	F	M	F	M	F
SES Band 3	1	1	0	0	0	0	1	1
SES Band 2	3	2	0	0	0	0	3	2
SES Band 1	10	10	0	1	0	0	10	11
EL 2	32	34	3	6	0	0	35	40
EL 1	21	23	0	6	0	1	21	30
APS 6	21	32	0	11	0	1	21	44
APS 5	15	22	0	0	0	1	15	23
APS 4	13	19	1	1	0	1	14	21
APS 3	0	11	0	2	0	2	0	15
APS 2	1	0	0	2	1	0	2	2
APS 1 (Undergraduate)	0	0	0	0	5	3	5	3
Graduate	13	5	0	0	0	0	13	5
<i>Subtotal</i>	<i>130</i>	<i>159</i>	<i>4</i>	<i>29</i>	<i>6</i>	<i>9</i>	<i>140</i>	<i>197</i>
<b>Total</b>	<b>289</b>		<b>33</b>		<b>15</b>		<b>337</b>	

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

Note: Includes operative and inoperative paid staff, but excludes 8 unpaid staff who were on leave without pay. Inoperative paid staff are defined as staff who are absent from work for more than 13 weeks on paid leave.

**Table A2.4** Salary ranges available for APS employees by classification level at 30 June 2016

Classification	Salary range
EL2	114,242–142,578
EL1	99,486–112,111
APS6	81,062–93,169
APS5	73,168–79,730
APS4	63,702–70,013
APS3	58,599–63,373
APS2	53,827–58,598
APS1	44,279–53,826
Graduate	58,599–70,013

APS = Australian Public Service, EL = Executive Level

### *Non-salary benefits*

Where there is a demonstrated business need, the ANAO provides SES and some APS staff with a mobile phone, tablet, laptop and/or airline lounge membership. The ANAO also offers reimbursement to staff for spectacles and professional membership fees.

**Table A2.5** Performance payments in 2015–16

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	9	102,950	11,438	7,600	15,190
EL 2	9	60,163	6,684	4,209	7,029
EL 1	5	27,109	5,421	4,876	6,340
APS 6	7	28,413	4,059	3,586	4,567
APS 5	2	7,031	3,515	3,122	3,908
APS 4	-	-	-	-	-
APS 1–3	-	-	-	-	-
<b>Total</b>	<b>32</b>	<b>225,666</b>			

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

**Table A2.6** Summary of performance ratings for the period ending 31 October 2015

	Outstanding	More than fully effective	Fully effective	Requires development	Unsatisfactory	Total
ANAO Bands 4 and 5 (EL 1 and 2)	14	46	61	2	0	123
ANAO Bands 1 to 3 (APS 1–6)	9	48	91	6	0	154
<b>Total</b>	<b>23</b>	<b>94</b>	<b>152</b>	<b>6</b>	<b>0</b>	<b>277</b>
Proportion of total eligible staff	8%	34%	55%	3%	0%	

APS = Australian Public Service, EL = Executive Level

## Appendix 3 Other management issues

### Assets management

The ANAO's assets management policy is set out in the Auditor-General's Instructions and supporting financial management procedures. High-value assets are subject to whole-of-life management, including formal tendering for acquisition, scheduled maintenance, and detailed accounting of disposal or return at the end of the useful life of the asset. The ANAO's asset management practices are designed to protect the interests of the Australian Government.

### Purchasing and procurement

The ANAO's procurement guidelines are set out in the Auditor-General's Instructions and supporting financial management procedures, which are derived directly from the *Commonwealth Procurement Rules*. All purchasing is bound by the financial management procedures under the principle of value for money and is routinely the subject of internal audit. In addition, all contractual performance is subject to evaluation. The ANAO's formal Procurement Plan is updated when circumstances change. The ANAO's procurement practices are designed to protect the interests of the Australian Government.

### Consultants

All tenders and contractual arrangements undertaken in 2015–16 were carried out in accordance with the *Commonwealth Procurement Rules*.

The ANAO's standard form tender documents, including contracts, accord with the Auditor-General's Instructions. Where necessary, staff can readily adapt those documents to suit specific circumstances.

The ANAO's tender evaluation processes are designed to be fair and equitable and to enable potential suppliers to compete for ANAO business. Before proceeding to a substantive evaluation, the ANAO undertakes a check against all mandatory requirements that are listed in the tender documentation.

The ANAO uses consultants on a needs basis for a variety of tasks. The most common uses of contracted consultants include the application of expert professional skills to:

- ▶ investigate or diagnose a defined issue or problem;
- ▶ carry out defined research reviews or evaluations;
- ▶ provide independent advice, information or creative solutions; and
- ▶ provide specialised services, including assistance with the development and/or implementation of purpose-built IT systems, and legal advice.



The ANAO also participates in a number of collaborative procurement arrangements with other agencies, such as the Creative and Digital Communication Services Panel, led by the Department of Human Services, and the Legal Services Multi-Use List, run by the Attorney-General's Department.

The major competitive tendering and contracting activities in 2015–16 were to obtain professional skills to assist with certain financial statement and performance audits.

During 2015–16, 21 new consultancy contracts were entered into involving total actual expenditure of \$0.679 million (including GST). In addition, three ongoing consultancy contracts were active during 2015–16, involving a total actual expenditure of \$0.277 million (including GST).

No contracts in excess of \$10,000 (including GST) or standing offers were exempted by the Auditor-General from being published on AusTender on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*.

The ANAO held no contract to the value of \$100,000 or more that did not provide for the Auditor-General to have access to the contractor's premises.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website, [www.tenders.gov.au](http://www.tenders.gov.au).

## Procurement initiatives to support small business

The ANAO supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website: <http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts>.

Procurement practices support SMEs by the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. Practices also support the use of electronic systems or other processes to facilitate on-time payment, including the use of payment cards.

The ANAO recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website, [www.treasury.gov.au](http://www.treasury.gov.au).

## Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2015–16. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$12,700 (including GST) to market research organisations and media advertising organisations, incurred in the course of audit and assurance reviews, are set out in Table A3.1.

**Table A3.1** Payments over \$12,700 (including GST) to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations, 2015–16

Organisation	Service provided	Payments (\$)
ORIMA Research (market research organisation)	Online survey to assist assurance audit	49,500
	Online survey to assist performance audit	60,720
Piazza Research Pty Ltd	Online survey to assist performance audit	17,512

## Grant programs

The ANAO does not administer any grant programs.

## Environmental protection and biodiversity conservation

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires that Australian Government entities include a section detailing their environmental performance and contribution to ecologically sustainable development in their annual report.

### *Contribution to ecologically sustainable development*

While the ANAO does not have any specific responsibility for administering ecologically sustainable development provisions, its audit reports make an indirect contribution by improving accountability and providing independent assessments of relevant Australian Government programs to the Parliament.

### *Environmental strategy*

The ANAO has developed an internal environmental strategy based on an Environmental Policy that outlines governance arrangements for the environmental management system and environmental responsibilities, monitoring and reporting. Corporate Management Branch manages the implementation of the strategy.

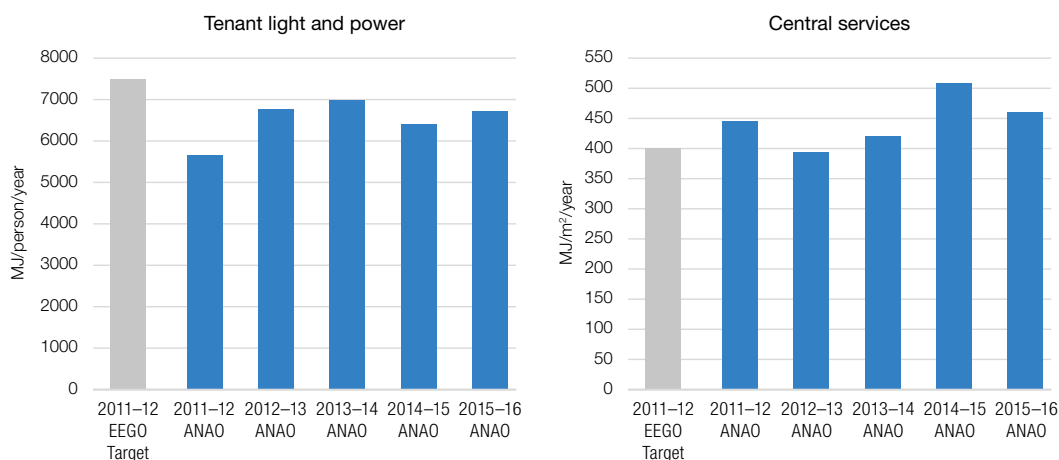
### *Effect of activities on the environment*

The ANAO monitors its energy and water usage and waste management, as core indicators of the effect of its activities on the environment.

## Energy

Figure A3.1 compares the ANAO's tenant light and power use and central services with the Energy Efficiency in Government Operations (EEGO) target figures.

**Figure A3.1** Tenant light and power and central services, 2012–13 to 2015–16



EEGO = Energy Efficiency in Government Operations; MJ = megajoules

Note: Tenant light and power figures are calculated by dividing the energy used in the ANAO's tenanted areas by the average number of occupants for the past financial year. Central services figures are calculated by dividing the energy used to run the building's plant machinery by the number of tenanted square metres.

The Australian Government's EEGO policy sets energy intensity targets of 7,500 megajoules per person per year for tenant light and power, and 400 megajoules per square metre per year for central services.

During 2015–16, tenant light and power use averaged 6,729 megajoules per person, which was 771 megajoules per person below the target of 7,500 megajoules. The ANAO's central services energy usage was 461 megajoules per square metre. This was a decrease of 47 megajoules per square metre compared to the result for 2014–15.

The ANAO holds regular discussions with the lessor of its Barton office with the aim of improving the overall environmental performance of the premises.

## Water and waste

Based on occupied building floor area, the ANAO's building water use intensity was 0.79 kilolitres per square metre in 2015–16. This was an increase of 0.20 kilolitres per square metre compared with the result for 2014–15. This result equates to a four-star National Australian Built Environment Rating System (NABERS) water rating, which is considered 'Good Performance'.

Table A3.2 provides details of the disposal of ANAO's waste.

**Table A3.2** Waste, quantity and disposal, 2014–15 to 2015–16

Type of waste	Disposal method	Quantity (tonnes)	
		2015–16	2014–15
Co-mingled recyclable	Recycling	27.2	18.2
General	Landfill	10.0	10.7
Organic	Recycling	2.3	2.3
Paper	Recycling	10.2	11.4

## Disability reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). Since 2010–11, departments and agencies have not been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. These reports are available from [www.dss.gov.au](http://www.dss.gov.au).

## Freedom of information

*The Auditor-General Act 1997* provides the Auditor-General with an exemption from the provisions of the *Freedom of Information Act 1982*. Performance audits, assurance reviews and audit opinions are tabled in the Parliament and/or published on the ANAO's website, [www.anao.gov.au](http://www.anao.gov.au).

## Service charter

As the ANAO does not provide services directly to members of the public it does not have a service charter. However, the ANAO recognises that it provides a service to the community, through the delivery of a range of audit services, and welcomes feedback. Comments and suggestions can be made via the ANAO website, [www.anao.gov.au](http://www.anao.gov.au), or by phone on (02) 6203 7300. Members of the public are also invited to make contributions to specific audits with each audit having a facility for contributions to be received while the audit is in progress.

## Appendix 4 Transparency reporting

**Table A4.1** Transparency reporting

Prescribed information <sup>a</sup>	Coverage in the annual report
Description of the auditor's legal structure and ownership	The 'Role' section of Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO. Refer to page 11.
Description of the auditor's governance structure	The 'Corporate governance' section of Part 2 details the corporate governance framework of the ANAO. Refer to page 17.
Description of the auditor's internal quality control system	Criterion 16 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements. Refer to pages 46 and 47.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	Criterion 16 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements. Refer to pages 46 and 47.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	<p>The 'External scrutiny' section of Part 2 details the bodies that are authorised to review the work of the ANAO and the external review conducted during the year. Refer to page 22.</p> <p>Appendix 1 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit (JCPAA). Refer to page 76.</p>
The names of the bodies for which the auditor conducted an audit in the reporting year	<p>The year-end report to the Parliament on audits of financial statements lists all entities for which financial statements audits were conducted during 2015–16.</p> <p>Information on all audits tabled by the Auditor-General in the Parliament during 2015–16 is available on the ANAO website: <a href="http://anao.gov.au">anao.gov.au</a>.</p>
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Ethical standards and independence' section of Part 2 details the ANAO's independence framework for audit professionals. Refer to page 22.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Learning and development' section of Part 2 details the ANAO's education framework for audit professionals. Refer to page 26.
Financial information for the auditor for the reporting year	<p>The 'Financial results' section of Part 3 provides an overview of the ANAO's financial results. Refer to pages 47 and 48.</p> <p>The ANAO's audited financial statements are at Part 4. Refer to pages 49 to 73.</p>
Information on the basis for remuneration of the auditor's senior managers	The 'Management of Human Resources' section of Part 2 details the ANAO's arrangements for performance assessment and performance pay and senior executive remuneration. Refer to pages 24 and 26.

Note a: Based on the items set out in Schedule 7A of the Corporations Regulations 2001.

## Appendix 5

# Agency resource statement and expenses by outcome

## Agency resource statement

**Table A5.1** Agency resource statements, 2015–16

	Actual available appropriations for 2015–16 \$'000	Payments made 2015–16 \$'000	Balance remaining 2015–16 \$'000
<b>Ordinary annual services</b>			
Departmental appropriation <sup>a</sup>	115,821	77,876	37,945
Total ordinary annual services	115,821	77,876	37,945
<b>Special appropriations</b>			
Auditor-General remuneration and expense—Auditor-General Act 1997, Schedule 1, sections 3 and 7	677	677	-
Total special appropriations	677	677	-
<b>Total resourcing and payments</b>	<b>116,498</b>	<b>78,553</b>	<b>37,945</b>

Note a: Appropriation Bill (No.1) 2015–16, prior year departmental appropriation and section 74 receipts.

## Expenses by outcome

**Table A5.2** ANAO's summary of total expenses for Outcome 1, 2015–16

	Budget <sup>a</sup> 2015–16 \$'000	Actual expenses 2015–16 \$'000	Variation 2015–16 \$'000
<i>Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public.</i>			
<b>Program 1.1: Assurance Audit Services</b>			
<b>Departmental expenses</b>			
Departmental appropriation <sup>b</sup>	46,937	45,024	1,913
Special appropriation	322	338	(16)
Expenses not requiring appropriation in the Budget year	1,015	974	41
<b>Total for Program 1.1</b>	<b>48,274</b>	<b>46,336</b>	<b>1,938</b>
<b>Program 1.2: Performance Audit Services</b>			
<b>Departmental expenses</b>			
Departmental appropriation	28,649	29,564	(915)
Special appropriation	322	339	(17)
Expenses not requiring appropriation in the Budget year	890	833	57
<b>Total for Program 1.2</b>	<b>29,861</b>	<b>30,736</b>	<b>(875)</b>
<b>Total for Outcome 1</b>	<b>78,135</b>	<b>77,072</b>	<b>1,063</b>
		2015–16	2014–15
<b>Average staffing level (number)</b>		<b>322</b>	<b>336</b>

Note a: Full year budget, including any subsequent adjustment made to the 2015–16 Budget.

Note b: Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s. 74)'.

## Appendix 6

## Contact directory

**Street address:**

19 National Circuit  
Barton ACT 2600

**Postal address:**

GPO Box 707  
Canberra ACT 2601

**Phone:** (02) 6203 7300

**Website:** [www.anao.gov.au](http://www.anao.gov.au)

**Email:** [communication@anao.gov.au](mailto:communication@anao.gov.au)



# Part 6—References

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## Abbreviations list

AASB	Australian Accounting Standards Board
AGO	Papua New Guinea Auditor-General's Office
ANAO	Australian National Audit Office
APS	Australian Public Service
ASOSAI	Asian Organization of Supreme Audit Institutions
BPK	Indonesian Board of Audit
CPD	continuous professional development
Defence	Department of Defence
EEGO	Energy Efficiency in Government Operations
GPF	Australia Indonesia Government Partnerships Fund
GST	goods and services tax
ICT	information and communications technology
INTOSAI	International Organization of Supreme Audit Institutions
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
NABERS	National Australian Built Environment Rating System
PASAI	Pacific Association of Supreme Audit Institutions
PGPA Act	Public Governance, Performance and Accountability Act 2013
PSM	Public Service Medal
QA	quality assurance
SAIs	supreme audit institutions
SES	Senior Executive Service
SGP	Strongim Gavman Program
SME	Small and Medium Enterprises
WHS	Work health and safety

## List of Requirements

Section 17AJ(d) of the PGPA Rule 2014 requires the following list of requirements be included in the annual report as an aid of access.

PGPA Rule Reference	Location in report	Description	Requirement
<b>17AD(g)</b>	<b>Letter of transmittal</b>		
17AI	90	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
<b>17AD(h)</b>	<b>Aids to access</b>		
17AJ(a)	5	Table of contents.	Mandatory
17AJ(b)	95	Alphabetical index.	Mandatory
17AJ(c)	89	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	90–94	List of requirements.	Mandatory
17AJ(e)	4, 88	Details of contact officer.	Mandatory
17AJ(f)	4, 88	Entity's website address.	Mandatory
17AJ(g)	4	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	7–10	A review by the accountable authority of the entity.	Mandatory
<b>17AD(b)</b>	<b>Overview of the entity</b>		
17AE(1)(a)(i)	11	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	14	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	15–17	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	12	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments - mandatory
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory
<b>17AD(c)</b>	<b>Report on the Performance of the entity</b>		
	<i>Annual performance Statements</i>		
17AD(c)(i); 16F	29–47	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
17AD(c)(ii)	<i>Report on Financial Performance</i>		
17AF(1)(a)	47–48	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	86	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
<b>17AD(d)</b>	<b>Management and Accountability</b>		
	<i>Corporate Governance</i>		
17AG(2)(a)	20	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	91	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	91	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	91	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	17–22	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d)–(e)	23	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory
	<i>External Scrutiny</i>		
17AG(3)	22	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	23	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	23	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	23	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
	<i>Management of Human Resources</i>		
17AG(4)(a)	24–28	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
17AG(4)(b)	27, 77–78	<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> <li>• Statistics on staffing classification level;</li> <li>• Statistics on full-time employees;</li> <li>• Statistics on part-time employees;</li> <li>• Statistics on gender;</li> <li>• Statistics on staff location;</li> <li>• Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory
17AG(4)(c)	24–26	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the Public Service Act 1999.	Mandatory
17AG(4)(c)(i)	24–26	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	78	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	79	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	79	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	79	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	79	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	79	Information on aggregate amount of performance payments.	If applicable, Mandatory
<i>Assets Management</i>			
17AG(5)	80	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
<i>Purchasing</i>			
17AG(6)	80	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
<i>Consultants</i>			
17AG(7)(a)	80	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
17AG(7)(b)	81	A statement that “During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]”.	Mandatory
17AG(7)(c)	80–81	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	81	A statement that “Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.”	Mandatory
<i>Australian National Audit Office Access Clauses</i>			
17AG(8)	N/A	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
<i>Exempt contracts</i>			
17AG(9)	N/A	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory
<i>Small business</i>			
17AG(10)(a)	81	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory
17AG(10)(b)	81	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	81	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory
<i>Financial Statements</i>			
17AD(e)	49–73	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
<b>17AD(f)</b>	<b>Other Mandatory Information</b>		
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory
17AH(1)(a)(ii)	81	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	N/A	A statement that “Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory
17AH(1)(c)	84	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	84	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	N/A	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	82–84	Information required by other legislation	Mandatory

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